

Principles for Responsible Banking

Reporting and Self- Assessment

The Principles for Responsible Banking (PRB) provide a framework for a sustainable banking system with the aim of aligning the industry with the United Nations (UN) Sustainable Development Goals (SDGs) and the Paris Agreement. The PRB will embed sustainability at the strategic, portfolio and transactional levels, across all business areas. Zürcher Kantonalbank signed up to the UNEP Principles for Responsible Banking in December 2021 and is committed to continuously improving the firm's impact and contribution to society in accordance with the Principles.

June 2024

Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Zürcher Kantonalbank (ZKB) is a leading universal bank in the greater Zurich area with national roots and international reach. It is an independent public-law institution of the Canton of Zurich, and has received top ratings from the rating agencies Standard & Poor's, Moody's and Fitch (AAA / Aaa). The interests and strategy of the owner are set out in the Cantonal Banking Act on Zürcher Kantonalbank. As a public-law institution, we are under the overall supervision of the Cantonal Parliament. In accordance with § 2 of the Zürcher Kantonalbank Act, the purpose of Zürcher Kantonalbank is to contribute to the canton's fulfilment of its economic, social and ecological tasks and thus to support sustainable development (Section 1).

Zürcher Kantonalbank shall meet its investment and financing needs through a business policy geared towards continuity. In doing so, it shall particularly take into account the concerns of small and medium-sized companies, employees, agriculture and public-sector corporations. It promotes home ownership and affordable housing as well as the achievement of greenhouse gas neutrality (Cantonal Banking Act § 2, Section 2). We shall fulfil our public service mandate with a business policy, which is focused on consistency and continuity and based on market-oriented principles. In order to remain competitive and fulfil the public service mandate in the long term, we strive to make a reasonable profit and ensure our continued existence and further development with a correspondingly sustainable return on equity. In 2023, expenses from the public service mandate that were not purely profit-oriented or cost-covering totaled over CHF 161 million.

In accordance with § 7 of the Zürcher Kantonalbank Act, the bank conducts «the business of a universal bank». As a universal bank, we offer a wide range of products and services. Our core business includes the following: financing (especially mortgages and corporate loans), investment and asset management, custody, trading and capital markets, and the borrowing, payment transactions and card businesses. We also offer additional services, such as leasing and advice on financial, tax, inheritance, succession and real estate matters.

With total assets of CHF 201 billion and over 6,000 employees (group), we are the largest cantonal bank and the second-largest universal bank in Switzerland. We are also the third-largest fund provider and one of the largest start-up promoters in Switzerland. Since 2005, we have financed 261 start-ups with CHF 280 million in equity and mezzanine capital. In the Zurich economic area, we have a market penetration of around 50 percent in all core segments, which puts us in pole position. Nearly half of the people of Zurich and of the companies domiciled in the Canton of Zurich are clients of Zürcher Kantonalbank. With 51 branches and contact centres and 270 ATMs, Zürcher Kantonalbank has the densest network of branches and ATMs in the Canton of Zurich. We are the bank for small and medium-sized enterprises (SMEs) in the Greater Zurich Area. At the end of 2023, we counted around 72,000 companies as active clients. Over 90 percent of our corporate clients are SMEs. Our client segments include retail clients, high-net-worth individuals, private banking clients, SMEs, commercial clients, business clients and corporate clients as well as other specialised segments (large corporations, pension funds, financial institutions, key clients, external asset managers, international private clients). The parent company of Zürcher Kantonalbank is located in Zurich. In accordance with the organisational regulations for the group and the parent company, the parent company excludes the subsidiaries and sub-subsidiaries of Zürcher Kantonalbank.

[Constitution of the Canton of Zurich \(§ 109 «The canton shall operate a cantonal bank»\)](#)

[Cantonal Banking Act \(§ 2\)](#)

[Guidelines for the Fulfillment of the Zürcher Kantonalbank's Public Service Mandate](#)

[Sustainability report \(pp. 8-10\)](#)

[Annual report \(pp. 21-25, pp. 28-30, pp. 114-115, pp. 197-201\)](#)

[Corporate strategy](#)

[Group mission statement](#)

The relevant key figures for the 2023 financial year are:

- Consolidated profit: CHF 1,238 million
- Profit distribution: CHF 528 million
- Return on equity (RoE): 9.3 percent
- Total assets: CHF 201.3 billion
- Shareholders' Equity: CHF 14.3 billion
- Mortgage loans: CHF 100.9 billion
- Credit exposure to companies: CHF 36 billion
- Client assets: CHF 450.8 billion
- Active private clients: 740,000
- Active corporate clients: 72,000
- Risk capital funding for start-ups and scale-ups: CHF 15.8 million

Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

- Yes
 No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

- UN Guiding Principles on Business and Human Rights
 International Labour Organization fundamental conventions
 UN Global Compact
 UN Declaration on the Rights of Indigenous Peoples
 Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: [Transparency on Non-financial Matters referred to Art. 964a et seq. in the Swiss Code of Obligations \(CO\)](#), [Ordinance on Climate Disclosures \(TCFD-Disclosure\)](#), [FINMA disclosure requirements in the area of climate-related financial risks](#)
 Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: [Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour in the Swiss Code of Obligations \(CO\)](#), [Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour \(DDTrO\)](#)
 None of the above

Sustainability is an integral part of Zürcher Kantonalbank's group strategy, in accordance with the Zürcher Kantonalbank Act and the implementing Guidelines for the Fulfilment of the Public Service Mandate. The objectives of «sustainable development» and «greenhouse gas neutrality» are anchored in the paragraph of the Zürcher Kantonalbank Act on the bank's purpose as of 1 January 2024. Zürcher Kantonalbank understands sustainability to mean harmonising successful business activity with responsibility for the environment and society on a long-term basis. To this end, it sets itself the following ambitions and is guided by the Sustainable Development Goals (SDGs) of the United Nations:

- We accompany our clients on the path to a more sustainable future.
- We are a leading provider of sustainable offers (products and services).
- We actively shape sustainability issues.

The group's sustainability policy implements the sustainability ambitions stipulated in its strategy and sets out the guidelines for all its business activities at group level, in the investment and pension business, financing business, deposit business and payment transactions, in our own financial investments and operations as well as in procurement and commitments. Specifically, requirements and exclusions are defined based on environmental, social and corporate governance (ESG) aspects.

The most important instruments for managing and monitoring the public service mandate are:

- Group mission statement as guiding framework

[Cantonal Banking Act \(§ 2\)](#)

[Guidelines for the Fulfillment of the Zürcher Kantonalbank's Public Service Mandate](#)

[Public service mandate](#)

[Sustainability report \(pp. 16-25\)](#)

[Corporate strategy](#)

[Sustainability policy](#)

To comply with the above-mentioned frameworks:

- [Sustainability report / Report on non-financial matters in accordance to Art. 964 CO](#)
- [Climate report with reference to the recommendation of the TCFD and implementation of the first](#)

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- Public service mandate 2030 with the three sub-mandates of service, support and sustainability integrated into the balanced scorecard, the bank's strategic management tool
 - Group strategy and strategies of the business units (business unit strategies)
 - Annual planning and objective setting in the business units at all levels

We published our 2023 Sustainability Report in April 2024.

- [requirements of the Net-Zero Banking Alliance \(NZBA\)](#)
 - [Disclosure of climate-related financial risks 2023 in accordance with the requirements of the Swiss Financial Market Supervisory Authority FINMA](#)
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Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly¹ and fulfil the following requirements/elements (a-d)²:

- a) **Scope:** What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

Our impact analysis focusses on Zürcher Kantonalbank (parent company), which is based in Zurich and comprises all the business areas described under Principle 1. Both the balance sheet and the income statement of the Zürcher Kantonalbank Group are dominated by the parent company. Our subsidiaries Zürcher Kantonalbank Österreich AG, Zürcher Kantonalbank Finance (Guernsey) Ltd., ZKB Securities (UK) Ltd. and their respective representative offices are not included.³

As the bank of the people of Zurich, our sphere of activity is shaped by our legal public service mandate: *«The bank satisfies investment and financing needs through a business policy geared towards continuity. In doing so, it especially takes into account the concerns of small and medium-sized enterprises, employees, agriculture and public-sector corporations. It promotes home ownership, construction of affordable housing as well as the achievement of greenhouse gas neutrality.»* (Cantonal Banking Act, §2, Section 2)

Our impact is based on our public service mandate, which is made up of our service mandate, support mandate and sustainability mandate. In the 2023 financial year, the Board of Directors focused on the strategic development of the public service mandate with a view to the year 2030. The first report on the 2030 public service mandate will be submitted to the Parliamentary Committee for the Supervision of Commercial Undertakings (AWU) in the 2024 financial year. The following areas of activity were defined by the Board of Directors:

- Service mandate: We offer our clients access to our financial services through all channels, whether physical or digital. We have the densest branch network in the Canton of Zurich and cost-efficiently cover the basic needs of our clients. We stand out due to the high quality of the financial services we provide. Stability and security are central pillars of Zürcher Kantonalbank.
- Support mandate: We are one of the largest providers of vocational training and a major employer in the canton. We are one of the largest promoters of start-ups in Switzerland. We support the innovation and educational institutions in the Canton of Zurich. Our contribution to strengthening the canton's competitiveness is an important pillar of our public service mandate. Through our sponsorship commitments and awards, we help improve the quality of life in the Canton of Zurich by protecting our natural resources and strengthening social cohesion. That is why we are committed to nature and the environment as well as sustainable mobility, cultural diversity and equal opportunities, access to financial knowledge, education and innovation as well as the promotion of entrepreneurship.
- Sustainability mandate: With our sustainability mandate, we focus on operational sustainability, sustainable banking and promoting the net-zero transition by implementing the goals of the Net-Zero Banking Alliance (NZBA) and the Net Zero Asset Managers Initiative (NZAM). When it comes to implementation within our own company, we are a role model in the areas of net zero and employee satisfaction.

[Annual report \(p. 68, p. 115, p. 133, pp. 147-148, p. 156\)](#)

[Cantonal Banking Act \(§ 2\)](#)

[Public service mandate](#)

¹ That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

² Further guidance can be found in the [Interactive Guidance on impact analysis and target setting](#).

³ Disclosure on companies in which the bank holds a permanent direct or indirect significant participation can be found on page 137 in the Annual report.

- b) Portfolio composition:** Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope
- i) by sectors & industries⁴ for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
 - ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

Our impact analysis is based on the public service mandate. *«Zürcher Kantonalbank shall meet its investment and financing needs through a business policy geared towards continuity.»*

[Cantonal Banking Act \(§ 2, Art. 2\)](#)

Investment business:

Our investment and pension business is one of Zürcher Kantonalbank's core businesses.

- We managed a total of around CHF 451 billion in assets as at the end of 2023.
- With CHF 246 billion in assets under management (AuM), our Asset Management division is the third-largest asset manager in Switzerland.

[Annual report \(p. 115, p. 133, pp. 147-148, p. 152, pp. 174-176, p. 177\)](#)

[Sustainability report \(p. 9\)](#)

Financing business:

- Our balance sheet-relevant financing business is dominated by the **mortgage business** (CHF 100.9 billion), which mainly focuses on the Zurich economic area. Over 80 percent of these mortgage assets relate to residential properties. The remaining receivables are secured by office and commercial properties. 100% of the mortgage loans listed on the balance sheet are domestic.

Credit exposures by client portfolio

- 50 percent of «Credit exposures by client portfolio» relate to loans made to «private individuals» and consisted almost entirely of receivables secured by mortgages.
- The Corporates portfolio consists of credit exposures in relation to clients of a commercial nature (incl. real estate companies and cooperative building associations). The share of this client group in total credit exposures was 25 percent, 82 percent of which was secured by mortgages or cash.
 - Unsecured credit exposures to corporate clients (CHF 6.4 billion) are broken down by industry in the annual report. These include (not exhaustive):
 - Manufacturing and production of goods
 - Trade, maintenance and repair of motor vehicles
 - Information and communication, land and housing, scientific and technical services
 - Financial and insurance services
 - Energy and water supply
 - Unsecured credit exposures to corporate clients are also broken down into climate-sensitive and other industries: Of the CHF 6.4 billion in uncovered loans to companies, CHF 2.8 billion are in climate-sensitive sectors, which corresponds to 7.8 percent of the total balance sheet exposure.
- The remaining 25 percent of «Credit exposures by client portfolio» are broken down into «Banks and securities dealers», «Financial sector excluding banks» and «Governments and public entities».

Geographic focus and specific needs of client groups: We focus on the Zurich economic area and have a market penetration of around 50 percent in both retail and corporate banking in the Canton of Zurich. With regard to client groups, we place a special focus on the target groups defined in § 2 of the Cantonal Banking Act, in particular SMEs. Around 90 percent of our approximately 70,000 corporate clients, are SMEs. With around 30,000 financed residential units, Zürcher Kantonalbank is now a recognised financing specialist and reliable partner in the area of affordable housing.

⁴ 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?⁵ Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

Zürcher Kantonalbank used the UNEP FI Portfolio Impact Analysis Tool – Context Module (Version 2) to determine the relevant impact areas. We focused our analysis on Switzerland as a location and also took into account the following relevant frameworks:

- Switzerland’s 2030 Sustainable Development Strategy (national implementation of the 2030 Agenda)
- MONET 2030 indicator system from the Federal Statistical Office (monitoring system for sustainable development in Switzerland)
- Switzerland’s long-term climate strategy
- Climate strategy of the Canton of Zurich
- Zürcher Kantonalbank Act, § 2 (public service mandate)

As a result of our analysis using the «Context Module» (Switzerland), we have identified the following areas of impact: «Climate», «Circular economy» and «Availability, accessibility, affordability, quality of resources and services» (financial health and inclusion). They are in line with the Switzerland’s 2030 Sustainable Development Strategy, which has defined the priority topics in terms of challenges for Switzerland, namely «Climate, energy and biodiversity», «Sustainable consumption and sustainable production» as well as «Equal opportunities and social cohesion». They are also in line with the public service mandate of Zürcher Kantonalbank.

The Sustainability Report contains detailed information on our stakeholder groups as well as the process used for defining material topics in accordance with GRI and the analysis of potentially positive and negative impacts.

[Federal Sustainable Development Strategy 2030](#)

[Long-term climate strategy to 2050 \(FOEN\)](#)

[Long-term climate strategy of the Canton of Zurich](#)

[The MONET 2030 indicator system, Federal Statistical Office](#)

[Cantonal Banking Act \(§ 2\)](#)

[Sustainability report \(pp. 78-79\)](#)

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)⁶? Please disclose.

Based on the analysis carried out using the «Context Module» and with the background of the strategic further development of the 2030 public service mandate defined by the Board of Directors as well as the material topics determined in accordance with the Global Reporting Initiative (GRI) standards, we have identified the following two areas of impact:

Climate

The Swiss government has committed to net-zero greenhouse gas emissions by 2050. The Canton of Zurich is aiming for net zero by 2040, or 2050 at the latest. Greenhouse gas neutrality has been explicitly enshrined in the Cantonal Banking Act on Zürcher Kantonalbank since 1 January 2024. Where appropriate, we also factor in aspects related to the circular economy.

Zürcher Kantonalbank has been committed to the Net-Zero Banking Alliance since the end of 2022 and accompanies its clients on their path to net zero. With regard to climate-related financial risks, Zürcher Kantonalbank distinguishes between physical risks and transition risks. Physical climate risks are significantly less important for the risk profile of Zürcher Kantonalbank than transition risks.

Through our mortgage business, we are directly linked to the real estate sector, which is responsible for a quarter of Switzerland’s CO₂ emissions. As mortgage loans make up around 50 percent of our balance sheet, the decarbonisation of our mortgage business is pivotal.

Financial health and inclusion

Based on our statutory public service mandate to provide added value to society through banking services aligned with our support mandate and service mandate, we also focus on the «Financial health and integration» area of impact. Geographically, our focus is on the Zurich economic area and in terms of target groups and topics, it is on the target groups explicitly

[Climate report](#)

[Sustainability report \(pp. 76-77\)](#)

⁵ Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

⁶ To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

defined in the Zürcher Kantonalbank Act, meaning SMEs, employees, agriculture and public-sector corporations, as well as the promotion of home ownership and affordable housing.

d) For these (min. two prioritized impact areas): **Performance measurement:** Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health & inclusion as your most significant impact areas, please also refer to the applicable indicators in the [Annex](#).

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

Climate

- Zürcher Kantonalbank has been committed to the Net-Zero Banking Alliance since the end of 2022 and our Asset Management has been committed to the Net Zero Asset Managers Initiative since July 2021. As part of the Net Zero Assets Managers Initiative and the Net-Zero Banking Alliance, we are guided by science-based climate scenarios.
- In its Climate Report 2023, which is aligned with the recommendations of the TCFD, Zürcher Kantonalbank has disclosed its climate-related financial risks and described its climate targets in the investment business, financing business and in its own operations. The environmental management system has been certified to ISO 14001 since 2002 and takes into account the implementation of ecological requirements within the company.

A detailed overview of our quantitative targets, including reference scenarios and monitoring, can be found in the Climate Report 2023.

Financial health and inclusion

Our approach to performance measurement is being developed with a view to the next self-assessment. The basis for this is our statutory public service mandate, which was strategically developed by the Board of Directors in the 2023 financial year with a view to 2030 and will be applied for the first time in the 2024 financial year. A report will be submitted to the Parliamentary Committee for the Supervision of Commercial Undertakings (AWU) for the first time in Q1/2025.

For further information, please refer to our Sustainability Report 2023.

[Annual report \(p. 133, pp. 147-148, p. 152, pp. 174-176, p. 177\)](#)

[Federal Sustainable Development Strategy 2030](#)

[Long-term climate strategy to 2050 \(FOEN\)](#)

[Long-term climate strategy of the Canton of Zurich](#)

[Climate report \(Chapter 5.2.2 and 5.3\)](#)

[Sustainability report \(pp. 58-69\)](#)

[NZAM Swisscanto by Zürcher Kantonalbank](#)

Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?

Scope:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> In progress	<input type="checkbox"/> No
Portfolio composition:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> In progress	<input type="checkbox"/> No
Context:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> In progress	<input type="checkbox"/> No
Performance measurement:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> In progress	<input type="checkbox"/> No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

[Climate](#); [Financial health and inclusion](#)

How recent is the data used for and disclosed in the impact analysis?

- Up to 6 months prior to publication
- Up to 12 months prior to publication
- Up to 18 months prior to publication
- Longer than 18 months prior to publication

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets⁷ have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) Alignment: which international, regional or national policy frameworks to align your bank's portfolio with⁸ have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. *You can build upon the context items under 2.1.*

Climate:

- Financing business: Due to its climate and balance sheet relevance, Zürcher Kantonalbank has set its first climate target in the financing business for the residential mortgage business (82.6 percent of mortgage loans). We are guided by Switzerland's long-term climate target of net-zero greenhouse gas emissions by 2050 and are using the Energy Perspectives 2050+ scenario for this purpose.
- Asset Management: Around 25 percent of assets in Asset Management are pursuing the 1.5°C climate target, while a further 20 percent of assets are pursuing the «well below 2°C» climate target, which corresponds to an annual reduction in CO₂e of at least 4 percent. The remaining 55 percent of our assets in Asset Management represent passively managed funds, where the asset owner has only limited, indirect influence over the choice of investment strategy.
- Own operations: The goal of our new operational environmental programme for 2023–2030 is to reach net zero by 2030. To this end, we want to reduce our operational carbon footprint to no more than 1,800 CO₂e tonnes by 2030. We have already achieved a significant reduction since 2017. All emissions that we are unable to reduce completely will be offset with technical and natural negative emission technologies (NET) by 2030 at the latest in order to achieve the net-zero target in operations.

A detailed overview of our quantitative targets, including reference scenarios and monitoring, can be found in the Climate Report 2023. We are currently working on further quantitative climate targets.

The defined targets for the area of «Financial health and inclusion» will be published in the next self-assessment.

[Climate report \(Chapter 5\)](#)

b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the [Annex](#), using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

Impact area	Indicator code	Response
Climate change mitigation	...	
	...	
	...	

Impact area	Indicator code	Response
Financial health & inclusion	...	
	...	
	...	

⁷ Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

⁸ Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

<p>An overview of our climate targets with the relevant indicators (reference values), base year, methodology and scenario can be found on page 22 of our Climate Report.</p> <ul style="list-style-type: none"> – Reference year for the residential mortgage business and for own operations: 2022 – Reference year for the climate targets of our Asset Management division: 2019 	<p>Climate report (Chapter 5)</p>
<p>c) SMART targets (incl. key performance indicators (KPIs)⁹: Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.</p>	
<p>Climate</p> <ul style="list-style-type: none"> – Targets for the residential real estate mortgage business: <ul style="list-style-type: none"> – 2030: 8.7 kg CO₂/m² energy reference area; 44 percent reduction compared to the base year – 2040: 0.9 kg CO₂/m² energy reference area; 94 percent reduction compared to the base year – Our Asset Management division has joined the Net-Zero Asset Managers Initiative and has around 25 percent of assets under management committed to the 1.5°C climate target, which calls for an annual reduction in CO_{2e} intensities of at least 7.5 percent. A further 20 percent of the assets in our Asset Management division pursue a <2°C climate target. The detailed targets of our Asset Management division are listed in the Climate Report (Chapter 5.3): <ul style="list-style-type: none"> – 2025: Reduction of GHG emissions by 32 percent – 2030: Reduction of GHG emissions by 54 percent – 2040: Reduction of GHG emissions by 79 percent – 2050: Reduction of GHG emissions by 90 percent <p>SMART goals for the «Financial health and inclusion» impact area will be created in conjunction with the next self-assessment. Additional information is available in Sustainability Report 2023 (pp. 58–69).</p>	<p>Climate report (Chapter 5)</p> <p>Sustainability report (p. 58-69)</p>
<p>d) Action plan: which actions including milestones have you defined to meet the set targets? Please describe. Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.</p>	
<p>Climate</p> <ul style="list-style-type: none"> – Residential mortgage business: Measures aimed at helping our clients with energy-efficiency modernisation projects are described on pages 46–50 of the Sustainability Report. – Asset management: The implementation measures can be found on pages 51-53 of Sustainability Report 2023. – Own operations: Our operational climate target forms part of our operational environmental programme, which is certified to ISO 14001. <p>Financial health and inclusion</p> <p>As part of our public service mandate, we offer various not purely profit-oriented or cost-covering services to promote financial health and inclusion.</p> <ul style="list-style-type: none"> – Everyday banking: In January 2024, we introduced free everyday banking (no annual fee, up to three private accounts and one savings account, up to two ZKB Visa debit cards) for our around 740,000 active private clients. – Support in all phases of life: For private clients, this includes free basic advice, financial incentives to promote the purchase of a first home and a lifelong mortgage in the third phase of life. – SMEs: We can support SMEs throughout their entire lifecycle – from the start-up phase with microloans in collaboration with the «GO! Ziel selbstständig» association or our Start-up Finance division, followed by expert advice and support as well as succession advice in the final phase. In the 2023 reporting year, Zürcher Kantonalbank counted over 3,000 non-cost-covering micro-loans of less than CHF 200,000 for SMEs. <p>Further information can be found on pages 58–69 of the Sustainability Report.</p>	<p>Climate report (Chapter 5)</p> <p>Sustainability report (pp. 58-69)</p> <p>Annual report</p>

⁹ Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	... first area of most significant impact: <i>Climate change mitigation</i>	... second area of most significant impact: <i>Financial health / inclusion</i>	(If you are setting targets in more impact areas) ...your third (and subsequent) area(s) of impact: ... (please name it)
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No

2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Climate

- Residential mortgage business: We have developed a «customer journey» to support our clients that is described in detail on pages 47–49 of Sustainability Report 2023. In this context, we publish certain KPIs, such as the total volume of the ZKB environmental loan (CHF 1.34 billion), the number of heating replacement consultations used, which we offer free of charge in collaboration with the Canton of Zurich and the cities of Zurich and Winterthur (1,900), as well as the fact that around 40 percent of the clients surveyed who have taken advantage of the heating replacement consultations we offer have switched to a modern heating system within two years.
- Asset management: Sustainability reporting was introduced for the Responsible and Sustainable investment solutions with sustainable investments. These can be found on the homepage [here](#).
- Own operations: We successfully completed our operational environmental programme for 2018 to 2022. We exceeded our target of reducing CO_{2e} emissions to 3,000 tonnes of CO_{2e} (a reduction of 30 percent compared to the 2016 base year). Since 2010, we have reduced CO_{2e} emissions from 7,074 tonnes of CO_{2e} to 2,263 tonnes of CO_{2e}, and thus to less than 3,000 tonnes; this corresponds to a reduction of 68 percent. In addition to taking further measures to reduce emissions, we are building a removal portfolio with natural and technical Negative Emission Technology (NET) certificates for the unavoidable emissions recorded, to achieve net zero by 2030 in our own operations.

[Climate report \(Chapter 5\)](#)

[Sustainability report \(pp. 40-57, pp. 58-69\)](#)

[Swisscanto Transparency and Reporting](#)

Financial health and inclusion

The KPIs will be included in the next self-assessment.

Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers¹⁰ in place to encourage sustainable practices?

Yes In progress No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

Yes In progress No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities¹¹. It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

The Group strategy adopted by the Board of Directors defines the sustainability ambition of Zürcher Kantonalbank. It states that we seek to accompany our clients on the path to a more sustainable future. This includes supporting the transformation of the economy on the path to sustainability and net zero as well as scaling innovative sustainability and climate solutions.

The sustainability policy adopted by the Executive Board substantiates the sustainability ambition of the Group strategy and sets out the guidelines that apply across our entire business activities at Group level, in the investment and pension business, in the financing business, in the deposit business, in payment transactions, in our own financial investments in our operations, our procurement and our commitments. Specifically, requirements and exclusions are defined based on environmental, social and governance (ESG) aspects.

Exclusions are specified when business activities cannot be transformed for a more sustainable future, for example on issues related to the environment, such as the direct financing of coal-fired power plants, or issues related human rights, including the financing of outlawed weapons.

The principle that calls for us to accompany our clients on their path to a more sustainable future is evident in the support we provide to mortgage clients when making energy-efficient modernisation, for example. Our comprehensive customer journey is described on pages 47–49 in our Sustainability Report 2023. We launched another customer journey for SMEs at the end of 2023. We want to actively help companies tackle sustainability challenges and accompany them on their way to a more sustainable and successful future with a new integral range of advisory services. Our offering combines engineering and financing expertise and provides our corporate clients with recognised experts from the Reffnet.ch network. Reffnet.ch is a Swiss-wide network accredited by the federal government that has many years of experience in providing sustainability consulting to companies.

[Corporate strategy](#)

[Sustainability policy](#)

[Climate report \(Chapter 3 and 5\)](#)

[Sustainability report \(pp. 46-50\)](#)

3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

Accompanying our clients on their path to a more sustainable future in the dimensions of service, support and sustainability forms part of our public service mandate, therefore making it a business opportunity we pursue within the scope of all our business activities, including our core business activities in the financing and investment business in particular. Please refer to our Annual Report, Sustainability Report and Climate Report for further details.

[Annual report](#)

[Sustainability report \(p. 36, pp. 37-39, pp. 44-50, pp. 51-53, pp. 64-66, p. 67\)](#)

¹⁰ A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

¹¹ Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups¹²) you have identified as relevant in relation to the impact analysis and target setting process?

Yes In progress No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

Zürcher Kantonalbank and the Board of Directors maintain an open and transparent dialogue with their stakeholders. The dialogue takes place as part of a systematic exchange or in response to ad hoc enquiries. The Board of Directors and the Executive Board identify and select the stakeholder groups. A list of our stakeholders and information on how we engage in dialogue with those groups can be found on pages 78–79 of our Sustainability Report. Further details on the dialogue with our stakeholders can also be found in our Annual Report.

[Corporate governance](#)

[Sustainability report \(pp. 78-79\)](#)

[Annual report \(p. 29, pp. 40-56\)](#)

¹² Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

Yes In progress No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

Zürcher Kantonalbank stands out in the field of sustainability due to its integrated sustainability governance. This is based on the purpose article of the Cantonal Banking Act on Zürcher Kantonalbank and the publicly available guidelines on the public service mandate issued by the Board of Directors and approved by the Cantonal Parliament. The guidelines set out the tasks, competencies and responsibilities for the public service mandate. For example, the Chairperson's Committee is responsible for monitoring and developing the public service mandate. The Public Service Mandate Steering Committee (SALA) advises and supports the Chairperson's Committee and the Board of Directors in all matters relating to the public service mandate. The Chairperson of the SALA is the CEO and the Deputy Chairperson is the CFO. Together with the management of the Public Service Mandate unit and representatives from all business units, the SALA also assists the Executive Board as an advisory body. A more detailed presentation of sustainability within the existing corporate governance system, as well as the individual roles and responsibilities of the individual committees, can be found on pages 20–25 of our Sustainability Report.

The material topics were revised in 2023 with the update of the GRI Standards 2021, the legal requirements for the report on non-financial matters in accordance with the Swiss Code of Obligations, the amendment of the Zürcher Kantonalbank Act and the further development of the 2030 public service mandate. To this end, the 2022 Board of Directors seminar served as a workshop to further develop the 2030 public service mandate and the material topics. Various relevant sustainability topics were prepared in advance by the Public Service Mandate unit and presented at a preparatory meeting. The potentially negative and positive effects on sustainable development were taken into account. The outcome of the workshops was the Board of Directors' assessment of the business activities (impact) of Zürcher Kantonalbank. This enabled us to consider how we impact sustainable development and how it influences our business activities (double materiality). The results were consolidated by the Public Service Mandate unit and adopted at the 2023 Board of Directors seminar.

Each year, the Parliamentary Committee for the Supervision of Commercial Undertakings (AWU) defines a key topic for reporting on the public service mandate, which forms an integral part of the Annual Report (only in German). The AWU key topic in 2023 was about the «Property and housing market in the Canton of Zurich» (pp. 26–40, Annual Report in German).

[Guidelines for the Fulfillment of the Zürcher Kantonalbank's Public Service Mandate](#)

[Corporate governance](#)

[Annual report in German \(pp. 26-40\)](#)

[Annual report \(pp. 76-98\)](#)

[Sustainability report \(pp. 20-25\)](#)

5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Zürcher Kantonalbank is actively committed to the education of its staff and awareness-raising efforts. By training new employees, providing further education opportunities and promoting general awareness and empowerment, we ensure that our employees understand their responsibility to comply with our policies and the importance of our public service mandate. We

[Sustainability report \(p. 28-29, pp. 71-73\)](#)

also offer special ESG training courses for the financing and investment business. In autumn 2023, our client advisors were trained in ESG in the investment business in general and in the relevant requirements in the AMAS and SBA self-regulations in particular as part of the further regulatory development of our advisory process in the investment business.

Zürcher Kantonalbank has eliminated its conventional and traditional employee appraisals. Instead, we rely on an active feedback culture and continuous dialogue. Employees take responsibility for their own development and employability. Managers actively support and guide their employees and teams in this process, provide freedom and promote targeted dialogue.

Based on the 2030 public service mandate, the variable remuneration of key personnel at Zürcher Kantonalbank will be linked to the fulfilment of the public service mandate targets from the 2024 financial year onward.

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?¹³ Please describe. Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

The sustainability policy, which is adopted by the Executive Board, implements the sustainability ambition set out in the group strategy and formulates guidelines covering all relevant environmental, social and governance (ESG) issues.

The Risk Committee of the Executive Board assesses the climate-related financial risks on an annual basis. The assessment is based on the traditional risk categories, whereby compliance risks from the investment business are subsumed under business risks.

Social risks are assessed as part of the assessment of individual transactions in the lending and trading business. In the financing business, individual transactions are analysed as part of the credit risk. The creditworthiness analysis includes both the applicant's creditworthiness and credit standing. Aspects of sustainability, such as social risks, are an important part of the risk assessment performed when reviewing financing for companies with global operations.

[Corporate governance](#)

[Climate report \(Chapter 2 and 3\)](#)

[Sustainability report \(p. 59\)](#)

Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

Yes No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

Yes No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes In progress No

¹³ Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

Yes Partially No

If applicable, please include the link or description of the assurance statement.

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- GRI
- SASB
- CDP
- IFRS Sustainability Disclosure Standards (to be published)
- TCFD
- Other: UN PRI, NZAM

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis¹⁴, target setting¹⁵ and governance structure for implementing the PRB)? Please describe briefly.

In 2022 and 2023, the Board of Directors focussed on the strategic development of our 2030 public service mandate.
In 2024, we will set further quantitative climate targets. We will also integrate the Climate Report into our Sustainability Report, as required by the Ordinance on Climate-related Disclosures. The Climate Report is gradually being expanded to include transparency on the emissions financed in accordance with the Partnership for Carbon Accounting Financials (PCAF).

The KPIs for the «Financial health and inclusion» area will be collected for the first time for financial year 2024 in line with the 2030 public service mandate and are expected to be incorporated into the third self-assessment.

[Our Member- and Partnerships](#)

[Climate report](#)

[Disclosure of climate-related financial risks](#)

6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- Embedding PRB oversight into governance
- Gaining or maintaining momentum in the bank
- Getting started: where to start and what to focus on in the beginning
- Conducting an impact analysis
- Assessing negative environmental and social impacts
- Choosing the right performance measurement methodology/ies
- Setting targets
- Customer engagement
- Stakeholder engagement
- Data availability
- Data quality
- Access to resources
- Reporting
- Assurance
- Prioritizing actions internally

¹⁴ For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

¹⁵ For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.