

Financial year 2021



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1 Introduction

This report provides information on Zürcher Kantonalbank's sustainability commitment in financial year 2021 using the applicable Global Reporting Initiative (GRI) standards. It includes information on universal and topic-specific standards as well as additional information for the financial services industry. All references in the report are posted online at www.zkb.ch.

2 General information

2.1 Organisational profile

GRI 102-1: Name of the organisation

Zürcher Kantonalbank

GRI 102-2: Activities, brands, products and services

Zürcher Kantonalbank has successfully positioned itself as a universal bank with a regional base as well as a national and international network. In line with its public service mandate, it provides the people and companies with financial services, helps the Canton of Zurich carry out its economic, social and ecological tasks, and observes the principles of sustainability in its business activities both at home and abroad.

We are the bank that's "close to you": "We support, advise and offer solutions. Always. Everywhere. Throughout your life." Our clients enjoy a wide range of products and services. Our core businesses include payment transactions, the deposit business, financing, the investment and pension business, as well as the trading and capital market business.

GRI 102-3: Location of headquarters

The head office is located at Bahnhofstrasse 9 in 8001 Zurich.

GRI 102-4: Location of operations

The branches and ATMs are located in Switzerland.

GRI 102-5: Ownership and legal form

[Zürcher Kantonalbank](#) is an independent public-law institution of the Canton of Zurich and is fully owned by the Canton of Zurich.

GRI 102-6: Markets served

Zürcher Kantonalbank is a leader in its home market, the Greater Zurich Area. It also offers selected services throughout Switzerland and abroad. Its client segments include retail (private clients, high net worth individuals and private banking), SME (commercial clients, business clients and corporate clients) and other specialised segments (large corporations, pension funds, financial institutions, key clients, external asset managers, private clients abroad). Our clients operate in a wide variety of industries.

GRI 102-7: Scale of the organisation

With total assets of CHF 192 billion and 5,662 employees (4,944 FTEs, adjusted for part-time employees), Zürcher Kantonalbank is the largest cantonal bank in Switzerland and one of the largest Swiss banks. The Corporate Centre consists of 3 locations. Zürcher Kantonalbank has the densest network of branches and ATMs in the Canton of Zurich, with 55 branches and contact centres and 293 ATMs. Other key figures about the parent company can be found in the [Annual Report](#) starting on page 153. The range of products and services for the respective client segments can be found on our website at <https://www.zkb.ch/en/home.html>.

GRI 102-8: Information on employees and other workers

5,622 people work at Zürcher Kantonalbank in more than 4,944 full-time positions. With 389 apprenticeships, the bank is one of the largest providers of vocational training in the Canton of Zurich. The rate of part-time employment is

15 percent for men and 53 percent for women. Overall, the part-time rate is 29 percent. Almost all employees work in the Greater Zurich Area.

The information on employees is collected by the Human Resources department. There are no significant fluctuations in the figures compared with previous years, nor is a significant proportion of business activities carried out by employees without an employment relationship. Further key figures can be found in the Annual Report starting on page 80.

GRI 102-9: Supply chain

Zürcher Kantonalbank's purchasing volume of around CHF 387 million breaks down as follows: 45 percent for information technology, 39 percent for services, marketing products and consumables for the entire bank, and 16 percent for construction and real estate. When purchasing goods and services, the bank promotes added value in the region: For example, suppliers in the Canton of Zurich accounted for over 50 percent of the purchasing volume in 2021. The bank also values a sustainable supply chain: Products should be as environmentally and socially responsible as possible in terms of production, use and disposal.

GRI 102-10: Significant changes to the organisation and its supply chain

In the year under review, four counter locations were closed – in Dietlikon, Rafz, Gossau and Urdorf. Zürcher Kantonalbank made this move in response to the changed behaviour of its clients, who increasingly want services that are available anywhere and at any time and whose visits to the counters have become increasingly infrequent. All affected employees have received internal job offers from the bank.

GRI 102-11: Precautionary principle or approach

Information on the application of the precautionary principle in accordance with the United Nations Rio Declaration on Environment and Development is provided in our [Sustainability Policy](#).

GRI 102-12 and 102-13: External initiatives and membership of associations

Zürcher Kantonalbank supports the following external initiatives, associations and interest groups, among others: Carbon Disclosure Project, Climate Bond Initiative, Zurich Energy Model, European Sustainable Investment Forum, Forum Nachhaltige Geldanlagen, Montreal Carbon Pledge, öbu, UNEP Finance Initiative (UNEP FI), UN Principles for Responsible Banking (UN PRB), UN Principles for Responsible Investment (UN PRI), swisscleantech and Swiss Sustainable Finance. For more details on our memberships in associations, interest groups and initiatives, please go to <https://www.zkb.ch/en/home/our-company/sustainability.html> and <https://www.zkb.ch/en/home/our-company/sustainability.html>.

2.2 Strategy

GRI 102-14: Statement by the highest decision-maker

Our group strategy describes what we as Zürcher Kantonalbank want to achieve. It defines our future business goals and the long-term market positions necessary to achieve them ([Group strategy of Zürcher Kantonalbank \(zkb.ch\)](#)).

We are guided by our public service mandate, which includes the dimensions of service, support and sustainability.

With respect to the fulfilment of that mandate, we observe the principles of sustainability and the recognised rules of risk management.

Our understanding of sustainability involves harmonising successful business activity and responsibility for the environment and society on a long-term basis. In doing so, we set ourselves the following ambition and are guided by the 17 Sustainable Development Goals (SDGs) of the United Nations:

- We actively shape sustainability issues.
- We are leaders in offering sustainable products and services.
- We accompany our clients on their journey to a more sustainable future.

Sustainability forms part of our public service mandate and its fulfilment is a strategic objective of Zürcher Kantonalbank. Our Sustainability Policy is based on the 17 Sustainable Development Goals adopted by the United Nations. Further information can be found in the [Annual Report](#) starting on page 30.

The interests and strategy of the owner are expressed in the [Cantonal Bank Act](#) on the Zürcher Kantonalbank. This regulates the legal form, purpose, capitalisation, state guarantee, business area, supervision, distribution of profit and the main principles of the organisation as well as the tasks and competences of the governing bodies.

[GRI 102-15: Key impacts, risks and opportunities](#)

Information on significant economic, environmental and social impacts as well as risks and opportunities can be found in the [Annual Report](#) starting on page 32, and other comprehensive information can be found in our [Sustainability Policy](#).

Climate-related financial risks will be disclosed for the first time at the end of March 2022 for the 2021 financial year.

2.3 Ethics and integrity

[GRI 102-16: Values, principles, standards and code of conduct](#)

We are guided by our values: we are inspiring (inspire, think ahead, show courage), responsible (be reliable, create value, be present) and passionate (engage, inspire, keep focused). Our code of conduct sets out the most important rules of conduct to be observed by all employees.

[GRI 102-17: Mechanisms for advice and concerns about ethics](#)

The integrity and reputation of Zürcher Kantonalbank are among the bank's most important assets. Because of this, the bank relies on receiving reports of suspected misconduct within the organisation from employees or third parties – anonymously, if desired. For more information, please visit our website at [whistleblowing](#).

2.4 Corporate Governance

[GRI 102-18: Governance structure](#)

Zürcher Kantonalbank holds a licence from the Swiss Financial Market Supervisory Authority (FINMA) under the Swiss Federal Law on Banks and Savings Banks (Banking Act) to conduct business as a bank in Switzerland. Its business activities are subject to the oversight of the Financial Market Supervisory Authority FINMA.

Responsibility for the ultimate supervision of Zürcher Kantonalbank lies with the Cantonal Parliament of Zurich. The Cantonal Parliament has tasked the Committee for the Supervision of Commercial Undertakings (AWU) with ultimate political supervision.

Please also refer to the [Law on Zürcher Kantonalbank](#).

The Board of Directors bears ultimate responsibility for the management of the bank and the supervision of its corporate governance. This includes the Committee of the Board, which is responsible for the direct supervision of the bank's corporate governance. The Board of Directors Committees (Audit Committee, Risk Committee,

Compensation and Personnel Committee and IT Committee) support the Board of Directors in their decision-making by providing preliminary advice. The Audit unit and the external auditors are responsible for the bank's internal and external audits, respectively. The corporate governance of Zürcher Kantonalbank is the responsibility of the Executive Board, which is headed up by the Chief Executive Officer (CEO).

The Board of Directors, the Committee of the Board and the Executive Board ensure the fulfilment of the public service mandate, which encompasses economic, environmental and social dimensions. The Committee of the Board has a special control and monitoring function. The Public Service Mandate Steering Committee, which is composed of representatives from all business units, advises and supports the management bodies in all matters relating to the public service mandate. Among other things, it prepares the reports on the fulfilment of the public service mandate, which the Board of Directors presents to the Parliamentary Committee for the Supervision of Commercial Undertakings (AWU). The Public Service Mandate Steering Committee is chaired by the specialist responsible for the public service mandate. It also manages the Public Service Mandate unit, which coordinates the planning, implementation and reporting on the Public Service Mandate and all related activities. Various specialist departments in the individual business units also support the fulfilment of the public service mandate. The [Guidelines on the Public Service Mandate](#) show the procedure for this.

For more information, please visit our website at [Corporate Governance](#).

[GRI 102-19: Delegation of authority](#)

For information on the delegation of authority, please refer to GRI 102-18.

[GRI 102-20: Executive-level responsibility for economic, environmental, and social topics](#)

Information on this can be found under GRI 102-18.

[GRI 102-21: Dialogue with stakeholders on economic, environmental, and social topics](#)

Zürcher Kantonalbank and its bank management engage in open and transparent dialogue with stakeholders. This dialogue takes place as part of a systematic exchange or in the event of ad hoc enquiries.

[GRI 102-22: Composition of the highest governing body and its committees](#)

The Board of Directors consists of 13 members. This number includes three members of the Committee of the Board. Detailed information on the Board of Directors and Committee of the Board can be found in the [Annual Report](#) starting on page 115.

[GRI 102-23: Chair of the highest governing body](#)

The chairperson and all members of the Board of Directors are not members of the Executive Board.

[GRI 102-24: Process for nominating and selecting the highest governing body](#)

The Cantonal Parliament of Zurich selects the members of the Board of Directors and the Committee of the Board for a four-year term of office. In doing so, it is guided by personality traits such as assertiveness, credibility and integrity, professional suitability, regulatory requirements and party proportionality. The professional criteria take into account economic, environmental and social aspects and are periodically reviewed by external specialists for each individual member of the Board of Directors. Further information on the nomination and selection process can be found in the [Annual Report](#) starting on page 102.

[GRI 102-25: Conflicts of interest](#)

If conflicts of interest are escalated, these are decided by the Committee of the Board. Further information on possible conflicts of interest can be found in the [Annual Report](#) starting on page 102.

GRI 102-26: Role of highest governing body in setting purpose, values and strategy

The Board of Directors defines the corporate policy, the mission statement, the business strategy and the organisational structure. Together with the Committee of the Board and the Executive Board, it also ensures that the bank's public service mandate is fulfilled. The Executive Board is responsible for implementing the targets and objectives on the operational side of the business. Further information on this can be found in the [Annual Report](#) starting on page 102.

GRI 102-27: Further training for the highest governing body

The Board of Directors regularly attends further training on relevant economic, environmental and social topics.

GRI 102-28: Evaluation of the highest governing body's performance

Among other things, the Board of Directors reports annually to the AWU on the fulfilment of its public service mandate. The AWU may request further information from the Board of Directors regarding details of the report.

GRI 102-29: Identification and management of economic, environmental and social impacts

The Board of Directors and in particular the Committee of the Board are responsible for addressing the public service mandate. In this context, they regularly examine the identification and management of economic, environmental and social impacts. They are in dialogue with the stakeholder groups regarding these areas.

GRI 102-30: Effectiveness of risk management processes

Following a structured annual cycle, the Board of Directors analyses Zürcher Kantonalbank's strengths and weaknesses, opportunities and risks as well as the associated strategic risks. It approves the risk policy and the general framework for group-wide risk management. It is also regularly informed by the Executive Board of all relevant aspects of risk management. The Risk Committee of the Board of Directors provides support for the supervision of the bank's risk management.

GRI 102-31: Review of economic, environmental and social topics

Economic, environmental and social topics are reviewed at least annually.

GRI 102-32: Highest governing body's role in sustainability reporting

The Board of Directors reviews and approves the sustainability reports. It also ensures that the material sustainability topics are covered.

GRI 102-33: Communication of critical concerns

Any relevant critical concerns are communicated to the Board of Directors upon receipt, either directly or indirectly via the appropriate offices.

GRI 102-34: Nature and total number of critical concerns

The nature and total number of critical concerns are not disclosed. For further information on critical concerns, please refer to GRI 102-17.

GRI 102-35: Compensation policy

Zürcher Kantonalbank's compensation policy is aligned with the bank's business strategy, objectives and values. It takes into account the long-term financial interests of the bank and supports solid and effective risk management. Additional information on this can be found in the [Annual Report](#) starting on page 126.

GRI 102-36: Process for determining compensation

The Board of Directors adopt the [regulations](#) on the compensation of the members of the Board of Directors (subject to the approval of the Cantonal Parliament) and the Personnel and Compensation Regulations for Zürcher Kantonalbank. The Compensation and Personnel Committee assists the Board of Directors in matters concerning the compensation policy. Further information on the process for determining compensation can be found in the [Annual Report](#) starting on page 126.

GRI 102-37: Stakeholders' involvement in compensation

The Board of Directors is responsible for aligning the interests of the Canton of Zurich with those of Zürcher Kantonalbank and its employees. The Cantonal Parliament of Zurich is responsible for approving the [regulation](#) governing the compensation of members of the Board of Directors.

GRI 102-38: Annual total compensation ratio

The compensation of the Board of Directors and the Executive Board is published in the Compensation Report as an integral part of the [Annual Report](#) starting on page 125. The annual total compensation ratio of the lowest and highest salary is not published.

GRI 102-39: Percentage increase in annual total compensation ratio

The compensation of the Board of Directors and the Executive Board is published in the Compensation Report as an integral part of the [Annual Report](#) starting on page 125.

2.5 Stakeholder involvement

GRI 102-40: List of stakeholder groups

Our stakeholders include clients, employees, owners (Canton of Zurich), suppliers and partners, as well as the general public.

GRI 102-41: Compensation agreements

The Agreement on Conditions of Employment for Bank Staff (VAB) and the Agreement on the Recording of Working Time (VAZ) apply to all employees.

GRI 102-42: Identification and selection of stakeholders

Stakeholders are identified and selected as part of the periodic validation of the [Sustainability Policy](#) by the Executive Board.

GRI 102-43: Approach to stakeholder involvement

We engage in ongoing, open and transparent dialogue with our stakeholders. Examples of this with

- clients: We create proximity to our clients on a daily basis by providing personal advice and support. We also conduct a client satisfaction survey every two years.
- Employees: We are in regular dialogue with our employees and conduct employee satisfaction surveys every two years. We are also in regular contact with the employee representatives.
- Owner (Canton of Zurich): We maintain personal contact with the Cantonal Parliament of Zurich – especially with the AWU – several times a year.
- Suppliers and partners: We hold discussions with suppliers and partners on a regular basis.
- General public: We maintain a constant dialogue with representatives of business, the environment and society, as well as the media and culture.

No steps to include these stakeholders were taken explicitly as part of the reporting process.

[GRI 102-44: Key topics and concerns raised](#)

The key sustainability topics for our stakeholders are described in section 3.

2.6 Reporting procedure

[GRI 102-45: Entities included in the consolidated financial statements](#)

An overview of the group structure can be found in the [Annual Report](#) starting on page 4. This report refers to the parent company of Zürcher Kantonalbank. It excludes Swisscanto Holding AG and its subsidiaries, Zürcher Kantonalbank Finance (Guernsey) Ltd., Zürcher Kantonalbank Österreich AG, ZüriBahn AG, the Representative Offices and ZKB Securities (UK) Ltd.

[GRI 102-46: Procedure for defining report content and topic boundaries](#)

Topics in the context of sustainability were assessed according to their relevance for our stakeholders and the materiality of their impact on sustainable development. The first assessment was conducted through interviews with stakeholder representatives. The second assessment was conducted within the scope of workshops. Both assessments are mapped in the materiality matrix, which forms the basis for defining and setting boundaries for the material topics.

[GRI 102-47: List of material topics](#)

The key sustainability topics can be found in section 3.

[GRI 102-48: Restatements of information](#)

No information has been restated compared to the previous GRI report.

[GRI 102-49: Changes in reporting](#)

The material topics have not changed compared to the previous report.

[GRI 102-50: Reporting period](#)

The report covers the financial year from 1.1.2021 to 31.12.2021.

[GRI 102-51: Date of last report](#)

The last GRI report was published in April 2019.

[GRI 102-52: Reporting cycle](#)

The GRI report has been published in an annual cycle since the 2021 financial year.

[GRI 102-53: Contact point for questions regarding the report](#)

If you have any questions regarding the report, please contact: Public Service Mandate Unit, 044 292 61 04, cr@zkb.ch.

[GRI 102-54: Statement on reporting in accordance with the GRI Standards](#)

This report has been prepared in accordance with the GRI Standards.

[GRI 102-55: GRI content index](#)

This report reflects the GRI Content Index.

[GRI 102-56: External audit](#)

The report has not been externally audited.

3 Material sustainability topics

3.1 Responsible lending

3.1.1 Management approach

GRI 103-1: Explanation of the material topic and its delimitation

Responsible lending includes observing sustainability principles in the financing business. It is important because it forms part of our core business and can be directly linked to environmental and social impacts. We grant loans to private individuals as well as companies and institutions. Most of our lending is in the mortgage business: For example, we finance one of every two homes in the Canton of Zurich.

GRI 103-2: The management approach and its components

To ensure the sustainable development of our financing business, we pursue a risk policy geared towards continuity and consider the assessment of environmental, social and governance risks to be an important part of the credit assessment process. Our lending policy and [Sustainability Policy](#) set out guidelines for responsible lending and define exclusion criteria in the lending business. We also promote sustainability in the financing business through selected products and services. With the ZKB environmental loan, for example, we grant an interest rate reduction for environmentally friendly building and renovation.

Zürcher Kantonalbank also provides intensive support for its clients to help them with environmentally friendly construction and renovation. This has for some time taken the form of environmental loans and now also includes free consultations for heating system replacements.

GRI 103-3: Evaluation of the management approach

The Board of Directors is responsible for ensuring that there is a suitable risk and control environment and arranges for an effective internal control system (ICS). The Board of Directors Committees and Audit help it assess the effectiveness of the risk management system and the ICS. Further information on the evaluation of the management approach can be found in section 2.4 and in the [Annual Report](#) starting on page 108.

3.1.2 Thematic disclosures

Product portfolio

G4 (former FS1): Policies with specific environmental and social components applied to business areas

Our lending policy and [Sustainability Policy](#) define economic, environmental and social guidelines for the business areas. The lending policy is not publicly available for competitive and business policy reasons. The sustainability-related exclusions are fully disclosed in the Sustainability Policy.

G4 (former FS2): Procedures for assessing and screening environmental and social risks in the business areas

Among other things, our lending manual regulates the procedure for assessing and screening environmental and social risks (not publicly available for competitive and business policy reasons). For example, the aspect of environmental risks in lending is taken into account by means of a credit assessment procedure with in-depth analysis in specific cases and by means of specific exclusion criteria. In addition, environmental, social and governance (ESG) criteria are taken into consideration in credit ratings and individual transactions.

G4 (former FS3): Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transaction documents

The risk managers are responsible for ongoing and active risk management as well as for permanent compliance with requirements. In the event of any violations, Zürcher Kantonalbank will endeavour to find a constructive solution together with its clients.

G4 (former FS4): Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business areas

Employees are regularly trained and informed about relevant issues.

G4 (former FS5): Interactions with clients/borrowers/business partners regarding environmental and social risks and opportunities

For details, please refer to GRI 102-43.

G4 (FS6): Percentage breakdown of the portfolio for business areas by specific region, size and industry

Our focus is on the Greater Zurich Area. We do not plan either substantial expansion abroad or disproportionately risky business. One of our focal points is our commitment to SMEs.

G4 (FS7): Monetary value of products and services designed to deliver a specific social benefit for each business area, broken down by purpose

With the ZKB starter mortgage, first-time homebuyers benefit from a lower interest rate than the rate granted for normal ZKB fixed-rate mortgages. In 2021, ZKB starter mortgages came to a total of over CHF 7.3 billion. In addition, Zürcher Kantonalbank funds 60 to 90 start-ups every year. It supports innovative start-ups at an early phase of the business cycle by providing risk capital. The scale-up programme expanded the offering for start-ups even further. This offer is now also aimed at young companies looking to fund the growth phase that follows their early (start-up) phase. That makes Zürcher Kantonalbank one of the most important providers of risk capital in Switzerland, with an annual investment volume of around CHF 20 million.

G4 (FS8): Monetary value of products and services designed to deliver a specific environmental benefit in each business area, broken down by purpose

Clients with ZKB environmental loans benefit from an interest rate reduction of up to 0.8 percent on their selected ZKB fixed-rate mortgage for up to five years. In 2021, the total volume of ZKB environmental loans taken out exceeded CHF 1.2 billion.

Audit

G4 (former FS9): Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures

Internal and external audits of the environmental management system are conducted annually. The environmental management system of Zürcher Kantonalbank is certified according to ISO 14001 and takes into account the implementation of environmental and social requirements. Reports on the results and any measures resulting from the audits are prepared for the attention of the Executive Board.

3.2 Sustainable investments and active ownership

3.2.1 Management approach

GRI 103-1: Explanation of the material topic and its delimitation

Sustainable investments and active ownership aim to promote sustainability in the investment business. The investment business is one of our core businesses. As a pioneer in the field of sustainable investments, we can build on many years of expertise. Zürcher Kantonalbank offers various investment solutions such as wealth management,

investment advice and fund portfolios ("standardised investment solutions"). Swisscanto Invest by Zürcher Kantonalbank manages funds and tailor-made mandate solutions as an asset manager. We offer sustainable investment solutions for all areas.

GRI 103-2: The management approach and its components

With its [Sustainability Policy](#), Zürcher Kantonalbank promotes an investment offering that takes sustainability aspects into account. It is also committed to the topic of sustainable investments and active ownership as follows:

- The standardised investment solutions of Zürcher Kantonalbank (ZKB Fund Portfolio, ZKB Investment Advice and ZKB Discretionary Mandate) can be geared towards sustainability in a targeted manner by selecting the variant "Sustainable (ESG)". Various Swisscanto portfolio funds domiciled in Switzerland or Luxembourg from the "Responsible" product line are used in the ZKB fund portfolio. Clients who choose ZKB Investment Advice or ZKB Discretionary Mandate (Classic/Premium/Expert) can select the "Sustainable ESG" variant. The foundation for all investment solutions is our proven investment philosophy, with ESG criteria forming an integral part at all levels. The integration of ESG criteria into our investment process as a third dimension alongside risk and return enables us to take a holistic view of opportunities and risks when making our investment decisions and investment proposals as part of our advisory services. They are largely implemented in funds that pursue various sustainability approaches. In addition to the ESG rating, we consider CO₂e data in our investment decisions and proposals and assess companies' controversial business activities (thermal coal, weapons, etc.) or business practices (in the area of human rights, labour standards, environment, corruption, etc.). When investing in investment funds, we seek to indirectly influence the sustainability policies of the companies' funds we select through voting and engagement. For our investment solutions with the "Sustainable ESG" designation, we aim for a target rating of AA, based on data from the independent third-party provider MSCI ESG Research. We transparently disclose the ESG ratings per position or per portfolio in our investment reporting.
- For clients with investment assets of more than five million Swiss francs who confirm that they would like a portfolio that deviates from the standard strategy, there is the option of concluding a wealth management mandate tailored to their individual wishes (ZKB Discretionary Mandate Exclusive individual investment solutions). By default, mandates of the type "ZKB Discretionary Mandate Exclusive" are managed according to the Responsible approach (for details, see the Responsible product line of Swisscanto Invest below). However, investors can also opt for a mandate in accordance with the Sustainable approach. The sustainability criteria are applied in the same way as for Swisscanto Invest's Sustainable Funds (see below).
- Zürcher Kantonalbank's Asset Management team integrates ESG criteria in the investment products of Swisscanto Invest's "Responsible" and "Sustainable" product lines (collective investment schemes and institutional discretionary mandates). For all portfolios managed under the Swisscanto Invest brand, companies that do not comply with international conventions and/or Swiss laws are also blacklisted and excluded from direct investments. This includes business areas such as the development, production, stockpiling and distribution of cluster munitions, anti-personnel mines and nuclear weapons.
- Voting rights for collective investment schemes of Swisscanto Invest are exercised based on Swiss and international corporate governance rules, generally accepted ESG best-practice standards and the United Nations Principles for Responsible Investment (UN PRI). We maintain an ongoing dialogue with company management and play an active role in the PRI Collaboration Platform as well as investor initiatives. Within the scope of our engagement activities with the management teams of the companies in which we invest, for example, those companies are asked to formulate ambitious CO₂e reduction targets, to implement them consistently and to report on them transparently.
- In the case of collective investment schemes from Swisscanto Invest's Responsible product line and in addition to the blacklist, we exclude companies with business models that pose an ESG threat (such as companies

associated with coal mining (sales > 5%), arms and munitions manufacturing, pornography production, UN Global Compact violations if applicable). Based on the Paris climate target of limiting warming to below 2 degrees by 2050, the investment activity of Swisscanto Invest's active portfolios in the traditional asset classes with a Responsible approach is geared towards a CO₂e reduction path of at least 4% per year.

- With the collective investment schemes of Swisscanto Invest's Sustainable product line, we go one step further. We strive to generate returns through social benefits by investing specifically in SDG Leaders, i.e. companies with a sustainable business model that make a significant contribution to fulfilling one of the 17 UN Sustainable Development Goals (UN SDGs). For the purpose of diversification, the collective investment schemes of Swisscanto Invest's Sustainable product line also include investments in securities that are assessed by Asset Management as being above average in terms of the criteria for a sustainable economy. In addition, the application of comprehensive exclusion criteria is an integral part of the investment process for all sustainable investment solutions from Swisscanto Invest.
- Since the start of 2021, a Sustainability Report has been available on our website for all equity, bond and mixed-asset funds of Swisscanto Invest's Responsible and Sustainable product lines. Alongside information on the CO₂e-intensity of the portfolio and any controversial business activities, this report includes a newly developed proprietary sustainability rating. The rating is calculated based on the values of the collective assets and individual securities contained in the portfolio and is divided into seven sustainability classes from A (highest level) to G (lowest level). The sustainability rating assesses companies and countries in accordance with the four pillars of our sustainability research: Controversy Score, ESG Score, Climate Score and Impact Score.
- For our investment business, we are guided by the United Nations' six Principles for Responsible Investment (UN PRI) and report on them annually. We systematically integrate ESG risks and opportunities in all investment solutions and, in direct investments in our asset management, we focus on dialogue with the companies in which we are invested with a view to achieving the SDGs and greenhouse gas neutrality by 2050.
- Our Asset Management business has also signed various memberships such as the Net Zero Asset Managers Initiative and the Montreal Carbon Pledge and collaborative engagements such as the Taskforce on Nature-related Financial Disclosures (TNFD), Climate Action 100+ and the Access to Medicine Foundation. For more information, see also: [Our Collaborative Engagements and Memberships \(swisscanto.com\)](https://www.swisscanto.com/en/our-collaborative-engagements-and-memberships).

GRI 103-3: Evaluation of the management approach

An external, independent sustainability advisory board with a focus on investments provides Zürcher Kantonalbank with advice on the investment and pension business regarding the further development of the sustainability strategy and the respective sustainability approaches. Further information on the evaluation of the management approach can be found in section 2.4 and in the [Annual Report](#) starting on page 45.

3.2.2 Thematic disclosures

Product portfolio

G4 (former FS1): Policies with specific environmental and social components applied to business areas

Our [Sustainability Policy](#) defines economic, environmental and social guidelines for the business areas.

G4 (former FS2): Procedures for assessing and screening environmental and social risks in the business areas

Zürcher Kantonalbank systematically integrates ESG criteria into the management of standardised investment solutions as well as in the investment products of Swisscanto Invest's "Responsible" and "Sustainable" product lines (collective investment schemes and institutional discretionary mandates). Furthermore, additional evaluation and testing procedures are applied – tiered according to the respective product line or application. For further details, please refer to GRI 103-2.

G4 (former FS4): Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines

Employees are regularly trained and informed about relevant issues.

G4 (former FS5): Interactions with clients/borrowers/business partners regarding environmental and social risks and opportunities

For information on this topic, please refer to GRI 102-43 and GRI 103-2 in section 3.2.1.

G4 (FS6): Percentage breakdown of the portfolio for business areas by specific region, size and industry

No percentage breakdown of the portfolio's composition is calculated.

G4 (FS7): Monetary value of products and services designed to deliver a specific social benefit for each business area, broken down by purpose

The "Sustainable ESG" variants of our ZKB Investment Advice and ZKB Discretionary Mandate solutions, the collective investments of Swisscanto Invest, and our institutional mandates, which are managed according to our Responsible or Sustainable approach, facilitate responsible investing in society and the environment. We managed around CHF 122.2 billion in sustainable investments as at the end of 2021.

Audit

G4 (former FS9): Scope and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures

We conduct annual internal and external audits as part of our ISO 14001 environmental management system. These audits take into account the implementation of environmental and social requirements with a focus on the environmental performance of our operations. Reports on the results and any measures resulting from the audits are prepared for the attention of the Executive Board. The risk assessment procedure is based on the directive governing the environmental management system.

In addition, sustainability aspects are also taken into account in the internal audits that review all business processes.

Active ownership approach

G4 (FS10): Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues

Our Asset Management team engages in ongoing dialogue on ESG issues with around 250–300 of the companies represented in our investment portfolios and universes. We hold bilateral meetings and telephone conferences with around 80 percent of these companies each year.

G4 (FS11): Percentage of assets with positive or negative results from environmental or social screening

As at the end of 2021, sustainable investments (CHF 122.2 billion) accounted for 29.8 percent of client assets under management at Zürcher Kantonalbank.

G4 (former FS12): Guidelines on the exercise of voting rights regarding environmental or social issues with respect to shares for which the reporting organisation holds the right to vote or advises on voting

We exercise our voting rights based on Swiss and international corporate governance rules and the United Nations Principles for Responsible Investment (UN PRI) and in the interest of the company's long-term, sustainability-oriented success. We publish our voting policy and voting behaviour transparently. The corresponding Swisscanto Sustainability Voting Guidelines, which can be accessed at www.swisscanto.ch/voting, were drawn up in conjunction with an independent and renowned voting consultant and our asset managers at Swisscanto Invest; they are updated on a regular basis.

3.3 Ethical management

3.3.1 Management approach

GRI 103-1: Explanation of the material topic and its delimitation

Ethical business management lays a foundation of trust for cooperation between Zürcher Kantonalbank and its stakeholders. Ethical business management enables Zürcher Kantonalbank to make a direct contribution to the prevention of corruption, bribery, price-fixing, money laundering, anti-competitive behaviour, tax evasion and fraud, and promotes the sustainable handling of conflicts of interest, transparency regarding any payments to authorities or other parties, whistleblowing channels and protection for whistleblowers.

GRI 103-2: The management approach and its components

Zürcher Kantonalbank is committed to ethically correct business management in accordance with legal and regulatory provisions as well as with the recognised professional and ethical standards of the banking industry. Through this commitment, it makes an important contribution to sustainable development and to protecting the bank's reputation. Further information can be found in section 2.3 and in the [Annual Report](#) starting on page 102.

GRI 103-3: Evaluation of the management approach

The Board of Directors is responsible for ensuring that there is a suitable risk and control environment and arranges for an effective internal control system (ICS). The Board of Directors Committees and Audit help it assess the effectiveness of the risk management system and the ICS. Further information can be found in section 2.4 and in the [Annual Report](#) starting on page 102.

3.3.2 Thematic disclosures

Anti-corruption

GRI 205-1: Operations assessed for risks related to corruption

All three business premises and 58 branches are assessed for corruption risks. No corruption risks were identified during the assessment.

GRI 205-2: Communication and training about anti-corruption policies and procedures

All 13 members of the Board of Directors and all 5,662 employees were trained on anti-corruption policies and procedures.

GRI 205-3: Confirmed incidents of corruption and actions taken

No confirmed incidents of corruption were reported during the year under review.

Anti-competitive behaviour

GRI 206-1: Legal actions for anti-competitive behaviour, anti-trust and monopoly practices

No legal actions were reported on the grounds of anti-competitive behaviour or the creation of cartels or monopolies.

Political influence

GRI 415-1: Political donations

No political donations or contributions in kind were made to political parties.

Socioeconomic compliance

GRI 419-1: Non-compliance with laws and regulations in the social and economic area

No violations of laws or regulations were reported in the year under review.

3.4 Access to financial services

3.4.1 Management approach

GRI 103-1: Explanation of the material topic and its delimitation

One central aspect of our cantonal service mandate is ensuring access to financial services for the population and the economy in general, as well as for specific client groups in particular. We provide the people and companies with the financial services of a universal bank. These include payment transactions, saving, investing, financing, retirement planning, financial planning, taxes and estate planning. In particular, we address the concerns of SMEs, employees, agriculture and public-sector entities and promote both home ownership and affordable housing. The guidelines for the fulfilment of the public service mandate define the requirements for this.

We offer a wide range of products to fulfil the public service mandate. Zürcher Kantonalbank also provides services that are outside the scope of the services provided by traditional universal banks. For example, we run a pawnbroking agency and provide non-cost-covering micro-loans. We support SMEs and innovative start-ups at various levels – with financing as well as with specific support measures. With the ZKB starter mortgage, first-time homebuyers benefit from a lower interest rate than the rate granted for normal ZKB fixed-rate mortgages. We also promote accessibility to our services for people with disabilities or impairments.

GRI 103-2: The management approach and its components

Information on the management approach and its components is provided in the preceding section about GRI 103-1.

GRI 103-3: Evaluation of the management approach

For information on this, please refer to sections 14 to 16 of the guidelines for the fulfilment of the public service mandate.

3.4.2 Thematic disclosures

Local communities

GRI 413-1: Operations with local community involvement, impact assessments and development programs

Zürcher Kantonalbank is mainly active in the Greater Zurich Area. As the bank that's "close to you", we are in direct and close contact with the people of Zurich. With more than 400 projects in the fields of the environment, society and the economy, we participate in the regional development of community life in the Canton of Zurich. For information on our engagements, go to <https://www.zkb.ch/en/home/our-company/sustainability.html>.

GRI 413-2: Operations with significant actual and potential negative impacts on local communities

Zürcher Kantonalbank does not pursue business activities that have a significant negative impact on local communities.

G4 (FS13): Access points in sparsely populated or economically disadvantaged areas by access type

All clients benefit from our wide range of products and services. We operate the densest network of branches and ATMs in the Canton of Zurich. The bank can also be reached by phone, through eBanking and eBanking Mobile channels, and via the Smart Watch app or social media.

G4 (FS14): Initiatives to improve access to financial services for disadvantaged people

We promote accessibility for people with disabilities or impairments. For example, we aim to make the contents of our website available in such a way that every user can easily find and use the information they are looking for. We also promote accessibility at our branches and ATMs through the provision of wheelchair access. Last but not least, clients can have their cash in their desired currency delivered to their homes by post.

Many homeowners nearing retirement often worry that their bank will discontinue their mortgage after retirement. We continue to be a reliable partner for our clients in the third stage of their lives and work with them to find a suitable financing solution – whether it's a continuation of the mortgage, the purchase of a home suitable for the elderly, or a mortgage increase to cover renovations.

3.5 Responsible sales practices

3.5.1 Management approach

GRI 103-1: Explanation of the material topic and its delimitation

Responsible sales practices encompass all marketing activities that take sustainable account of the needs of our clients. They form the basis for trust in Zürcher Kantonalbank and promote a positive perception of our bank. Our marketing activities address both existing and potential clients.

GRI 103-2: The management approach and its components

We gear our products and services towards the needs of our clients and offer high quality while simultaneously ensuring fair, competitive prices. We provide our clients with comprehensive advice and support: That means we use a networked approach to address all aspects of their requirements that can have a financial impact on their current and future life situations – payments, savings, investments and financing, as well as retirement planning, succession planning and taxes. That helps us guarantee coordinated, needs-oriented solutions.

We communicate with our clients, employees and the public quickly, directly, regularly and transparently. Transparency is a central and overarching basic principle. To enable our clients to make informed decisions, we ensure transparency in products and services in particular. We avoid hidden fees. Any environmental and social impacts are explicitly identified on a case-by-case basis. For example, a large proportion of the sustainable funds bear the European transparency logo. Our advertising measures are tailored to our target groups and use simple language appropriate for the group in question. Our compensation policy is based on the long-term goals and values of the bank. Accordingly, it does not create incentives to take inappropriate risks.

GRI 103-3: Evaluation of the management approach

The Executive Board is responsible for covering topics specific to sales, brands and marketing. It is supported by the Sales Committee. Furthermore, the Board of Directors is responsible for ensuring that there is a suitable risk and control environment and arranges for an effective ICS. Further information can be found in section 2.4 and in the [Annual Report](#) starting on page 102.

3.5.2 Thematic disclosures

Marketing and labelling

GRI 417-1: Requirements for product and service information and labelling

We inform our clients transparently about all products and services. For Swisscanto funds, the sustainability indicator was replaced by Swisscanto Invest's sustainability rating at the beginning of 2021. This rating is shown on the fund factsheets as well as in the Swisscanto Sustainability Report, which has been available since the beginning of 2021 (see GRI 103-2 in section 3.2.1). For wealth management and investment advisory mandates, our previous sustainability indicator has been replaced by the sustainability rating. For this, we rely on data from the independent

third-party provider MSCI. The MSCI ESG Rating now establishes cross-channel transparency regarding the portfolio's positioning.

In addition, our Fairtrade Gold, which we offer in cooperation with the Max Havelaar Foundation (Switzerland), is traceable back to the mine. We offer fairtrade gold bars weighing from 1 to 20 grammes. Traceability is also guaranteed with Traceable Gold; more information on this can be found [here](#) (in German). We currently offer the Traceable Gold in units of 250 to 1,000 grammes.

GRI 417-2: Incidents of non-compliance concerning product and service information and labelling

No violations related to product and service information or labelling have been reported.

GRI 417-3: Incidents of non-compliance concerning marketing communications

No violations related to marketing communications have been reported.

Product and service labelling

G4 (former FS15): Policies for the fair design and sale of financial products and services

For details, please refer to GRI 103-1 in section 3.5.1.

G4 (former FS16): Initiatives to enhance financial literacy by type of beneficiary

We promote education on banking-related topics. In order to teach children and youths how to handle money, for example, we support Pro Juventute in its efforts to prevent young people from accumulating debt as well as the Association of Swiss Cantonal Banks (ASCB) in its Finance Mission project.

3.6 Economic benefit

3.6.1 Management approach

GRI 103-1: Explanation of the material topic and its delimitation

The Zürcher Kantonalbank provides economic benefits by making a positive contribution to the promotion of local economic development. Helping the Canton of Zurich fulfil its economic, environmental and social obligations forms a part of its public service mandate.

GRI 103-2: The management approach and its components

We help the Canton of Zurich fulfil its economic, environmental and social obligations as part of our public service mandate. We contribute to efforts to promote Zurich as a business location and are committed to driving environmental and societal progress in the Canton of Zurich. When fulfilling our public service mandate, we pursue a business policy aimed at long-term continuity, an adequate level of profitability and a steady distribution of profit to the Canton of Zurich and its municipalities.

In 2021, for example, we distributed CHF 431 million to the canton and its municipalities.

With nearly 400 apprentices, we have one of the largest apprenticeship programmes in the Canton of Zurich and we are also a major employer in the canton with almost 5,000 full-time positions. We provide our clients with the densest branch network in the Canton of Zurich and have a presence in about half of the 168 municipalities. Last but not least, through more than 400 partnerships, memberships and sponsorship measures, we actively support a wide range of activities in the areas of nature, youth, culture, sport, social activities and entrepreneurship.

GRI 103-3: Evaluation of the management approach

Information on this can be found in sections 14 to 16 of the guidelines for the fulfilment of the public service mandate.

3.6.2 Thematic disclosures

Economic performance

GRI 201-1: Direct economic value generated and distributed

Information on this can be found in the [Annual Report](#) starting on page 156.

GRI 201-2: Financial implications and other risks and opportunities due to climate change

Climate change can be associated with risks and opportunities. Zürcher Kantonalbank factors this into its business activities on an ongoing basis. Climate-related financial risks will be disclosed for the first time at the end of March 2022 for the 2021 financial year.

GRI 201-3: Defined benefit plan obligations and other retirement plans

For more information on this, please refer to the [Annual Report](#) starting on page 80.

GRI 201-4: Financial assistance received from the public sector

As an independent public-law institution, Zürcher Kantonalbank (parent company) is exempt from taxes on its income and capital under cantonal tax law (§61) and the Federal Act on Direct Federal Taxation (§56).

Indirect economic impacts

GRI 203-1: Infrastructure investments and services supported

Information on this can be found in the [Annual Report](#) starting on page 12.

GRI 203-2: Significant indirect economic impacts

Explanations of these can be found in the [Annual Report](#) starting on page 14.

Further information

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Legal information

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