

Extract from the Sustainability Report on climate issues

Sustainability in the group strategy

Sustainability is an integral component of Zürcher Kantonalbank's group strategy. This is derived from the public service mandate enshrined in the Zürcher Kantonalbank Act. Since 1 January 2024, the purpose article of the Zürcher Kantonalbank Act explicitly enshrines the objectives of "sustainable development", "promoting the achievement of greenhouse gas neutrality" and "actively contributing to attaining the cantonal climate targets, in particular with regard to energy-efficient building renovations". The purpose article is specified even further in the Guidelines for the Fulfilment of Zürcher Kantonalbank's Public Service Mandate approved by the Cantonal Parliament. 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, Zürcher Kantonalbank has set itself sustainability ambitions. These are guided by the Sustainable Development Goals (SDGs) of the United Nations. By joining the Net-Zero Banking Alliance and Net Zero Asset Managers Initiative, we are aligning ourselves with the Paris Climate Agreement and the goal to achieve net-zero greenhouse gas emissions by 2050.



Sustainability ambitions in our group strategy

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



Supporting the economy's transformation on
the path to sustainability and net zero

Scaling innovative sustainability and climate
solutions

We actively shape sustainability issues.



Social responsibility in the Zurich economic area

Memberships and partnerships

Sustainability policy

The sustainability policy formulates guidelines for Zürcher Kantonalbank's business activities along the dimensions of environment, social affairs and corporate governance (ESG). It substantiates our sustainability ambition, which is part of the group strategy. The sustainability policy, which is approved by the Executive Board, applies to all business areas and business activities both domestically and abroad, as well as to our own operations (zkb.ch/en/sustainability).

As a central component, the sustainability policy addresses several topics, including climate-related matters, and defines exclusions for business activities, in particular for the lending business (credit policy). The sustainability policy forms the basis for implementing internal guidelines for the financing business, the investment and pensions business, the capital market business and our own operations.

We accompany our clients on the path to a more sustainable future. We are a leading provider of sustainable offerings (products and services).

Supporting the economy on the path to sustainability and net zero

We offer sustainable products and services that support our clients in their sustainability endeavours and on their journey towards net zero. When doing so, we focus on those areas where a potential for impact exists. We make an active contribution to achieving greenhouse gas neutrality by supporting the transition in the real economy.

As part of the Net-Zero Banking Alliance (NZBA) for the entire bank and the Net Zero Assets Managers Initiative (NZAM) for Asset Management, we are guided by science-based climate scenarios and are aiming for net zero by 2050 at the latest.

Net-zero greenhouse gas emissions by 2050 is a challenge for society as a whole and can be achieved only through collaboration among all stakeholders, i. e. policymakers, the real economy, the financial sector and individuals.

Investment and pension business

In our investment business, we are guided by the United Nations' six Principles for Responsible Investment (UN PRI), and we report on them on a regular basis. With the ZKB sustainability standard, we have created a standard for our active investment solutions and our sustainable portfolio consulting mandates. This standard includes at a minimum the sustainability approaches of climate: CO₂e reduction, ESG integration, avoidance of controversies and the pursuit of a stewardship approach.

Our Asset Management division has been a member of the Net Zero Asset Managers Initiative since 2021 and is continuously striving to increase the proportion of assets under management that are geared towards net zero by 2050. This objective is anchored in the sustainability mandate of the bank's Public Service Mandate 2030 initiative.

Financing business

In our financing business, we are guided primarily by the objectives of both the federal government and the Canton of Zurich with a view to the 2030 Agenda and achieving greenhouse gas neutrality by 2050.

As part of the Net-Zero Banking Alliance (NZBA), our bank is aiming for net-zero greenhouse gas emissions by 2050 and has undertaken to apply science-based sector-specific climate targets in the financing business that are based on the 1.5°C climate target. These objectives are anchored in the sustainability mandate of the Public Service Mandate 2030 initiative.

Scaling new sustainability and climate solutions

Achieving the SDGs and the net-zero target by 2050 requires technological, entrepreneurial and social innovation. We are committed to developing scaling and introducing new sustainability and climate solutions, for example as part of our start-up and private equity financing. We are one of the largest financiers of start-ups in Switzerland.

As part of the support mandate of the Public Service Mandate 2030 initiative, Zürcher Kantonalbank has set itself financial targets for promoting innovation and education as well as for start-up financing.

ESG training for account managers in the Key Account Management segment

All account managers in the Key Account Management segment have been trained on sustainability to support major corporate clients in their net-zero transition and on their path to a more sustainable future. The bank collaborated with the Zurich University of Applied Sciences (ZHAW) to cover multiple topics in both classroom teaching and self-study, including the principles of sustainability, in particular the TCFD framework, regulatory requirements and reporting, sustainable investing and financing, as well as ZKB specifics.

We actively shape sustainability issues.

Contribution to the quality of life in the Canton of Zurich (corporate citizenship)

Corporate citizenship refers to our wide-ranging commitment, which goes beyond our actual business activities. We fulfil our social responsibility by contributing to the economic strength and quality of life in the Canton of Zurich. We make our contribution to the quality of life in the Canton of Zurich mainly through sponsorship and awards, memberships, the ZKB Philanthropy Foundation and corporate volunteering.

Under the support mandate, which is part of the Public Service Mandate 2030 initiative, Zürcher Kantonalbank has set itself financial targets for its contribution to the quality of life in the Canton of Zurich in terms of corporate sponsorship and corporate volunteering.

The ZKB Philanthropy Foundation, which was established at the beginning of 2024, stands for social responsibility and projects on key issues and challenges of our time that have an impact on the Canton of Zurich. As an umbrella foundation, the foundation also has a client offering for realising individual charitable ideas and projects. Five sub-foundations are focused on the following topics in the Canton of Zurich: health and sport, nature and ecology, social affairs, art and culture, education and research.

ZKB introduced a corporate volunteering programme at the beginning of 2024. Employees can spend up to two days per year volunteering for the benefit of society in the focus areas of the environment, social affairs, sport and education.

We promote industry initiatives and join targeted membership and partnership programmes for this purpose.

Memberships:

- Energy Model Zurich
- Swiss Sustainable Finance (SSF)
- swisscleantech
- Sustainable Investment Forum (SIF)
- EUROSIF
- UNEP Finance Initiative (UNEP FI)
- UN Principles for Responsible Investment (PRI)
- UN Principles for Responsible Banking (PRB)

Partnerships:

- Fairtrade Max Havelaar
- Mobility Business Car Sharing
- naturemade star!
- Minergie Association

We have also joined the following climate-related initiatives:

- Net-Zero Banking Alliance (NZBA)
- Net Zero Asset Managers Initiative (NZAM)
- Partnership for Carbon Accounting Financials (PCAF)
- Task Force on Climate-related Financial Disclosures (TCFD supporter)²
- Carbon Disclosure Project (CDP Disclosure)

² www.ifrs.org/sustainability/tcfdf/

Operational sustainability

When promoting our operational sustainability, we focus on the topics of employee satisfaction, equal pay and diversity, equity and inclusion and net-zero role models. In addition, we have 430 apprenticeships, making us one of the largest providers of vocational training in the Canton of Zurich.

As part of the sustainability mandate of the Public Service Mandate 2030 initiative, Zürcher Kantonalbank has set itself strategic metrics for its operational sustainability:

- We measure employee satisfaction.
- We measure equal pay.
- We have defined goals for diversity, equity and inclusion. (see Employees section)
- We aim to be a net-zero role model in our own operations (see Environment section).

Management of sustainability and climate-related financial risks

In accordance with § 4 of our Guidelines for the Fulfilment of the Public Service Mandate, Zürcher Kantonalbank, as a universal bank, observes the principles of sustainability and the recognised rules of risk management when fulfilling its public service mandate. This includes managing sustainability and climate-related financial risks.

Sustainability-related financial risks for Zürcher Kantonalbank are ESG-relevant events or conditions, the occurrence of which may have actual or potential negative effects on the bank's assets, finances and earnings, as well as on its reputation. Sustainability risks are treated as a component of the traditional risk categories (credit risks, compliance risks, etc.). Sustainability-related financial risks in the area of climate risks are divided into physical risks and transition risks: Physical risks arise both with regard to individual extreme weather events and their consequences and with regard to long-term changes in climatic conditions. In contrast, transition risks arise due to climate policy measures, disruptive technological developments or changing client preferences.

Corporate governance

The organisational structure of Zürcher Kantonalbank follows the requirements of the Cantonal Banking Act on Zürcher Kantonalbank and the organisational regulations for the group and the parent company of Zürcher Kantonalbank issued by the Board of Directors and approved by the Swiss Financial Market Supervisory Authority FINMA, as well as other regulations. The bank's internal governance for dealing with sustainability issues follows an integrated approach. This means that the responsibility for the bank's sustainable actions – in terms of the public service mandate, the implementation of regulatory requirements, the group strategy including the sustainability ambition, the sustainability policy and the obligations entered into through memberships and partnerships – takes place within the framework of existing corporate governance.



The basis for sustainability governance is the purpose paragraph 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. The Chairperson's Committee is responsible for monitoring and enhancing the public service mandate. The Public Service Mandate Steering Committee (SALA) advises and supports the Chairperson's Committee, the Board of Directors and the Executive Board in all matters relating to the public service mandate.

Our corporate governance is described in the annual report on pages 66–86. It provides information about the Board of Directors, which is the bank's highest governing body, and its committees, the composition of its committees, the independence of the members of the Board of Directors and the committees of the Board of Directors, their term of office, the number of positions and duties, their gender, their background and their competencies. It also explains the nomination and selection of the Board of Directors.

The organisational regulations issued by the Board of Directors for the group and the parent company of Zürcher Kantonalbank ([zkb.ch/corporate-governance](https://www.zkb.ch/corporate-governance)) set out the basic principles of group-wide management, collaboration and organisation at the levels of the Board of Directors, the Chairperson's Committee, the Executive Board and Audit. Business activities, business relationships, tasks, competencies and responsibilities within the group are defined therein.

Further regulations set out the requirements for the job profiles and the preliminary review and appointment of members of the Board of Directors and the Chairperson's Committee; the key requirements, responsibilities and competencies in connection with identifying, assessing, controlling, managing, monitoring and reporting risks; the organisation of the Compliance function; as well as the basic principles for compliance in the group.

3.1 Sustainability as an integral part of corporate governance

Sustainability governance defines the responsibilities and roles in relation to implementation of the sustainability mandate as part of our public service mandate. Sustainability issues are dealt with as an integral part of our business policy within the framework of corporate governance at Zürcher Kantonalbank. Corresponding guidelines, committees, responsibilities and compet-

ences have been set out in a formal framework concept and approved by the Executive Board.

Cantonal Parliament

Zürcher Kantonalbank is subject to the overall supervision of the Cantonal Parliament (§ 11 section 1 of the Zürcher Kantonalbank Act). The Cantonal Parliament is responsible, among other things, for approving the Guidelines for the Fulfilment of the Public Service Mandate (§ 11 section 2 number 3 of the Zürcher Kantonalbank Act), which specify Zürcher Kantonalbank's public service mandate as set out in § 2 of the Act. The Cantonal Parliament of Zurich has delegated overall supervision to the Parliamentary Committee for the Supervision of Commercial Undertakings (AWU).

The Guidelines for the Fulfilment of the Public Service Mandate form the basis for the bank's governing bodies to ensure and monitor fulfilment of the public service mandate. In addition, they provide the basis for the AWU to monitor compliance with the public service mandate and to audit the accounts and annual report of Zürcher Kantonalbank.

Every year, the AWU determines a key topic for the public service mandate, which is reported on in the annual report. The Cantonal Parliament approves the annual financial statements and this sustainability report (including climate reporting). The Cantonal Parliament is scheduled to approve the annual report and the sustainability reporting (including climate reporting) for 2024 on 26 May 2025.

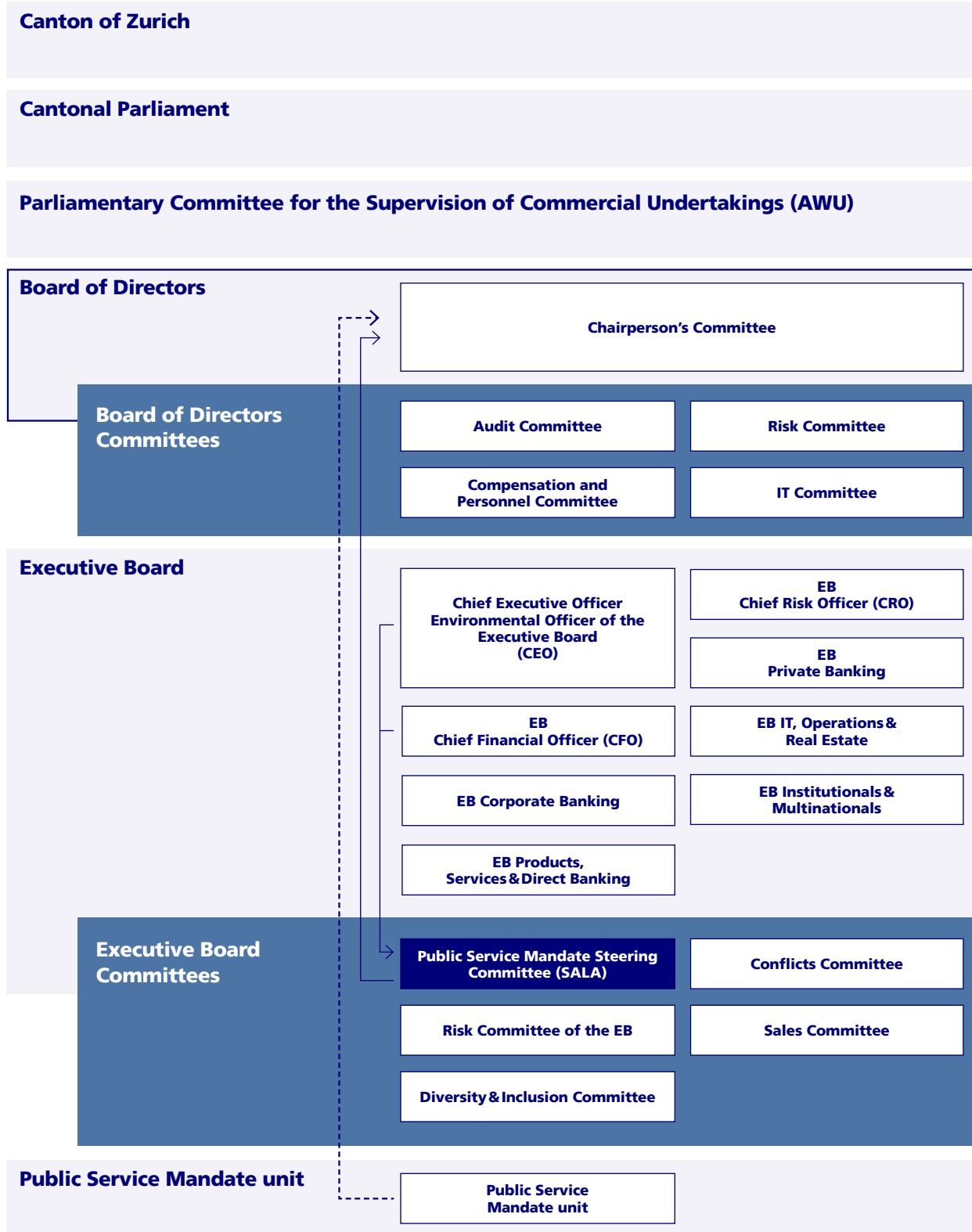
Board of Directors and committees

The Board of Directors bears ultimate responsibility for the management of the bank. Among other things, it issues the Guidelines for the Fulfilment of the Public Service Mandate. As part of its overall management, control and supervisory function, the Board of Directors is responsible for regularly checking that the public service mandate is being fulfilled in a high-quality, economically viable manner. The Board of Directors assigns the performance of this task to the Chairperson's Committee (§ 9 Guidelines for the Fulfilment of the Public Service Mandate).

The most important tools available to the Board of Directors for managing and monitoring the public service mandate are:

- group mission statement as a guiding framework
- Public Service Mandate 2030 initiative with the three sub-mandates of service, support and sustainability integrated into the balanced scorecard, which is 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.

Sustainability within existing corporate governance



As a further tool for managing and monitoring the public service mandate, including the sustainability mandate and its implementation, the Chairperson's Committee or the Board of Directors can attach conditions to the approval of individual transactions (§ 12 of the Guidelines for the Fulfilment of the Public Service Mandate).

The Board of Directors, in its capacity as the bank's highest governing body, defines the group mission statement and the sustainability ambition in the group strategy. The Board of Directors is informed quarterly about the risk and financial situation and annually about the public service mandate and sustainability. This involves the Board of Directors defining the strategic metrics for the public service mandate with the three sub-mandates of service, support and sustainability, including their enhancement.

The Audit Committee supports the Board of Directors in monitoring the internal and external audit as well as the internal control system, and in reviewing the annual financial statements, and it prepares the Board of Directors decisions in this regard. It also supports the Board of Directors in reviewing the sustainability reporting (including climate reporting).

The Compensation and Personnel Committee (CPC) assists the Board of Directors in connection with personnel decisions, the human resources strategy, as well as personnel and compensation policy. It assists the Board of Directors regarding the compensation report by providing preliminary advice and issuing recommendations.

The Risk Committee of the Board of Directors assists the Board of Directors in monitoring the bank's risk management and compliance with regulatory requirements regarding the management of risk. In particular, it carries out an annual structured assessment of the appropriateness of risk management (risk organisation, guidelines and processes) and initiates any necessary adjustments. The assessment covers all types of risk. In the third quarter of 2024, the Risk Committee of the Board of Directors also took note of the risk categorisation of physical climate risks and transition risks for the individual business areas based on the analysis of the Risk Committee of the Executive Board.

The IT Committee supports the Board of Directors in defining and monitoring the IT-relevant aspects of the group strategy. It advises the Board of Directors on all matters relating to IT at Zürcher Kantonalbank and makes appropriate recommendations.

Executive Board and its committees

The Executive Board ensures the fulfilment of the public service mandate within the scope of its responsibilities and powers, if necessary together with the Chairperson's Committee and the Board of Directors (§ 7 Guidelines for the Fulfilment of the Public Service Mandate).

The Executive Board (EB) is responsible for defining the various business policies.

The Executive Board is then responsible for adopting the sustainability policy (see section 'Sustainability in the group strategy').

The Executive Board is likewise responsible for the control and monitoring of the environmental management system. The CEO of Zürcher Kantonalbank has a special monitoring and control function as the environmental officer of the Executive Board.

Risk Committee and Conflicts Committee of the Executive Board

The Risk Committee of the Executive Board helps the Executive Board set up the bank's risk management processes, in particular the procedures for identifying, assessing, controlling, managing and monitoring credit, market, liquidity and operational risks as well as reputational and compliance risks. The Committee makes decisions within the scope of the responsibilities delegated by the Executive Board and carries out the comprehensive annual assessment of climate-related financial risks, which is prepared by the Risk business unit.

The Conflicts Committee helps the Executive Board handle transactions that entail particular business policy risks, conflicts of interest or particular effects on Zürcher Kantonalbank's reputation.

Public Service Mandate Steering Committee (SALA)

The Guidelines for the Fulfilment of the Public Service Mandate of Zürcher Kantonalbank set out the details of Zürcher Kantonalbank's public service mandate as laid down in § 2 of the Zürcher Kantonalbank Act. The Public Service Mandate Steering Committee (SALA) is anchored in § 11 of the guidelines. The SALA supports the Chairperson's Committee in the fulfilment of its task. Comprising representatives from all business units, it is headed by a specialist representative for the public service mandate. The SALA advises and supports the Chairperson's Committee, the Board of Directors and the Executive Board in all matters relating to the public service mandate.

The CEO is the Chairperson of the SALA, and the CFO is the Deputy Chairperson. The Chairperson is in close contact with the management of the Public Service Mandate unit. The Public Service Mandate unit plans and coordinates the meetings in consultation with the Chairperson of the SALA.

The SALA manages the public service mandate, which comprises the service-, support- and sustainability sub-mandates. It initiates and develops amendments to the sustainability policy, promotes the integration of sustainability into business unit strategies and collaborates with other functions to advise on the implementation of

regulatory requirements relating to sustainability issues. The SALA also analyses important national and international frameworks, initiatives and alliances in the area of sustainability and prepares these agreements for signing. Additionally, it serves as a preliminary advisory body for the development of new products and services in which sustainability is a key feature or in which sustainability effects play a significant role. It is also responsible for handling cross-sector orders and initiatives in connection with the public service mandate. Furthermore, the SALA advises the Chairperson's Committee and the Board of Directors on the metrics for the public service mandate and the annual report on the public service mandate.

Diversity Steering Committee (DSA)

In 2023, the Executive Board established the Diversity Steering Committee (DSA). This committee implements measures to achieve the gender diversity objectives defined by the Board of Directors as part of the Public Service Mandate 2030 initiative. The actions defined therein are measured using structured reporting at the group and business unit level.

The committee meets three times a year. The committee is chaired by the Executive Board's Diversity and Inclusion Officer (Head of IT, Operations & Real Estate).

Public Service Mandate unit

The Public Service Mandate unit is responsible for planning, implementing, developing, controlling and communicating the public service mandate. As a permanent member of the SALA, the Head of the Public Service Mandate unit is responsible for planning, steering and coordinating the SALA meetings in close consultation with the Chairperson of the SALA.

3.2 Responsible management

Zürcher Kantonalbank is committed to responsible management in accordance with statutory and regulatory provisions as well as recognised professional principles within the banking industry. Responsible management forms the basis for trusting cooperation between Zürcher Kantonalbank and its stakeholder groups.

General conditions

Zürcher Kantonalbank conducts its business under a licence from the Swiss Financial Market Supervisory Authority FINMA in accordance with the Banking Act. Its business activities are therefore subject to the regulatory requirements applicable to banks and are supervised by FINMA. In accordance with an ordinance issued by the

Swiss National Bank (SNB) on 1 November 2013, Zürcher Kantonalbank is deemed to be systemically important as defined in Articles 7 and 8 of the Banking Act.

Zürcher Kantonalbank is legally required to pursue a "business policy geared towards continuity" (§ 2 Zürcher Kantonalbank Act).

In addition to the provisions of federal supervisory law, the requirements of FINMA Circular 2017/1 "Corporate governance – banks" in particular are applicable to Zürcher Kantonalbank. Insofar as this is reasonable for an institution under public law, Zürcher Kantonalbank also applies the Directive on Corporate Governance of 29 June 2022 of SIX Swiss Exchange Ltd, which has been in force since 1 January 2023. Unless otherwise specified, all stated information is valid as at 31 December 2024.

The Regulations on the Code of Conduct and Ethics for the Zürcher Kantonalbank group serve to promote a uniform and effective corporate and compliance culture within the group (§ 3 Organisational Regulations). It sets out the most important rules of conduct to be observed by all employees and members of governing bodies.

In accordance with legal requirements and the expectations of the Swiss Financial Market Supervisory Authority FINMA, Zürcher Kantonalbank has taken comprehensive organisational measures to ensure compliance. In the regulations governing the group's Legal & Compliance function, compliance is defined as adherence to legal, regulatory and internal provisions as well as observance of industry standards and codes of conduct by the group, its employees and governing bodies, which also includes adherence to organisational measures and processes.

The regulations set out the organisation, responsibilities and competencies of Legal & Compliance and state that Legal & Compliance performs the compliance function in accordance with the FINMA Circular "Corporate governance – banks".

It also defines the requirements for compliance at Zürcher Kantonalbank. The most important principle of all is that Zürcher Kantonalbank conducts its business in accordance with statutory and regulatory provisions as well as industry standards and codes of conduct. As an independent function, Legal & Compliance supports the Executive Board and employees as well as members of governing bodies in complying with the regulations and standards applicable to them or the bank. This support generally consists of identifying, assessing, advising, monitoring and reporting, including assessing the legal, compliance, reputational and loss risk of the business activity. To that end, the Compliance function prepares an annual assessment of compliance risk and a corresponding action plan based on a compliance-related risk inventory.

The Compliance function is organisationally independent of the income-driven business units. The General Counsel (Head of Legal & Compliance) reports directly to the CEO. For the purpose of recognising, assessing and avoiding legal, reputational and loss risks, Legal & Compliance may, in consultation with the CEO, review at any time the activities of business units for their legal and compliance adequacy. The General Counsel has the right at any time to submit resolutions of standing committees and committees in which the General Counsel has an advisory vote to the Chairperson's Committee for a decision.

Our implementation measures

Combating corruption

As part of effective compliance, we do not tolerate bribery or corruption. We do not grant any undue advantages for unlawful or improper behaviour or for the mere cultivation of relationships. Nor do we accept undue advantages for ourselves. Zürcher Kantonalbank has issued specific guidelines for accepting and giving gifts and invitations, which include a formal and documented approval process if gifts and invitations go beyond the scope of what is socially customary. Our whistleblowing system, which allows anonymous reports, is also available for reporting suspected misconduct (see the separate section on whistleblowing for details).

Corruption or bribery is, among other things, a predicate offence to money laundering and is part of our specific monitoring measures for detecting and reporting money laundering offences. Transactions with a background of corruption or bribery are strictly prohibited. Based on the internal guidelines for combating money laundering, employees of Zürcher Kantonalbank are obliged to involve the relevant Compliance department in the event of suspicious circumstances. No confirmed cases of corruption (including bribery) were recorded in the year under review.

Dealing with conflicts of interest

Zürcher Kantonalbank endeavours to structure its business activities in such a way that the interests of its clients, Zürcher Kantonalbank and its employees are aligned as far as possible. Wherever possible, we avoid situations that could lead to conflicts of interest. However, conflicts of interest cannot always be avoided due to the bank's broad client base and its activities as a universal bank. Conflicts of interest can impair the ability of employees and members of governing bodies to fulfil their obligations to clients and the group. Zürcher Kantonalbank deals with potential conflicts of interest in a transparent, fair and professional manner in compliance with legal requirements and on the basis of the bank's Code of Conduct. To this end, it has established internal standards and procedures for identifying, avoiding and handling possible conflicts of interest.

All employees receive periodic training in dealing with conflicts of interest. As part of their activities, they are responsible for recognising potential and actual conflicts of interest. In the event of a conflict of interest, measures must be taken to avoid or eliminate the conflict of interest. If it must be assumed that the measures taken to manage a conflict of interest are not sufficient to safeguard the interests of clients, the clients affected are informed of the conflict of interest. If the precautions taken to protect the interests of clients are not sufficient, the transaction will be cancelled.

Zürcher Kantonalbank documents identified conflicts of interest in general terms in a bank-wide register, which is reviewed periodically. Further information is available on the homepage of Zürcher Kantonalbank at (zkb.ch/en/legal/conflict-of-interest).

Whistleblowing

The integrity and reputation of Zürcher Kantonalbank are among its most important assets. To support effective compliance, Zürcher Kantonalbank has implemented a secure and confidential whistleblowing system through which employees and third parties (e.g. clients, suppliers, competitors) can report suspected misconduct within the organisation. Zürcher Kantonalbank encourages and calls on its employees to raise concerns about irregularities and promotes whistleblowing as part of its corporate culture. The reports can be submitted via various channels and in particular via a highly secure, web-based reporting platform – anonymously if desired. Employees are free to choose which reporting channel they wish to use. They can also discuss a possible irregularity with their line manager, the responsible HR advisor or their Legal & Compliance contact person. Employees who make a report in good faith do not have to fear any negative consequences.

Further information on Zürcher Kantonalbank's whistleblowing system can be found on its homepage at (zkb.ch/en/legal/whistleblowing).

Duty of care to avoid money laundering

The Swiss legislator has created a comprehensive set of regulations to prevent money laundering, comprising Articles 305bis and 305ter of the Swiss Criminal Code (SCC), the Anti-Money Laundering Act (AMLA) and the implementing ordinances and regulations. These stipulations impose extensive due diligence obligations on financial service providers subject to them.

Zürcher Kantonalbank considers it very important to consistently comply and implement these legal requirements. We are in constant dialogue with our clients in order to perform the extensive tasks associated with this:

- When opening a business relationship, we identify the background of the incoming assets and clarify the intended use of the account and the beneficial owner.
- Existing client details are periodically checked to ensure they are up to date and confirmed or renewed.
- We verify and record client information on a risk basis using documents (contracts, register extracts, Form A, etc.).
- Employees receive regular training on their responsibilities and tasks.
- If the bank becomes aware of a transaction that is classified as unusual based on the business relationship to date, the background to the transaction is clarified and, if necessary, a money laundering report is submitted to the Money Laundering Reporting Office Switzerland (MROS).

3.3 Responsible sales practices

Responsible sales practices refer to our client processes – from creating our products and services, preparing and communicating information, creating documents, web content and sales brochures, to the entire client advisory process for individual products and services. It is crucial that our statements on all communication channels can be understood by the respective target audience.

General conditions

The Executive Board is responsible for dealing with sales, brand and marketing issues. It is supported in this respect by the Sales Committee. The Sales Committee is responsible for group-wide brand management and the strategic sales themes of all business units at the parent company. The Board of Directors is responsible for ensuring that there is a suitable risk and control environment, and it arranges for an effective internal control system (ICS).

Zürcher Kantonalbank has extensive internal regulations and processes in place to ensure compliance with existing legal requirements for external communication. These guidelines and processes aim to prevent a breach of statutory or regulatory provisions, such as principles of fair trading, requirements relating to services in the investment business and regulations on cross-border services. Our internal regulations on external communication include an explicit ban on greenwashing. Greenwashing refers to untruthful, misleading or deceptive communication in relation to the sustainability-related characteristics of Zürcher Kantonalbank's products, services and

activities. Appropriate training courses are held on an ongoing basis to sensitise employees who are involved in the creation of external communications.

The self-regulatory arrangements of industry associations, in particular the Swiss Bankers Association (SBA), the Swiss Structured Products Association (SSPA) and the Asset Management Association Switzerland (AMAS), set binding requirements for their members. In the investment business, for example, the bank must observe the SBA self-regulation "Guidelines for financial service providers on the integration of ESG preferences and ESG risks and the prevention of greenwashing in investment advice and portfolio management". These define measures to avoid greenwashing and to ensure responsible sales practices with regard to sustainability in investment advice and wealth management. The "Self-regulation on transparency and disclosure for collective assets with a sustainability focus" promulgated by the AMAS contains requirements for creating transparency and complying with minimum standards regarding sustainability aspects for collective assets. The SSPA's "Sustainability transparency guidelines" take a similar approach.

Our implementation measures

Client communication

Our products and services are created in compliance with the applicable legal requirements and (self-) regulations, and are presented to our clients in a comprehensive, clear and comprehensible manner via the available electronic channels and customer service.

When creating marketing material, we observe the principles under fair trading law of truthfulness/accuracy, clarity and completeness, and avoid misleading representations and suppressing important information.

The current price and interest rate overviews for our products and services for private and corporate clients are available at zkb.ch/en/legal/terms-conditions. For fixed-rate mortgages, daily updated benchmark interest rates are published for all terms. The conditions for other financing products are shown transparently in client-specific product documents.

Sales Committee

The Sales Committee consists of the CEO, the Head of Products, Services & Direct Banking and all heads of the sales units; the Head of Marketing & Communications and the Head of Legal & Compliance attend the meetings in an advisory capacity without voting rights.

The Sales Committee is responsible for group-wide brand management and the strategic sales topics of all business units at the parent company. In particular, this includes approving the brand architecture, adopting the allocation of the marketing budget and approving measures to strengthen and expand sales. Within its area of

responsibility, the Sales Committee assumes responsibility for the application of responsible sales practices.

Responsible sales practices in the financing business

In the financing business, we analyse the financial circumstances of our clients and assess their affordability on this basis. Our client advisors receive regular training on the criteria and assessment processes.

We do not offer consumer loans. When issuing credit cards and setting credit card limits, we take our clients' creditworthiness into account.

Our products and services are created in compliance with the applicable legal requirements and are presented to our clients in a comprehensive, clear and understandable manner via the available electronic channels and customer service.

Responsible sales practices in the investment business

When providing investment advice and asset management services, we take into account our clients' individual financial situation, risk capacity, risk appetite, knowledge and experience in accordance with legal and regulatory requirements. We inform our clients comprehensively and transparently about the characteristics, opportunities and risks of our investment solutions. Our customer service team receives regular training on the products and services and on the information and clarification obligations to be observed in the advisory process.

Dealing with client complaints

Clients who are dissatisfied with our services can contact us at any time via customer service, in writing, by telephone, by e-mail or via the contact form at zkb.ch. The handling of our clients' reactions follows a structured process within a reasonable period of time and is free of charge. Whenever possible, we try to find an amicable solution. We inform our clients about the possibility of contacting the Swiss Banking Ombudsman if necessary.

3.4 Digitalisation, cyber security and data protection

Digitalisation influences the way in which we work and the demands of our clients. We respond to changing client behaviour by constantly developing our banking services and cultivating a corporate culture that supports innovation at all levels.

All of our business areas are constantly looking to develop innovations that are both useful and profitable. We develop solutions for every client segment in the bank based on our strategy. New service approaches

are tested in temporary pilot projects. Promising ideas are broken down into concrete steps, and various offers are tested with clients directly. To this end, trends are analysed systematically and across all industries, innovation is promoted, and meaningful partnerships and collaborations are examined. We develop and operate our bank's applications and systems. To ensure that our services are stable, simple and secure, we are focusing on important forward-looking investments for the next few years, including the modernisation of our technology platforms and our cyber security roadmap. The bank's efficiency is being increased through automation and standardisation, and development is driven forward on the basis of facts by means of consistent performance management.

General conditions

The Federal Act on Data Protection (FADP), the FINMA circulars ("Corporate governance – banks", "Outsourcing", "Operational risks and resilience – banks") and the FINMA guidance ("Duty to report cyber attacks") as well as the ISO 27000 series of standards provide a framework for data protection and cyber security. We constantly develop and update our security standards. The security specifications cover the scope of ISO 27002:2022 and are supplemented on a technology-specific basis. Every three years at the most, the security requirements are also reviewed by independent security experts with regard to good practice and completeness.

Our implementation measures

The information and cyber risk management processes are integrated into the OpRisk (operational risk) management processes. Qualitative and quantitative risk tolerance requirements are defined in line with the objectives of group strategy, IT strategy and risk strategy. The "first line of defence" risk managers must comply with these requirements when implementing their strategies. The Chief Information Security Officer (CISO) monitors compliance with security requirements relating to information and cyber risks. Reports are submitted to the Risk Committee of the Executive Board and the Risk Committee of the Board of Directors quarterly and annually as part of the OpRisk profile of Zürcher Kantonalbank. Our security assessments for both internal IT systems and outsourced IT systems at service providers are based on the ISO 27002 standard and are supplemented by measures from the NIST Cybersecurity Framework (National Institute of Standards and Technology). Security assessments are updated at least once a year for critical IT systems. Security assessments are carried out during the year in the event of significant changes to processes or IT systems or on the basis of event analyses, audits and other triggers. The bank implements

and monitors the further development of identified fields of action by means of a programme in the form of a cyber security roadmap. More information on this topic can be found at zkb.ch/digital-banking.

Throughout the group, Zürcher Kantonalbank attaches great importance to protecting the privacy of its clients and the confidentiality of important business data. Correct, efficient handling of Zürcher Kantonalbank's data and information – both in physical and electronic form – is a business-critical success factor. We handle the personal data entrusted to us with care. We consider it crucial to ensure that the information we hold about our clients is treated confidentially. In principle, we pass on this information only if our clients agree to this or if we are legally obliged to do so. This applies equally to information about employees and business partners. Further information on how Zürcher Kantonalbank deals with the topics of data protection and bank-client confidentiality can be found on the ZKB website at zkb.ch/en/legal/data-protection.html.

Involvement of stakeholders

In accordance with the applicable law, we require service providers to ensure confidentiality.

Our employees are our greatest asset in making digitalisation possible. Hence, we make long-term investments in our IT engineering culture as well as in the skills and competencies of our employees. The employees of Zürcher Kantonalbank are required to comply with data protection requirements and Swiss rules governing bank-client confidentiality. They are regularly familiarised through training and other suitable measures (e. g. mandatory e-learning on data protection).

Despite ongoing digitalisation and increasing use of self-service channels, personal client contact remains important. Personal advice continues to be a high priority for our clients, especially when it comes to complex life or corporate events such as retirement, buying residential property or founding a company.

Environment

In this section, the focus is on reporting on climate matters as part of environmental issues and specifically on our contribution to achieving greenhouse gas neutrality in our financing business, investment business, our own financial investments, our independent research and our own operations. We are guided by the principle of double materiality, i.e. we consider how climate change affects our business activities on the one hand and how our business activities affect climate change on the other.



5.1 General conditions for climate-related issues

As part of the public service mandate enshrined in the Zürcher Kantonalbank Act, Zürcher Kantonalbank has been required since 1 January 2024 to support sustainable development (§ 2, section 1), to promote the achievement of greenhouse gas neutrality (§ 2, section 2) and to actively contribute to achieving the cantonal climate targets, in particular with regard to energy-efficient building renovations (§ 7, section 4).

We are subject to the requirements of the Federal Act on Climate Protection Goals, Innovation and Strengthening Energy Security (CIA), the requirements of the Swiss Code of Obligations (CO) on transparency regarding non-financial matters and the Ordinance on Climate Disclosures, which has been in force since 1 January 2024 and is based on the TCFD recommendations, among other things. In addition, FINMA disclosure requirements apply in the area of climate-related financial risks, which are met with our annually updated disclosure report (zkb.ch/disclosure).

Our climate targets are based on the goals of the Paris Agreement and on achieving greenhouse gas neutrality by 2050. In doing so, we are guided in particular by Switzerland's long-term climate strategy (net zero by 2050) and the Canton of Zurich's climate strategy (net zero by 2040, 2050 at the latest). Since May 2022, the climate protection article in the cantonal constitution has defined the goal of greenhouse gas neutrality or "net zero" for short. If there is no national sector-specific climate target, we are guided by the International Energy Agency's net-zero roadmap.

We are then guided by the Federal Council's Sustainable Finance Strategy (Sustainable Finance Switzerland in accordance with the Federal Council's report of 16 December 2022) and implement the corresponding self-regulations of the industry organisations AMAS and SBA.

As a member of the Net Zero Assets Managers Initiative (NZAM) and the Net-Zero Banking Alliance (NZBA), we are guided by science-based climate scenarios and are aiming for net zero by 2050 at the latest. As a further step towards greater climate transparency, Zürcher Kantonalbank also joined the Partnership for Carbon Accounting Financials (PCAF) in May 2022.

As part of the enhancement of the Public Service Mandate 2030 initiative, the bank has anchored the achievement of the NZBA and NZAM targets as part of its sustainability mandate. Fulfilling the public service

mandate is a component of the balanced scorecard, Zürcher Kantonalbank's strategic management tool.

5.1.1 Climate-related opportunities Accompanying products and services

Switzerland has set itself the goal of consolidating its position as a leading location for sustainable finance. According to the SBA, the Swiss financial market should contribute in its entirety to sustainable development and added value in economic, environmental and social terms. Based on its public service mandate and its sustainability ambition, Zürcher Kantonalbank wants to make a contribution to achieving this goal.

In the financing business, we accompany our clients on the path to a more sustainable future and specifically promote sustainable developments in the areas of energy, mobility and buildings.

Zürcher Kantonalbank provides incentives for its clients to build, modernise and operate their properties and infrastructure in the most environmentally friendly and energy-efficient way possible. To this end, the range of products and services is constantly being expanded. The bank continues to provide its clients with attractive solutions for energy-efficient renovations and new buildings.

We want to be a leader in the investment business with sustainable offerings. To this end, we apply the ZKB sustainability standard for our active investment solutions⁶ and for the sustainable designations of ZKB Portfolio Consulting in which CO₂ reduction is defined as one of the sustainability approaches used.

In its trading and capital markets business, Zürcher Kantonalbank supports its clients in structuring and placing sustainable bonds (ESG-labelled bonds, such as green bonds, social bonds and sustainability-linked bonds) on the Swiss capital market. Zürcher Kantonalbank also issues its own green bonds to refinance environmental loans and to refinance projects with energy-related objectives for the office buildings used by Zürcher Kantonalbank itself.

Promotion of energy efficiency and renewable energy sources

Our climate targets are based on the Paris Agreement and on achieving greenhouse gas neutrality by 2050. We help mitigate climate change by promoting energy efficiency and substituting fossil, non-renewable fuels with renewable energy sources.

When it comes to financing in the energy sector, Zürcher Kantonalbank demonstrates a commitment to further increasing the efficiency of the facilities and the gradual shift to renewable energy sources.

We create incentives for our clients to build, modernise and manage their properties and infrastructure in the most environmentally friendly and energy-efficient

⁶ Our active investment solutions comprise portfolio management mandates and investment funds with the exception of indexed, individualised and third-party managed investment solutions and investment funds in the area of alternative investments.

way possible, and are constantly expanding our range of products and services in this area. We provide our clients with solutions for energy-efficient renovations and new buildings.

We take a structured approach to reducing CO₂e emissions in our own operations. To this end, we analyse the energy consumption of our operational properties in order to identify areas for action and incorporate suitable measures into our reduction path. We are also involved in the Energy Model Zurich major consumer group with the aim of continuously increasing our energy efficiency and reducing CO₂e emissions. In November 2023, we were awarded the Energy Model Zurich Challenge Prize for our achievements in the 2021 and 2022 reporting years. The jury's criteria were the quantitative increase in energy efficiency, the quality of energy management, the realisation of innovative approaches and the willingness to share the knowledge gained within the group. From 2009, we had been offsetting the remaining operational greenhouse gas emissions with avoidance certificates. Since 2024 we have now relied entirely on negative emission technologies (NET), which completely remove all unavoidable residual emissions from the air and store them permanently.

Through our specific sponsorship commitment, we promote renewable energies, energy efficiency, negative emissions technologies (NET) and new innovative, future-proof and sustainable mobility concepts throughout the entire mobility chain.

5.1.2 Climate-related financial risks

Climate-related financial risks influence the risk profile of Zürcher Kantonalbank, but are not among the top risks.

The key drivers of transition risks for the bank are climate legislation, changing client preferences, public perception and climate change itself. Areas that are potentially heavily affected by this include:

- the investment business with the offering of products with CO₂e reduction targets; and
- the financing business, where future changes in legislation may impact the valuation of collateral (including properties in the mortgage portfolio) and financing of companies in climate-exposed sectors.

Physical climate risks are significantly less important for Zürcher Kantonalbank's risk profile than transition risks. Areas that are potentially affected by physical climate risks include:

- the mortgage portfolio: The value of individual properties in the mortgage portfolio could be reduced, for example, as a result of flooding or landslides.
- banking operations: The accumulation of extreme weather events could impact bank operations in a very adverse flooding scenario.
- the investment business: Loss of wealth due to higher damage could have a negative impact on the investment assets/income base in the business area.

Risk management process

Zürcher Kantonalbank breaks the risk management process down into the process steps listed below:

The process steps mentioned are summarised below for each of the relevant risk categories. A more detailed description can be found in the disclosure on climate-related financial risks as at the end of the year (zkb.ch/offenlegung).

a) Operational risks (banking operations)

When identifying and assessing climate-related financial risks from banking operations, the focus is on the OpRisk assessment of not only environmental and accident risks, but also operational emissions. Using measurement data and its own analyses of the carbon footprint, the bank identifies where the greatest reduction potential exists.

Risk management for the direct physical risks of banking operations (e.g. flooding) is carried out in Business Continuity Management (BCM). The scenarios include not only the failure of important company buildings as a result of extreme weather events, but also the loss of critical suppliers and partners. As a risk-controlling element for the environmental aspect of banking operations, Zürcher Kantonalbank has an environmental programme in place at the parent company that sets out the environmental targets for operational ecology. The targets are approved by the Executive Board. These targets focus on making ongoing reductions to CO₂e emissions and boosting environmental performance.

Business continuity tests are carried out on a regular basis to review the business recovery options implemented, the business continuity plans, the emergency response and operational crisis management. The achievement of the objectives of the bank's environmental programme is reviewed annually and the environmental management system is audited annually in accordance with ISO14001.

b) Credit risks (financing business)

At line item level, risk identification and assessment in the financing business look at the applicant's creditworthiness and credit standing and also assess the collateral (mortgage, readily marketable collateral, etc.), depending on the type of credit. Whether the financing complies with the lending rules, including the sustainability requirements, is checked during the loan application process. At portfolio level, analyses of climate-related financial risks are carried out as required.

Risk management takes the form of regulations in the sustainability and lending policy that are issued by the Executive Board. These regulations are specified in the internal credit risk regulations with detailed specifications on excluded, undesirable transactions and transactions with special risks. They also explicitly relate

Methodological principles for risk description and categorisation

The risk description and categorisation summarised above are based on the following methodological principles: The first step was an analytical segmentation of the relevant business areas along the established risk categories. For example, the mortgage business, commercial financing and CTF (commodity trade finance) were assessed separately under the "credit risk" risk category. The risk factors and transfer mechanisms described by TCFD, among others, were then examined along these business areas to assess whether and to what extent the business area could be affected by them. The assessment of risk or materiality for the risk profile of Zürcher Kantonalbank is based on the economic significance of the respective business area for the bank on the one hand, and on a qualitative estimate of possible losses or lost income on the other.

The risk assessment is based on scenario considerations, is guided by the NGFS (Network for Greening the Financial System) scenario framework and differentiates between a baseline scenario in which the Paris climate targets are largely achieved and alternative adverse scenarios. Transition risks are typically assessed based on a disorderly transformation to a low-carbon economy, physical risks based on a hot-house-world scenario. The impacts for Switzerland analysed by the Federal Office for the Environment in an extreme scenario (without climate protection measures, RCP8.5) serve as a benchmark (FOEN, Climate change in Switzerland, 2020). The risk analysis has shown that the greatest damage potential attributable to physical risks could arise as a result of a flood event in the residential sub-portfolio. The bank has already carried out simulation calculations to estimate the potential extent of such damage; these revealed that even a very large event would not lead to a significant loss ratio.

to financing with a focus on climate and energy. The management of climate-related financial risks for the credit portfolio focuses both on the exclusion of certain industries as well as on supplementary offers for clients in the bank's financing business. The controls for monitoring compliance with the lending rules also include the requirements of the lending policy.

The internal monitoring report on the loan portfolio contains information on exposures in climate-sensitive sectors. The availability of public, quality-assured data on greenhouse gas emissions – especially for unlisted companies – will likely continue to improve over the next few years, enabling meaningful reports that can, in turn, support risk management.

c) Market risks (financial investments)

The CO₂e intensity of the financial investments within the remit of the Treasury department, consisting of a high-quality bond portfolio, is periodically determined on the basis of publicly available information and compared with a benchmark from the investment universe available for financial investments for regulatory purposes.

Financial assets within the remit of the Treasury department have also been subject to requirements on limiting climate-related financial risks since the start of 2022. Firstly, issuers from industries that are excluded from the financing business in accordance with the bank's sustainability policy are also excluded. Secondly, the average revenue-weighted CO₂e emissions of the portfolio must be at least 35 percent lower than in the reference portfolio of the investment universe limited by the internal investment rules.

Compliance with the requirements for limiting the CO₂e intensity of the financial investment portfolio is monitored and reported on by Risk Controlling.

d) Business risks (investment and pension business)

Risk identification and assessment in the investment advisory and pension business focus on the financial risks in the investment products and in the investment portfolios of clients who receive investment advice services or have commissioned the bank with portfolio management.

In the standardised wealth management and portfolio consulting mandates of Investment Solutions, graduated combinations of ZKB's sustainability approaches are applied depending on the designation.

Compliance with the sustainability approaches mentioned is monitored daily as part of the risk management process. The results of these checks form an integral part of internal risk management reporting and the internal risk dialogue between risk managers and risk management. In its investment reports, Zürcher Kantonalbank transparently discloses the ESG criteria of its client portfolios.

Asset Management at Zürcher Kantonalbank utilises graduated combinations of sustainability approaches, depending on the product line, for its investment fund, pension products and portfolio management mandates. These are offered under the "Swisscanto by Zürcher Kantonalbank" brand. Compliance with the relevant sustainability requirements is monitored on an ongoing basis by Investment and Portfolio Controlling. Where appropriate, additional controls are carried out by Risk Management.

In the case of transactions, compliance with exclusion criteria is checked before the transaction is finalised and independently monitored on a daily basis by Investment and Portfolio Controlling. The degree of CO₂e reduction target achievement is monitored by Risk Management as well as by Investment and Portfolio Controlling. The degree of CO₂e target achievement is also a component of the publicly available sustainability reporting for sustainably managed products.

Risk management process

Zürcher Kantonalbank breaks the risk management process down into the following process steps:



5.3 Climate targets and key figures

As part of the Net Zero Assets Managers Initiative (NZAM) and the Net-Zero Banking Alliance (NZBA), we are guided by science-based climate scenarios and are aiming for net zero by 2050 at the latest. An overview of the targets in the financing business, in the investment business and in the bank's own operations is provided below. In the investment business, NZAM's objective relates only to Asset Management, which is why the investment solutions of Investment Solutions are excluded.

5.3.1 Climate targets and key figures for the financing business

The percentage composition of the credit portfolio can be found in the risk report from page 147 of the annual report. At 68 percent, credit risk is the largest risk category in the risk capital allocated by the Board of Directors.

Loans by client portfolio are shown on page 162 of the annual report. Accordingly, private individuals make up the largest share of our portfolio, followed by companies in second place.

In Switzerland, the building sector is responsible for

Time frame	Base year	Targets	Methodology	Scenario
› Financing business				
Residential mortgage business ⁷	2022	2030: 8.7 kg CO ₂ e/m ² energy reference area (ERA) (44 % reduction) 2040: 0.9 kg CO ₂ e/m ² ERA (94 % reduction) 2050: 0.3 kg CO ₂ e/m ² ERA (98 % reduction)	Paris Agreement Capital Transition Assessment (PACTA 2022)/ Own methodology Metric: Intensity (Scope 1)	Energy Perspectives 2050+ (EP 2050+), zero basis scenario residential property; 1.5°C compatible (status PACTA 2022)
Commercial mortgage business (office buildings) ⁸	2023	2030: 4.5 kg CO ₂ e/m ² ERA (44 % reduction) 2040: 0.4 kg CO ₂ e/m ² ERA (95 % reduction) 2050: 0.3 kg CO ₂ e/m ² ERA (97 % reduction)	Paris Agreement Capital Transition Assessment (PACTA 2022)/ Own methodology Metric: Intensity (Scope 1)	Energy Perspectives 2050+ (EP 2050+), zero basis scenario service and commercial property; 1.5°C compatible (status PACTA 2022)
› Investment business				
As part of our sustainability standard for active investment solutions ⁹ , we pursue a CO ₂ e reduction in our investments in traditional asset classes.				
› Asset management				
Funds and mandates aligned with the well below 2°C target	2019	Reduction of at least 4 percent ¹⁰ CO ₂ e tonnes / USD million revenue per year 2030: 33 % reduction 2050: 70 % reduction	Own methodology Metric: Intensity (Scope 1, 2)	IPCC well below 2°C scenario (67 %)
Funds and mandates aligned with the 1.5°C target (Net Zero Asset Managers Initiative)	2019	Reduction of at least 7.5 percent ¹⁰ CO ₂ e tonnes/USD million revenue per year 2030: 54 % reduction 2050: 90 % reduction	Own methodology Metric: Intensity (Scope 1, 2)	IPCC 1.5°C scenario (50 %)
› Own operations				
Own operations	2022	2030: Reduction to 1,800 tonnes of CO ₂ e and offsetting of the remaining emissions with negative emission technologies (NET)	VfU (German Association for Environmental Management) key figures calculation tool Metric: Absolute (Scope 1, 2, 3) ¹¹	–

7 Includes only residential properties (single-family homes, multi-family homes and condominiums).

8 Includes service buildings (non-manufacturing), predominantly office buildings.

9 Our active investment solutions relate to portfolio management mandates and investment funds, with the exception of indexed, individualised and third-party managed investment solutions and investment funds in the area of alternative investments.

10 Plus economic growth.

11 The following categories of the GHG Protocol are relevant within Scope 3: paper (category 1), fuel and energy-related emissions (not included in Scope 1 or 2) (category 3), waste (category 5) and business travel (category 6). NB: We are currently evaluating how we can expand the coverage of the operational emissions of Scope 3 categories.

almost 40 percent of energy consumption and around a quarter of CO₂e emissions. The reduction of CO₂e emissions in the building sector is therefore of crucial importance for the national net-zero strategy 2050. In its climate strategy, the Canton of Zurich also emphasises the building sector's particularly high level of CO₂e emissions.

Net-Zero Banking Alliance (NZBA)

Zürcher Kantonalbank joined the Net-Zero Banking Alliance in December 2022 and committed to setting sector-specific, emissions-based climate targets within 18 months that are in line with the latest findings of climate science. By joining, we are responding to the call of the Swiss Bankers Association and the Federal Council.

As part of this commitment, in 2023 Zürcher Kantonalbank defined the first sector-specific quantitative climate target for the residential mortgage business. In 2024, a further sector-specific quantitative climate target was set for the office-related mortgage business.

Our sector prioritisation is based on the environmental relevance of the relevant sectors and the financial exposure on our balance sheet. Our mortgage business is the largest item on the assets side of our balance sheet, totalling CHF 107 billion. Around CHF 87 billion of this are mortgages for residential property, around CHF 12 billion are mortgages for office property, and around CHF 8 billion are mortgages for other property. We therefore consider the decarbonisation of our mortgage business to be a key area of impact for our bank.

Climate target of the Canton of Zurich

Since May 2022, the climate protection article in the cantonal constitution has defined the goal of greenhouse gas neutrality or "net-zero" for short. It gives the canton and the municipalities a binding mandate to work towards limiting climate change and its effects. The target of greenhouse gas neutrality by 2040, or 2050 at the latest, is enshrined as part of the canton's long-term climate strategy. To this end, the focus is on two strategic areas of action in the buildings sector: replacing fossil fuel heating systems with heat pumps and refurbishing buildings to make them more energy efficient. The stricter Energy Act, which came into force on 1 September 2022, sets the regulatory framework. This stipulates that oil and gas heating systems must be replaced with environmentally friendly heating solutions at the end of their service life.

Climate targets for the financing business

Residential mortgage business

The target calculation for our climate target in the residential property sector includes all mortgage financing for single-family homes (SFH), multi-family homes (MFH) and condominiums (CNDO) with a sufficient data basis. This corresponds to 96 percent of the financing volume. The Scope 1 emissions of the property are taken into account.

Our target is based on Switzerland's long-term climate target of net-zero greenhouse gas emissions by 2050. The plan for achieving net zero is being worked out by the Federal Council as part of the long-term climate strategy. The Energy Perspectives 2050+ (EP 2050+) form an important basis for this. The Federal Office of Energy has modelled the development of the energy system in the net-zero scenario of EP 2050+. This can be used to calculate the development of CO₂e emissions per ener-

gy reference area (ERA) for residential properties up to 2050. The climate target metric is therefore kg CO₂e/m² per ERA.

As a starting point for the target, we assume a value of 15.4 kg CO₂e/m² per ERA. Zürcher Kantonalbank's climate target envisages exceeding the federal government's reduction pathway from 2030. We want to reduce our CO₂e intensity in the residential mortgage business by 44 percent by 2030.

For the calculation, the necessary heating data was supplemented from the Register of Buildings and Dwellings (RBD, 93 percent of the financed properties) and with data from the Minergie association (7 percent of the financed properties). Due to the more recent data, priority was given to the heating information provided by the Minergie association. Detailed information can be found in the appendix in the section on climate targets and key figures.

Area of application

Emissions taken into account:
Scope 1 emissions (heating)



Loans taken into account: All mortgage financing for single-family homes (SFH), multi-family homes (MFH) and condominiums (CNDO)

Financial exposure:
CHF 86,684 million

Methodology

Reference scenario: Energy Perspectives 2050+ (EP 2050+), zero basis scenario residential property; 1.5°C compatible (status PACTA 2022)

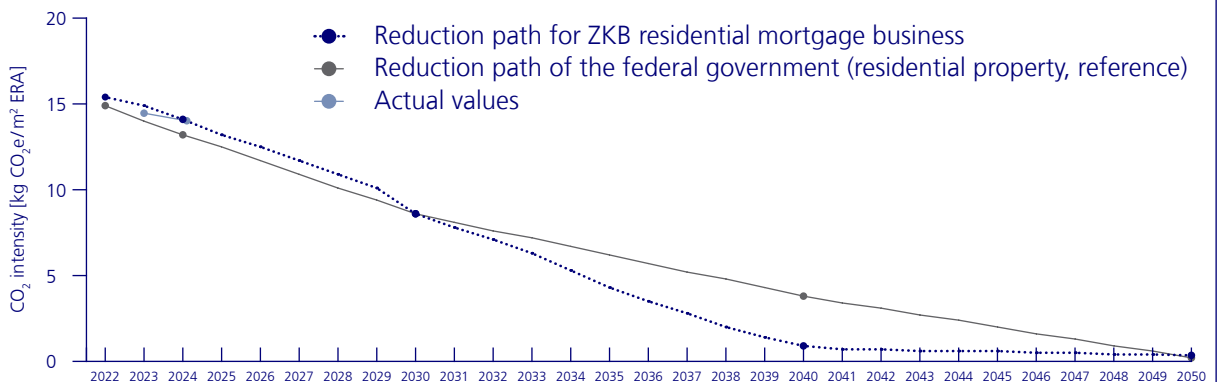
Metric: kg CO₂e/m² energy reference area

Data basis: Register of Buildings and Dwellings (RBD), Minergie

Target and progress

Metric: kg CO ₂ e/m ² ERA	Base value (2022)	Actual value (year under review)	Target value (2030)	Target value (2040)	Target value (2050)
Zürcher Kantonalbank	15.4	14.1	8.7	0.9	0.3
Reference scenario	14.9	13.2	8.6	3.8	0.2

Climate target for residential mortgage business



Commercial mortgage business

For the quantitative climate target in the commercial mortgage business (office buildings), all mortgage financing with a sufficient data basis is included. This corresponds to 90 percent of the financing volume. The Scope 1 emissions of the property are taken into account.

As with the climate target for the residential mortgage business, we base our climate target for the office-related mortgage business on Switzerland's long-term climate target of net-zero greenhouse gas emissions by 2050 and draw on the Energy Perspectives 2050+ (EP 2050+). As part of the PACTA Test 2024, a reduction path for service properties was published for the first time, similar to the reduction path for residential properties. The climate target metric is kg CO₂e/m² ERA.

As a starting point for the target with 2023 as the base year, we assume a value of 8.1 kg CO₂e/m² ERA and are therefore below the federal path. We also want to reduce our CO₂e intensity in the office-related mortgage business by 44 percent by 2030.

For the calculation, the necessary heating data was supplemented from the Register of Buildings and Dwellings (RBD, 96 percent of the financed properties) and with data from the Minergie association (4 percent of the financed properties). Detailed information can be found in the appendix in the section on climate targets and key figures.

Area of application

Emissions taken into account:
Scope 1 emissions (heating)



Loans taken into account: All mortgage financing for service buildings (non-manufacturing), predominantly office properties

Financial exposure:

CHF 12,328 million

Target and progress

Metric: kg CO ₂ e/m ² ERA	Base value (2023)	Actual value (year under review)	Target value (2030)	Target value (2040)	Target value (2050)
Zürcher Kantonalbank	8.1	8.1	4.5	0.4	0.3
Reference scenario	11.5	11.3	10	3.5	0.0

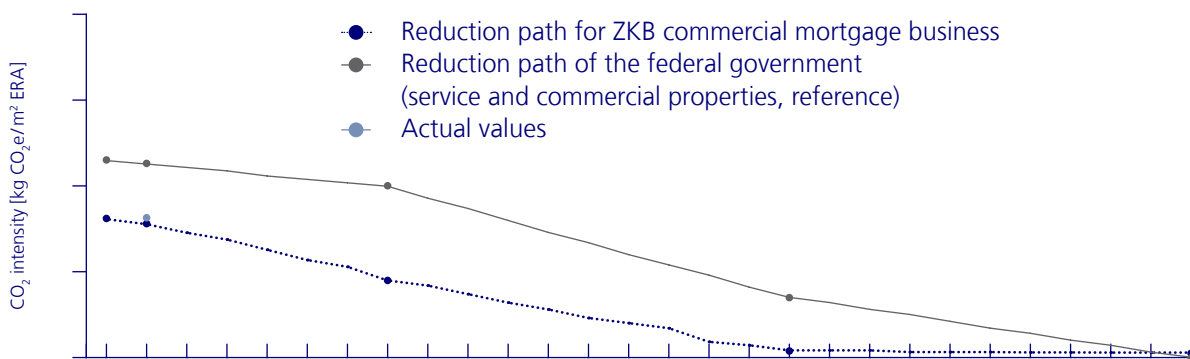
Methodology

Reference scenario: Energy Perspectives 2050+ (EP 2050+), zero basis scenario service and commercial property; 1.5°C compatible (status PACTA 2022)

Metric: kg CO₂e/m² energy reference area

Data basis: Register of Buildings and Dwellings (RBD), Minergie

Climate target for commercial mortgage business



Other climate-intensive sectors in accordance with the Net-Zero Banking Alliance (NZBA)

Zürcher Kantonalbank's sustainability policy defines climate targets in the form of conditions and exclusion criteria for the sectors of coal, oil and gas, energy production and cement. The measures are also listed for the climate-intensive sectors.

Fossil fuels: Coal, oil and gas

The following exclusion criteria apply to project financing relating to fossil fuels in accordance with our sustainability policy:

- Coal mining, oil and gas extraction: As a bank which is strongly rooted in its local area, we have never directly financed the mining of coal and the extraction of oil or natural gas, and, accordingly, are not involved in controversial oil and natural gas extraction processes (e.g. Antarctic/Arctic drilling, fracking, offshore oil projects, deep-sea drilling or projects related to the exploitation of oil-bearing tar sands).
- Fossil fuel power plants: We do not finance power plants fuelled by coal or oil.

The following conditions and exclusion criteria apply for commercial loans to commodity companies in accordance with our sustainability policy:

- Commodity companies must demonstrate that they are aligning their business model with the scientifically required net-zero target for 2050 (phase-out of thermal coal by 2030 and 2040 in non-OECD countries in accordance with the International Energy Agency's (IEA) net-zero roadmap) and at the same time are promoting commodities (through extraction, processing, transport, storage, trading) that are necessary to implement the energy transition.

Measures:

We focus on supporting our clients on their journey towards achieving net-zero carbon emissions. We provide support by maintaining a dialogue with our corporate clients (client engagement) and assisting them in their net-zero transition with our products and services (e.g. sustainability-linked loans, ESG-labelled bonds).

We support our corporate clients in the commodities sector with a detailed client engagement questionnaire, which is an integral part of the credit process (loan applications and reviews).

Energy production

The following conditions and exclusion criteria apply for commercial loans to energy producers in accordance with our sustainability policy:

- As a bank which is strongly rooted in its local area, Zürcher Kantonalbank generally finances Swiss energy producers – which mainly produce renewable energy. We support reserve power plants fuelled by oil or gas only to the extent that they are intended by the Swiss government for national supply in the event of electricity shortages or if they are back-up technologies fuelled by oil or gas for renewable energy producers.

Measures:

We focus on supporting our clients on their journey towards achieving net-zero carbon emissions. We provide support by maintaining a dialogue with our corporate clients (client engagement) and assisting them in their net-zero transition with our products and services (e.g. sustainability-linked loans, ESG-labelled bonds).

We support our corporate clients in energy production with a dedicated Key Account Management team.

Cement

The following conditions and exclusion criteria apply for commercial loans to cement companies in accordance with our sustainability policy:

- Cement companies must demonstrate that they are aligning their business model with the scientifically required net-zero target for 2050.

Measures:

We focus on supporting our clients on their journey towards achieving net-zero carbon emissions. We provide support by maintaining a dialogue with our corporate clients (client engagement) and assisting them in their net-zero transition with our products and services (e.g. sustainability-linked loans, ESG-labelled bonds).

We support our corporate clients in cement production with a detailed client engagement questionnaire, which is an integral part of the credit process (loan applications and reviews).

Further exclusions on the topic of climate are publicly available in the sustainability policy.

Metal and automotive industry

No target is currently set in the metal and automotive industries due to the bank's low financial exposure to manufacturing companies in the respective sectors. Our analysis shows that most of these corporate clients already pursue a net-zero roadmap.

Financed emissions according to PCAF

	Financial exposure (in CHF million)	Absolute emissions (kt CO ₂ e) Scope 1	Emission intensity (t CO ₂ e/ CHF million)	Coverage (%)	Data quality score ¹² (1 high, 5 low)
Mortgages (SFH/CNDO)	52,917	109.6	2.1	100	4
Commercial (MFH/Office)	46,095	105.2	2.3	85	4

Key figures for the financing business Financed emissions according to PCAF

For more climate transparency, Zürcher Kantonalbank joined the Partnership for Carbon Accounting Financials (PCAF) in May 2022. We base our calculation of financed greenhouse gas emissions on the PCAF approach. This also includes the data quality categorisation (1 high to 5 low).

The PCAF standard is compatible with globally recognised frameworks such as the TCFD recommendations.

We are disclosing the financed emissions in the mortgage business for the first time in this report. The calculation is based on data with a cut-off date of 31 December 2024.

Commercial financing business

Zürcher Kantonalbank is guided by the internationally established UNEP-FI or TCFD recommendations on the disclosure of transition risks from credit exposure to climate-sensitive and, as a subset thereof, carbon-related industries. TCFD defines carbon-related as industries associated with the energy and utilities sectors, according to the Global Industry Classification Standard, excluding water supply and renewable power generation. Zürcher Kantonalbank more comprehensively describes as climate-sensitive those industries that are exposed to higher transition risks due to their greenhouse gas emissions. Zürcher Kantonalbank bases its delimitation on emission statistics and uses the Swiss or European industry classification. The commodity trade finance (CTF) sub-portfolio is reported separately, irrespective of the industry, and is subject to the following restrictions under the bank's sustainability policy. The following figure shows the unsecured loans and advances in the corporate clients portfolio in line with this classification.

In terms of the total balance sheet exposure in this portfolio, at the end of the year climate-sensitive sectors accounted for around 6.1 percent or CHF 2.4 billion (2023: 7.8 percent or CHF 2.8 billion). This includes the entire energy sector, which, however, consists almost exclusively of financing for sustainable energy sources. In addition to components manufacturing and repair, the automotive sector also includes, in particular, the selling and financing of vehicles. The transport sector mainly includes passenger transport in the tourist sector and local transport as well as freight transport by road. In accordance with the aforementioned exclusion criteria in the sustainability policy, Zürcher Kantonalbank does not provide direct financing in the coking and petroleum refining industry, which TCFD designates as carbon-related.

12 The data quality score assesses the quality and reliability of the data used as the basis for calculating greenhouse gas emissions. Score 1 corresponds to the highest data quality and is based on directly reported and verified emissions data. Score 5 corresponds to the lowest data quality and is based on assumptions and estimates. ZKB endeavours to continuously improve data quality.

Unsecured loans and advances in the corporate clients portfolio (climate-sensitive and other industries)

	31.12.2024			31.12.2023
	Balance sheet exposure in CHF million	as % of unsecured exposure	as % of balance sheet exposure	as % of balance sheet exposure
› Industry designation				
Mining/crushed rock and earth	8	0.1 %	0.0 %	0.0 %
Metal production/processing	9	0.1 %	0.0 %	0.0 %
Sewage and waste disposal and elimination of environmental pollution	56	0.9 %	0.1 %	0.2 %
Agriculture, hunting and related activities	87	1.3 %	0.2 %	0.3 %
Glass/ceramic/cement	88	1.4 %	0.2 %	0.4 %
Transport (incl. mountain railways, but excluding rail passenger transport and goods trains)	259	4.0 %	0.7 %	0.6 %
Chemical products	419	6.4 %	1.1 %	0.9 %
Energy supply	424	6.5 %	1.1 %	1.2 %
Automotive	519	8.0 %	1.3 %	2.5 %
CTF (commodity trade finance)	529	8.1 %	1.3 %	1.7 %
Total climate-sensitive sectors	2,398	36.8 %	6.1 %	7.8 %
Total other sectors	4,114	63.2 %	10.4 %	9.9 %
Total corporate clients portfolio unsecured	6,512	100.0 %	16.5 %	17.7 %
Real estate financing	31,843	-	80.8 %	79.3 %
Other products	1,078	-	2.7 %	3.1 %
Total balance sheet exposure companies	39,433	-	100.0 %	36,247

Our implementation measures in the financing business

Our climate measures in the financing business, with which we aim to achieve the climate targets defined above, are described below.

Supporting our clients with products and services

In line with the sustainability ambition set out in the group strategy, Zürcher Kantonalbank is committed to supporting its mortgage clients on the path to a more sustainable future. To this end, we create incentives for our clients to build, modernise and manage their properties and infrastructure in the most environmentally friendly and energy-efficient way possible, and are constantly expanding our range of products and services in this area. We provide our clients with attractive solutions for energy-efficient renovations and new buildings. We are achieving the decarbonisation of the building sector together with our clients as well as national and cantonal policy measures. No clients are excluded because of their fossil fuel heating system.

ZKB environmental loans

For over 30 years, we have been supporting environmentally friendly construction and renovation of

residential, commercial and agricultural buildings with the ZKB environmental loan.

The product is designed as a fixed-rate mortgage and allows property owners to benefit from an attractive interest rate reduction of up to 0.8 percent per year for a maximum of five years. The prerequisite is an actual sustainability effect, which can be demonstrated in several ways: through a Minergie certificate, through a cantonal building energy certificate (GEAK), through a pioneering project with particularly innovative construction measures or by achieving specific energy efficiency indicators based on individual energy-efficiency upgrades (e.g. installation of a photovoltaic system).

The ZKB environmental loan may be taken out several times for all property categories and beyond the Zurich economic area. The aim is to promote phased and coordinated refurbishment measures. Since 2023, the installation of an e-charging station in connection with a photovoltaic system has also been financed with the ZKB environmental loan.

The ZKB environmental loan has also been available since 2022 to farmers taking steps to achieve net zero by 2050. For example, financing for slurry tank ventilation systems, biogas plants, centralised combined heat and power plants for wood combustion and pyrolysis facilities can benefit from an interest rate reduction.

Efforts aimed at raising property owners' awareness of the topic of sustainable renovation begin not just when discussing a renovation project's financing, but even before the renovation is planned. Interested parties can find a wide range of information and tips on environmentally friendly construction and modernisation at zkb.ch. Visitors can register for a personal consultation at any time.

We discuss the long-term building strategy with our clients in a personal advisory consultation. We point out the advantages of energy-efficient building renovation to property owners who have an older property with renovation potential and explain some possible approaches. We discuss upcoming or planned renovations with them and provide them with a digital overview of the estimated investment timeline and amounts for individual parts of the building. This helps property owners to recognise their financing requirements and motivates them to address the issues of maintaining their property's value, living comfort and energy efficiency. Last but not least, we are also contributing to the long-term security of the capital invested by our clients.

The result of our endeavours can be seen in the fact that the volume of financing through ZKB environmental loans has more than doubled in the last three years due to individual energy-efficiency measures.

In 2024, the total volume of ZKB environmental loans taken out stood at CHF 1.49 billion.

Support in the building sector

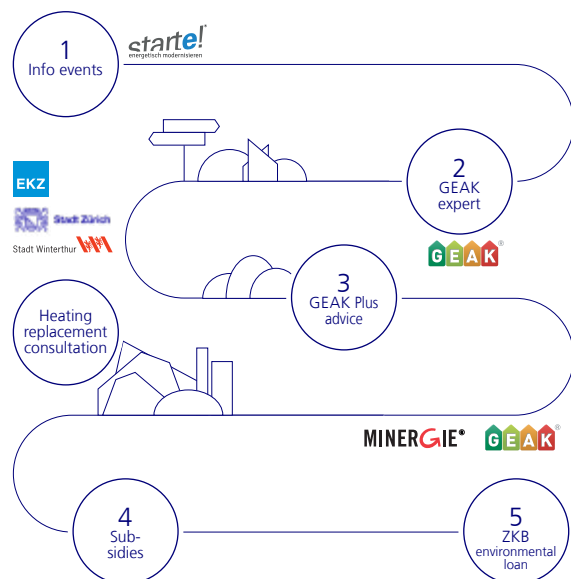
Together with Elektrizitätswerke Zürich (EKZ) and the Building Department of the Canton of Zurich, we have been successfully running the "starte!" programme since 2013, supporting home owners in all aspects of energy-efficient building modernisation. At the heart of the programme is a public information event, which has already been held in over 100 Zurich municipalities.

We put property owners interested in refurbishment in contact with a GEAK expert (cantonal building energy certificate) in the region to have a GEAK Plus advisory report drawn up. The GEAK expert analyses the property on site and identifies weak points and energy savings potential. The proposed investments are listed in such a way that the costs and benefits are transparent and the measures can be carried out in sensible phases. This provides our clients with an objective basis for decision-making and lets them know what they can expect to save on their energy costs even before the renovation. The costs for the advisory report are covered by the bank when the client takes out a ZKB environmental loan – as are the Minergie certification costs.

We launched an offer for heating replacement consultations back in 2020. In cooperation with EKZ and the cities of Zurich and Winterthur, we offer a free and independent heating replacement consultation to our clients in the Canton of Zurich who own a single-family house, multi-family house or a condominium with an oil or gas heating system.

Since its launch, over 2,000 clients have already benefited from this offer. Our analyses show that around

Support in the building sector



- ① Free starte! event provides information about possible energy-efficiency modernisation approaches: starte-zh.ch.
- ② The GEAK expert recognises a building's weak points during a personal home inspection and prepares a GEAK Plus report.
- ③ **Detailed GEAK Plus report** with:
 - specific refurbishment measures
 - estimated investment costs
 - the expected energy cost savings and the subsidies
- ④ The overview of the **federal and cantonal subsidies** can be found at energiefranken.ch. Free **heating replacement advice**: Raising awareness through free and independent heating replacement consultations for a sustainable heating system.
- ⑤ **The ZKB environmental loan** promotes energy-efficient construction and modernisation with a reduction in the interest rate of up to 0.8 percent.

40 percent of the clients surveyed who have taken advantage of our heating replacement consultations switch to a modern heating system within two years.

Support in the SME sector

SMEs are also increasingly confronted with questions relating to sustainability issues, especially, for example, when they are suppliers to large companies that demand the consideration of CO₂ targets along the supply chain. Increased energy and fluctuating raw material prices are also weighing on SMEs. We actively help companies tackle these challenges and accompany them on their way to a sustainably successful future with a new integral range of advisory services, which we launched in February 2024.

Our offering combines engineering and financing expertise and provides our corporate clients with recognised experts from the Swiss Resource Efficiency Network of the Reffnet.ch association. Reffnet.ch is a Swiss-wide network accredited by the federal government that has many years of experience in providing sustainability consulting to companies. The starting point for sustainability advice is the Eco-Check, which is free of charge for clients of Zürcher Kantonalbank. As an initial analysis, the Eco-Check uncovers possible areas of action focusing on energy, resources and climate.

In addition to immediate measures, it makes recommendations for more in-depth consultations. In the year under review, our client advisors arranged almost 250 Eco-Check consultations, and 177 Eco-Check consultations were carried out. These resulted in 14 in-depth consultations.

The expert reports show the estimated investment costs, the expected cost savings and the positive environmental impact.

The participating SMEs rated the results of the consultation, individual measures to reduce their environmental impact and to cut costs or improve efficiency as very positive and beneficial.

ZKB environmental leasing

We launched ZKB environmental leasing for our corporate clients at the beginning of 2024 together with the new advisory service for SMEs. With ZKB environmental leasing, we support climate-friendly objects and projects. Zürcher Kantonalbank contributes 1 percent to the procurement costs for sustainable investments financed via ZKB environmental leasing. First, ZKB environmental leasing can be used to finance objects with sustainable drive systems. Second, ZKB environmental leasing can also be used to implement sustainable pioneering projects based on sustainability advice provided by an expert from the Reffnet.ch association network.

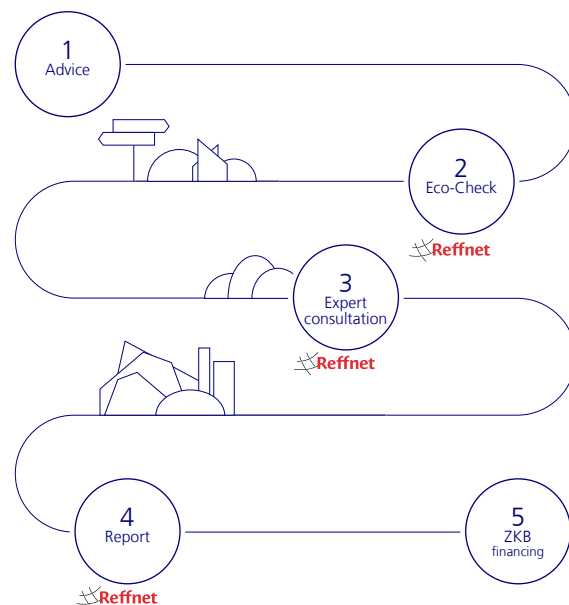
In the 2024 financial year, ZKB environmental leasing financed objects and projects totalling approximately CHF 25 million.

Sustainability-linked loans for large companies

For large companies, we have been offering a sustainability component for bilateral and syndicated loans since 2021.

In the case of financing with a sustainability component, the interest rate depends on the borrower's sustainability

Support in the SME sector



- 1 **Raising awareness**
in a personal advisory consultation
- 2 **Eco-Check consultation**
(offered by Zürcher Kantonalbank):
 - an exclusive initial analysis for SMEs by recognised experts from our partner Reffnet.ch
 - identification of possible areas of action focusing on energy, resources and climate
 - submission of a short report with possible fields of action
- 3 **Expert consultation**
 - in-depth analysis of the areas of energy, resources or climate
 - investigation of far-reaching potential for improvement, directly on site
- 4 **Detailed report** with:
 - possible improvement measures
 - estimated investment costs and expected cost savings
 - information on possible subsidies
 - resulting sustainability impacts
- 5 **Offer with suitable financing products for implementing sustainable measures**

performance. If it improves, the interest rate falls; if it deteriorates, the interest rate rises. Our clients have the option of linking the interest rate to an ESG rating from an established rating provider or, alternatively, to individual sustainability targets. When defining the sustainability component, we attach great importance to the credibility of the agreed-upon sustainability impact: For example, we accept sustainability ratings only from renowned and independent rating providers. Clients who wish to link their interest rate to individual sustainability targets must fulfil the minimum requirements for sustainability targets defined by us and the Sustainability Linked Loan Principles (SLLP) of the Loan Market Association (LMA) when setting their sustainability targets¹³. In addition, these targets are set with the involvement of an independent external party with proven expertise ("Sustainability Coordinator"). We specify which providers we accept as Sustainability Coordinators. Target achievement must be verified by an independent auditor. For bilateral loans, we also determine the minimum fluctuation range, i. e. the step up/step down of the interest rate due to a change in the sustainability rating or depending on target achievement. In the case of syndicated loans, we are guided by market practice.

The offer enables us to enter into a stronger strategic dialogue with clients and to raise their awareness of sustainability issues in a targeted manner. The current portfolio of sustainability loans for large companies amounts to around CHF 1.8 billion.

Sustainable bonds (ESG-labelled bonds)

In 2024, sustainable bonds totalling CHF 10.7 billion were issued on the Swiss capital market. Of this, around CHF 6.1 billion is attributable to international issuers and around CHF 4.7 billion to domestic issuers.

The proportion of bonds with a sustainability label has continued to rise and stood at 13.2 percent last year. They are mostly used to directly or indirectly finance environmentally friendly buildings. Other uses include the promotion of clean transportation and renewable energy.

Bonds can be assigned different sustainability labels. Two main types have established themselves on the market in recent years:

- bonds with restricted use of proceeds that explicitly finance projects with sustainable targets, e. g. green, social or sustainability bonds
- sustainability-linked bonds (SLB) that provide for a higher interest rate if the issuer does not achieve pre-defined sustainability targets

When structuring sustainable bonds, issuers are generally guided by the voluntary regulations of the Inter-

national Capital Market Association (ICMA) or the EU Green Bond Standard. There are no mandatory legal requirements for sustainable bonds in Switzerland.

Zürcher Kantonalbank is currently one of the leading banks in the structuring and placement of sustainable bonds on the Swiss capital market. It acted as lead manager in 19 transactions, placing sustainable bonds totalling around CHF 1.4 billion.

Zürcher Kantonalbank also issues its own sustainable bonds to refinance environmental loans and to refinance projects with energy-related objectives for the office buildings used by Zürcher Kantonalbank itself.

ESG training of client advisors in the Key Account Management segment

In order to identify relevant sustainability aspects for the respective company in discussions with major clients and to address any investments or other needs, all client advisors in the Key Account Management segment received comprehensive training on the topic of sustainability. The bank collaborated with the Zurich University of Applied Sciences (ZHAW) to cover multiple topics in both classroom teaching and self-study, including the principles of sustainability and reporting, sustainable investing and financing, as well as ZKB specifics.

Integration of sustainability aspects in the credit assessment process

The assessment of sustainability aspects, with a focus on the environment, is taken into account appropriately as part of the credit assessment. While in the mortgage business we focus in particular on the sustainability of the financed properties, in corporate financing we carry out a differentiated assessment of opportunities and risks that may arise from environmental, social and societal issues. Based on traditional aspects of credit assessment (creditworthiness and credit standing), we are intensifying our sustainability assessment in the sense of a risk-oriented approach in line with the exposure of our clients in climate-sensitive sectors and simultaneous non-financial reporting obligations (OR 964a et. seq.). We apply two approaches to that end: a structured qualitative assessment, which classifies clients into different categories depending on their sustainability designation (pioneers, followers, reactive, no activities), and a structured client dialogue based on criteria from the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In addition, a sector-specific catalogue of questions is used in client dialogue in selected sectors (raw materials and cement industry).

13 lsta.org/content/sustainability-linked-loan-principles-sllp/

5.3.2 Climate targets and key figures for the investment business

Paris Agreement

The goal of limiting man-made global warming to well below 2 °C, if possible to below 1.5 °C, and of aligning financial flows with a path towards low greenhouse gas emissions and climate-resilient development, was adopted at the United Nations Climate Change Conference in Paris in 2015. This goal assumes that fossil fuels such as coal, oil and gas will be almost completely replaced by around the middle of the century and that net CO₂e emissions will be reduced to zero.

The private sector must make its contribution to achieving the Paris Agreement's targets for greenhouse gas neutrality by 2050. According to the IPCC (UN Intergovernmental Panel on Climate Change), the earth's temperature in the period 2010–2020 was around 1.1 °C above pre-industrial levels (1850–1900)¹⁴. We use the scientific climate scenarios of the Intergovernmental Panel on Climate Change (IPCC) as the basis for setting targets. The IPCC 1.5 °C scenario (50 percent) is used as the calculation basis for 1.5 °C-aligned portfolios and the IPCC well below 2 °C scenario (67 percent) for 2 °C-aligned portfolios. The IPCC estimates the carbon budget from 1 January 2020 at 1,090 Gt CO₂e for a 67 percent chance of limiting the temperature rise to well below 2 °C and a budget of 465 Gt CO₂e for the more ambitious 1.5 °C target. In order to achieve the climate target, an annual reduction in greenhouse gas emissions of 4 percent per year is required for the well below 2 °C target and 7.5 percent per year for the 1.5 °C target.

In line with these goals, the Net Zero Asset Managers Initiative is geared towards the requirements of the Paris Agreement and calls on the financial sector to actively contribute to achieving the climate goals.

Net Zero Asset Managers Initiative

Asset Management at Zürcher Kantonalbank joined the Net Zero Asset Managers Initiative in July 2021. By joining, Asset Management has set itself the goal of reducing greenhouse gas emissions to net zero by 2050 (or earlier) through its investment decisions with regard to committed assets. The aim is to contribute to limiting global warming to 1.5 °C. The Net Zero Asset Management Initiative counts only assets with which the 1.5 °C target is to be achieved. The climate targets were disclosed for the first time in November 2022 as part of this initiative.

In addition, we are guided in the investment business by the United Nations' six Principles for Responsible Investment (UN PRI), and we report on them on a regular basis.

Climate targets for the investment business

As part of the ZKB sustainability standard, we pursue CO₂e reduction in our active investment solutions¹⁵. These investment solutions pursue either a CO₂e reduction compared to a benchmark or a quantitative climate reduction path, whereby the CO₂e intensities are reduced annually by at least 4 percent plus economic growth (for investment solutions with a <2 °C target) or at least 7.5 percent plus economic growth (for investment solutions with a max. 1.5 °C target).

Area of application, target and progress

Asset Management

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 CO₂e intensities of at least 7.5 percent.

The <2 °C target reduction path is being pursued for 45 percent of the assets managed by our Asset Management division.

The majority of the sustainable collective investment schemes of Swisscanto's "Sustainable" product line aim to achieve a CO₂e reduction of at least 7.5 percent plus nominal economic growth per year and are thus geared towards the ambitious 1.5 °C climate target set out in the Paris Agreement. The "Sustainable" products therefore fulfil the requirements of the Net Zero Asset Managers Initiative, which was signed by Zürcher Kantonalbank's Asset Management division in July 2021. The thematic Swisscanto funds in Asset Management are an exception to this. Because the greenhouse gas emissions benchmark defined in the prospectus is not representative of the investment universe for these products, only a <2 °C reduction path can be implemented.

55 percent of the assets managed by our Asset Management division are in passively managed funds, where our Asset Management can exert only a limited, indirect influence on the choice of investment strategy.

We endeavour to increase even further the coverage of assets that are geared towards a 1.5 °C climate target.

Direct real estate investments of our ZKB Asset Management

The direct real estate investment products managed by ZKB Asset Management are also based on targets that are aligned with the Paris Agreement. For all real estate portfolios, a net-zero target by 2050 is being pursued, along with specific interim targets for Scope 1 emissions from operations by 2040. The interim targets fulfil the requirements of the FOEN Energy Perspectives

¹⁴ [IPCC AR6 WGI Summary for Policymakers](#)

¹⁵ Our active investment solutions relate to portfolio management mandates and investment funds, with the exception of indexed, individualised and third-party managed investment solutions and investment funds in the area of alternative investments.

2050+ for the Swiss building stock. Product-specific CO₂ reduction paths at portfolio level act as central control tools for achieving the emission targets. They are based on an individual assessment of all existing properties and are updated once a year. All measures underlying the reduction paths at property level (e.g. heat pumps, district heating, biomass, envelope refurbishment) are integrated into the property strategies, CAPEX planning and assessments.

Data from independent third parties is used to determine the CO₂e intensities. The benchmark for the average CO₂e intensity of a portfolio is calculated by discounting the CO₂e intensity of the investment universe at the end of 2019 annually by the target value (4 percent or 7.5 percent) and by global economic growth. Because the reduction is realised with economic CO₂e intensities (Scope 1 and 2 emissions per revenue), additional compensation for economic growth is required.

FNG label for selected Swisscanto funds

Several sustainable funds in the Sustainable product line have again received the Forum Nachhaltige Geldanlagen (FNG) label: the Swisscanto (LU) Equity Fund Sustainable, the Swisscanto (LU) Equity Fund Sustainable Emerging Markets, the Swisscanto (LU) Bond Fund Sustainable Global Credits, the Swisscanto (LU) Portfolio Fund Sustainable Balance EUR, the Swisscanto (LU) Equity Fund Sustainable Water and the Swisscanto (LU) Equity Fund Sustainable Climate. The above-mentioned funds were all awarded the maximum rating of 3 stars for a “particularly sophisticated and comprehensive sustainability strategy” and thus meet the quality standard for sustainable investments in German-speaking countries developed by Forum Nachhaltige Geldanlagen e. V. (FNG).

Investment solutions from the Investment Solutions division

In standardised wealth management, around 35 percent of assets (mandates of the Sustainable (ESG) designation) are based on the maximum 1.5°C climate target. 60 percent of the assets are based on the <2°C climate target (designations Basic and Individual Security). No CO₂e reduction target is being pursued for the remaining 5 percent of the assets in our standardised wealth management.

In standardised investment advice, the climate targets outlined above are also taken into account in their respective designations, whereby the investment decision lies with our clients.

Methodology

Greenhouse gases with a global warming effect are included in the portfolio construction of sustainable investment solutions with a quantitative reduction path in accordance with the international Greenhouse Gas Protocol (GHG Protocol) standard (measured in CO₂e). The CO₂e intensities are defined for companies as CO₂e emissions in relation to revenue (tonnes of CO₂e per million US dollars of revenue) and for government securities as CO₂e emissions in relation to economic value added (tonnes of CO₂e per million US dollars of gross domestic product).

Key figures and targets for the investment business

Financed emissions according to PCAF

For more climate transparency, Zürcher Kantonalbank joined the Partnership for Carbon Accounting Financials (PCAF) in May 2022. We base our calculation of financed greenhouse gas emissions on the PCAF approach. This also includes the data quality categorisation (1 high to 5 low).

	Financial exposure (in CHF million)	Absolute emissions (in Mt. CO ₂ e) Scope 1 and 2	Absolute emissions (in Mt. CO ₂ e) Scope 3	Emission intensity (t CO ₂ e/ CHF million invested) Scope 1, 2 and 3	Coverage (%)	Data quality score ¹⁶ Scope 1 and 2 (1 high, 5 low)	Data quality score Scope 3 (1 high, 5 low)
Listed equity and corporate bonds	235,521	5.72	63.2	292.6	100	1.78	2.64

	Financial exposure (in CHF million)	Emission intensity (t CO ₂ e/CHF million GDP)	Coverage (%)	Data quality score (1 high, 5 low)
Sovereign debt	34,962	239.84	100	1.06

The PCAF standard is compatible with globally recognised frameworks such as the TCFD recommendations.

We are disclosing the financed emissions for our Asset Management for equities and bonds for the first time in this report. The calculation is based on data with a cut-off date of 31 December 2024.

Our implementation measures in the investment business

Below we describe the measures that are being taken with regard to the individual products and services and which processes they will follow in order to achieve the defined climate targets:

Supporting our clients with products and services

The investment business is one of our core businesses where we can build on our long-standing expertise in sustainability and offer our clients a wide range of sustainable products and services. Under “Responsible Investing”, we explain which products and services we use to support our clients on their journey towards a more sustainable future.

5.3.3 Climate targets and key figures in independent research

Our sell-side research integrates ESG, is geared towards the net-zero 2050 target and is based on the sustainability exclusion criteria that apply to the financing business as part of the sustainability policy.

Zürcher Kantonalbank’s research covers 191 public companies, real estate funds and investment foundations nationwide, as well as 184 bond issuers, and is therefore the leading provider of research on Swiss companies.

We again published a substantial number of comprehensive reports in 2024 that comprised 127 studies and 83 “ESG Insights” reports. With the “ESG Compass Credit” and the “ESG Compass Real Estate” reports, we evaluated 157 domestic bond issuers as well as 14 listed real estate companies, 30 listed real estate funds and 12 unlisted real estate investment foundations for the first time according to our ESG approach with regard to their sustainability and awarded them an ESG star rating.¹⁷

The research of Zürcher Kantonalbank thus covers 98 percent of the market capitalisation of the Swiss Performance Index, 76 percent of the domestic borrowers present on the market and almost 100 percent of the outstanding bond volume, as well as almost 100 percent of the market capitalisation of the listed Swiss real estate segment.

¹⁶ The data quality score assesses the quality and reliability of the data used to calculate greenhouse gas emissions. Score 1 corresponds to the highest data quality and is based on directly reported and verified emissions data. Score 5 corresponds to the lowest data quality and is based on assumptions and estimates. ZKB endeavours to continuously improve data quality.

¹⁷ More on our methodology can be found in our [ESG Compass](#).

5.3.4 Climate targets and key figures for the bank's own financial investments

The CO₂e intensity of the financial investments within the remit of the Treasury department, consisting of a high-quality bond portfolio, is periodically determined on the basis of publicly available information and compared with a benchmark from the investment universe available for financial investments for regulatory purposes.

Financial assets within the remit of the Treasury department have also been subject to requirements on limiting climate-related financial risks since the start of 2022. Firstly, issuers from industries that are excluded from the financing business in accordance with the bank's sustainability policy are also excluded. Secondly, the average revenue-weighted CO₂e emissions of the portfolio must be at least 35 percent lower than in the reference portfolio of the investment universe limited by the internal investment rules.

Compliance with the requirements for limiting the CO₂e intensity of the financial investment portfolio is monitored and reported on by Risk Controlling.

5.3.5 Climate targets and key figures for the bank's own operations

The following figures and information relate to the group-wide commercial properties of Zürcher Kantonalbank in Switzerland. These comprise the properties of the parent company and Swisscanto Holding Ltd. CO₂ emissions of Zürcher Kantonalbank Österreich AG, Zürcher Kantonalbank Finance (Guernsey) Ltd., ZKB Securities (UK) Ltd., Complementa AG and the representative offices are not available at group level.

Climate targets in the bank's own operations

Area of application

Scope 1, 2 and partially Scope 3 of the GHG Protocol are taken into account when setting climate targets. The following categories of the GHG Protocol are relevant within Scope 3: paper (category 1), fuel and energy-related emissions (not included in Scope 1 or 2) (category 3), waste (category 5) and business travel (category 6). We are currently evaluating how we can expand the coverage of the operational emissions of Scope 3 categories.

Methodology

We use the [VfU key figures calculation tool](#) (version 1.1, update 2022) to calculate operational greenhouse gas emissions and key figures. The "VfU key figures" and the associated calculation tool are recognised as the globally accepted standard for accounting for environmental indicators at financial institutions. The key figures and the calculation tool are revised at regular

intervals to take account of international initiatives such as GRI or the GHG Protocol.

Target and progress

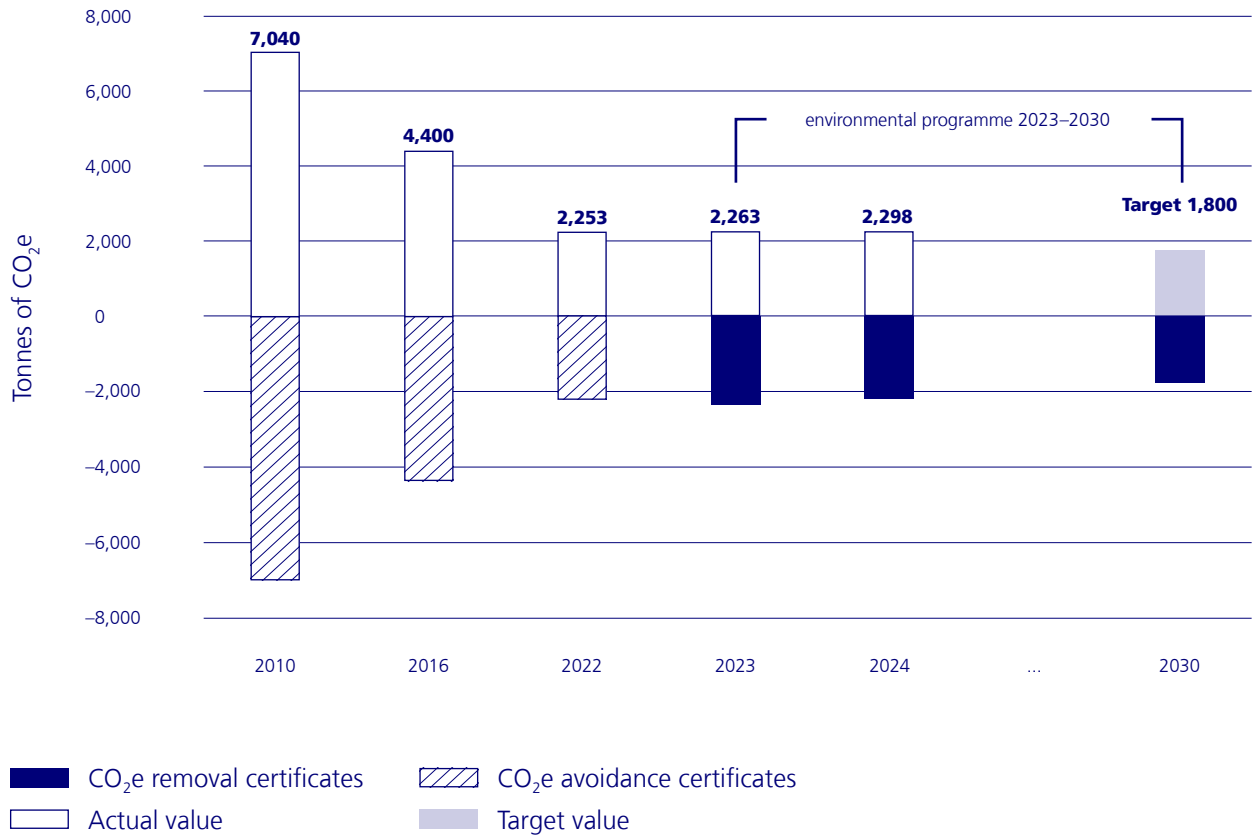
The corporate environmental programme defines the climate targets related to our operations. The aim is to continuously reduce operational greenhouse gas emissions. The operational environmental programme 2023–2030 builds on the operational environmental programme 2018–2022 and aims to reduce our operational emissions to 1,800 CO₂e tonnes. The annual residual emissions are completely neutralised with natural and technical negative emission technologies (removal portfolio).

Since 2010, we have been able to reduce operational CO₂e emissions by 67 percent from 7,040 CO₂e tonnes to 2,298 CO₂e tonnes in 2024. In 2024, operational CO₂e emissions increased slightly compared to the previous year. While emissions in the heat, business travel and paper categories were reduced compared to the previous year, emissions in the refrigerant loss, electricity and waste categories increased. From 2025, an internal CO₂e price will be introduced for business travel based on the average costs of the removal portfolio of the operational environmental programme 2023–2030.

Operational target by 2030: VfU key figures (in tonnes of CO₂e)

	Actual value 2024	Base year 2022	% change in actual value compared to the base year	Target 2030
› Total emissions (t CO₂e)	2,298	2,253	+2 %	1,800
Building electricity consumption (t CO ₂ e)	75	64	+17 %	
Building heat consumption (t CO ₂ e)	749	974	-23 %	
Water consumption (t CO ₂ e)	31	29	+7 %	
Cooling and extinguishing agents (t CO ₂ e)	375	101	+271 %	
Waste (t CO ₂ e)	115	98	+17 %	
Business travel (t CO ₂ e)	583	486	+20 %	
Paper (t CO ₂ e)	370	501	-26 %	

Climate target in own operations



Environmental figures

		GRI	2024	2023	2022
› Category					
Building energy	Total building energy consumption (MWh)	302	24,989	25,759	26,919
	Electricity consumption (MWh)		17,496	17,709	17,978
	Heat consumption (MWh)		7,493	8,051	8,941
	Total consumption of fossil fuels (MWh)		849	957	1,260
	Consumption of district heating (MWh)		3,994	4,377	4,602
	Renewable building energy consumption (MWh)		2,650	2,716	3,080
Business travel	Total business trips (10 ³ km)	302	4,214	5,034	3,284
	Air traffic (10 ³ km)		2,506	3,515	1,896
Paper	Total paper consumption (t)	301	472	525	641
	Recycled paper (t)		436	486	597
	Fresh fibre paper (ECF and TCF) (t)		36	39	44
Water	Water consumption (10 ³ m ³)	303	50	51	46
Waste	Total waste produced (t)	306	427	402	403
	Waste for recycling (t)		205	202	214
	Waste for incineration (t)		222	200	189
Cooling and extinguishing agents	Coolant and extinguishing agent losses (kg)		252	231	111
Greenhouse gas emissions	Direct and indirect emissions (t CO ₂ e)	305	2,298	2,263	2,253
	Direct Scope 1 emissions (t CO ₂ e)		648	512	487
	Indirect emissions Scope 2 (market-based)		431	457	515
	Indirect Scope 3 emissions (t CO ₂ e)		1,219	1,294	1,251

		Unit	2024	2023	2022
› Environmental indicators per FTE					
Total building energy consumption (MWh)		kWh/FTE	4,553	4,857	5,083
Business travel		km/FTE	768	949	651
Paper consumption		kg/FTE	86	99	127
Waste		kg/FTE	78	76	80
Water consumption		litres/FTE	9,070	9,546	9,169
Greenhouse gas emissions (CO ₂ e)		kg/FTE	419	427	447

	GRI	Actual value 2024	Base year 2022	% change in actual value compared to the base year	2023	2022
› Environmental indicators according to GRI						
Total greenhouse gas emissions (t CO ₂ e)	305	2,298	2,253	+2 %	2,263	2,253
Scope 1 and 2 emissions (t CO ₂ e)	305	1,079	1,002	+8 %	969	1,002
Indirect Scope 3 CO ₂ e emissions (t CO ₂ e)	305	1,219	1,251	-3 %	1,294	1,251
Total building energy consumption (MWh)	302	24,989	26,919	-7 %	25,759	26,919
Share of green electricity from naturemade star or equivalent quality (%)		100	100	0 %	100	100
Paper consumption (kg per FTE)	301	86	127	-32 %	99	127
Proportion of recycled paper (%)	301	92	93	-1 %	93	93
Waste in kg per FTE	306	78	80	-3 %	76	80
Waste to landfill (%)	306	0	0	0 %	0	0
Waste for recycling (%)	306	48	53	-9 %	50	53
Water consumption (10 ³ m ³)	303	50	46	+9 %	51	46

Key figures for own operations

The four most important drivers of CO₂e emissions in the operations of Zürcher Kantonalbank are electricity and heating energy, transport, particularly road and air transport, and our paper consumption. We have defined specific measures for these categories in order to achieve a continuous reduction.

Our implementation measures for own operations

Environmental management system

Our environmental management system focuses on banking operations, our properties, procurement and the downstream impact of products and services. The environmental management system has been certified according to ISO 14001 since 2002. In this way we aim to achieve a continuous improvement in our use of resources and ensure environmental sustainability in our banking operations. Reports on the results and any measures arising from the audits are submitted to the Executive Board.

Development of a removal portfolio for the neutralisation of residual operational emissions

To achieve net zero in its operations, the bank takes additional emission reduction measures and also neutralises the residual emissions it creates by means of negative emission technology certificates (NET).

Negative emission technologies include technological and nature-based approaches that remove CO₂ directly from the atmosphere and store it permanently. This results in so-called negative emissions.

Our partners for the removal of operationally generated residual emissions are neustark AG, climeworks AG and Bioenergie Frauenfeld AG. In building up our removal portfolio, we rely on regional projects from local providers that were developed in Switzerland and on a combination of natural and technical technologies and sinks.

Biodiversity

Climate change is accelerating the loss of biodiversity worldwide. The decreasing capacity of natural carbon sinks is in turn fuelling climate change. Biodiversity loss and climate change are now considered “twin crises”. Over half of global GDP is dependent on natural capital.

With regard to the topic of nature and biodiversity, Zürcher Kantonalbank has defined the following exclusion criteria in its sustainability policy for the financing business:

- non-certified agriculture and forestry abroad that involves deforestation of tropical forests and/or damage to areas of high conservation value
- mining projects with particularly destructive mining methods, such as mountaintop removal
- illegal, intentional water/groundwater pollution
- damage to areas of high conservation value abroad, namely primeval forests (illegal slash-and-burn and/or deforestation), endangered animal and plant species, wetlands and biotopes, cultural assets and world heritage sites

Biodiverse greening at branches: We have created over 20 natural and biodiverse gardens since 2019 at our company-owned properties with a total area of more than 8,000m². Scientific monitoring shows that species diversity has increased by almost 300 percent compared to previous studies. The design approaches are now an integral part of our property strategy. Measures to promote biodiversity and minimise heat are generally examined at our sites and in all future construction projects and, where appropriate, are implemented.

Through targeted sponsorship commitments, we promote nature conservation, advocate the protection of natural resources and are committed to sustainable agriculture in the interests of sustainable consumption and food security. It is also important to us to make the beauty and diversity of nature tangible for the population and, above all, to raise awareness among children/young people about the importance of protecting nature and the environment.

Promotion of valuable natural areas in the Canton of Zurich: In addition to redesigning the areas around our branches, Zürcher Kantonalbank is also involved in a wide range of renaturalisation projects and the preservation of valuable natural areas in the Canton of Zurich. It has financially supported numerous renaturation projects for the Canton of Zurich and has been running the Grüningen Botanical Garden since 1977. The educational and recreational offerings of the Grüningen Botanical Garden promote the quality of life in our canton and thus support the fulfilment of our public service mandate.

Appendix

Procedure for determining the material topics

The basis for updating the material topics is the materiality matrix from 2017, which was developed in collaboration with various representatives of our stakeholder groups. Topics in the context of sustainability were evaluated in terms of their relevance for our stakeholders and the materiality of their impact on sustainable development.

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. To this end, the framework conditions were broken down from an international perspective to a national perspective and finally to a cantonal perspective. In addition, we also took into account the industry and product-related topics that are important to us. In particular, we took into account the national and cantonal efforts to promote sustainable development: Switzerland's 2030 sustainability agenda, Switzerland's climate strategy, the climate strategy of the Canton of Zurich and the Zürcher Kantonalbank Act.

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.

The following topics were identified as potentially negative impacts and influences:

- Climate: Climate risks, i. e. physical risks from climate change and transition risks on the way to a low-carbon economy, are important for the financial sector. Of particular relevance to Swiss banks is the Financial Market Supervisory Authority's (FINMA) specification of disclosure requirements for climate-related financial risks,

which came into force on 1 July 2021. In view of climate change, the risk of a disorderly transition to a low-carbon economy is increasing and the issue of climate risks is becoming even more important. At the same time, the transition to a climate-friendly economy also opens up business and investment opportunities. In view of climate change, the loss of nature poses an ever-increasing risk to the global economy.

- Social cohesion and human rights: Based on the reporting obligations on non-financial matters in accordance with the Swiss Code of Obligations, the topic of human rights has become even more important. In addition, the Swiss Confederation's 2030 Agenda for Sustainable Development has identified "equal opportunities and social cohesion" as a key topic for Switzerland.

We want to avoid the potentially negative effects of the above-mentioned topics by taking appropriate implementation measures for each topic.

We identify the following areas as potentially positive impacts and influences:

- Sustainable finance: Switzerland has set itself the goal of being a leading sustainable financial centre. According to the SBA, a sustainable financial centre is a financial market that contributes in its entirety to sustainable development and added value in economic, environmental and social terms. In other words, a financial centre that ensures and improves economic efficiency, prosperity and economic competitiveness both today and in the long term, while contributing to the protection and restoration of ecological systems as well as the promotion of cultural diversity and social prosperity. As the sustainable bank that's "Close to you", Zürcher Kantonalbank aims to have a positive impact on sustainable development. In accordance with the purpose article of Zürcher Kantonalbank, our public service mandate obliges us to contribute to the canton's fulfilment of its economic, social and ecological tasks and thus to support sustainable development.
- Social cohesion and human rights: With our public service mandate, we contribute to the canton's fulfilment of its economic and social tasks and provide the population, and in particular SMEs,

with basic necessities. In particular, we address specific target groups in accordance with the purpose paragraph (SMEs, employees, agriculture, public corporations, promotion of home ownership and low-cost housing construction). We are committed to human rights and refrain from financing activities, for example, that violate the United Nations' human rights standards, including the prohibition of child labour and forced labour. We want to serve as a role model on employee issues and promote integration, diversity and health among our employees.

We see both topics as areas of impact in which we can exert a positive influence.

We used our public service mandate (§ 2 of the Cantonal Banking Act on Zürcher Kantonalbank) and the legal requirements for non-financial reporting (Art. 964b of the Swiss Code of Obligations) to assess the materiality of the impact and prioritise the topics. The assessment was also based on a qualitative estimate of the probability and extent of the (potentially) negative and positive effects.

Stakeholder groups

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. Stakeholder groups are identified and selected as part of the periodic validation of the sustainability policy by the Executive Board. The following explains how we are in contact with individual stakeholder groups:

- Clients: We create proximity to our clients every day by providing personalised advice and support. We also conduct a client satisfaction survey every two years. The aim of the surveys is to analyse the needs of clients at business unit level and derive suitable measures. The results and measures are integrated into the reporting to the Board of Directors.
- Employees: We regularly exchange information with our employees and conduct an employee satisfaction survey every two years. The aim of the surveys is to analyse the various areas in order to identify the needs of employees and take appropriate measures. The results and measures are presented to the Executive Board. Furthermore, the results are also discussed in the teams from all areas, and any necessary measures are taken. In addition, the internal employee representation committee is committed to the concerns of employees.

- Owner (Canton of Zurich): Several times a year, we engage in a personal dialogue with the Cantonal Parliament of Zurich, in particular with the Parliamentary Committee for the Supervision of Commercial Undertakings (AWU) of the Canton of Zurich.
- Suppliers: We are in regular dialogue with our suppliers. Regular dialogue is ensured through internal guidelines that govern the process.
- Partners: Our partners represent the most important business relationships for us. The relevant relationships are listed and explained on our homepage under "Collaborative partnerships": zkb.ch/en/home/our-company/company-structure
- The public: We are in constant dialogue with representatives from the realms of business, the environment and society, as well as media and culture. Through our diverse sponsorship commitments in particular, we engage in regular dialogue with interest groups, associations, clubs, and other organisations on economic, environmental and social issues.
- Supervisory authority: In its capacity as an independent authority with sovereign powers, FINMA works to protect creditors, investors and policyholders, as well as to protect the effectiveness of the financial markets. We are in regular dialogue with FINMA.

Appendix on climate-related financial risks and opportunities (TCFD)

Assessment of climate risks

The following sections explain in detail the identified risks and the qualitative assessment along the risk description and classification summarised in the Environment section.

Operational risks: Banking operations

We consider the climate-related financial risks from banking operations to be low in the short to long term, both in terms of physical risks and transition risks.

With respect to physical risks, extreme weather events could impact bank operations in a very adverse scenario. The probability of the bank's operations being adversely impacted by environmental factors, which would primarily include flooding, is considered to be very low. Most of the bank premises are located in the Canton of Zurich, while the buildings critical to operations are located in the city of Zurich. For systems that are critical to operations, there are fallback solutions that are regularly tested as part of business continuity management. Environmental and accident risks are an integral part of operational risk management.

Transition risks from banking operations are considered to be low. Compared to other sectors, the operational business of a bank (operation of buildings and other infrastructure) causes direct CO₂e emissions that are clearly lower than average. As a bank with primarily local operations, travelling also plays a subordinate role at Zürcher Kantonalbank. Zürcher Kantonalbank is continuously reducing its CO₂e emissions from banking operations as part of its environmental programme. Target achievement is reviewed annually. The remaining CO₂ emissions have been completely neutralised with qualitative negative emission technologies since 2024.

Credit risks: Financing business

We consider the climate-related financial risks to be low in terms of physical risks, while the transition risks are also low in the short term but slightly higher in the medium and long term.

Physical risks can arise, for example, from the negative impact of climate change on the value of collateral for collateralised loans. Our mortgage business is central. The properties could be damaged by extreme weather events and lose value as a result. The mortgage business is extremely important to Zürcher Kantonalbank. It is strongly focussed on the Greater Zurich area, while the mortgage portfolio is very highly diversified within

the economic area. The financed properties are located in Switzerland. Here too, the most serious natural disasters are flooding, although the impact of flooding is generally limited to small areas due to geographical conditions. Additionally, in the event of damage caused by natural hazards, a mortgage loan is only at risk of default if the damage is not adequately covered by the building insurance and the uncovered damage exceeds the unencumbered portion of the value of the property. In the short term, the risk of material credit losses due to climate risks is therefore very low. It can be assumed that extreme weather events will become more frequent due to ongoing global warming. At the same time, however, it can be assumed that preventive measures to protect against damage caused by natural hazards will also improve. In the long term, physical risks in the mortgage business will therefore remain at a low level.

In the remaining lending business, physical risks are relevant for unsecured commercial financing to the extent that the borrowing companies themselves may be affected by physical climate risks. The portfolio is focussed on Switzerland and well-diversified. The financed companies may have production facilities in regions that are more exposed to physical risks. The increase in extreme weather events could lead to greater price fluctuations for production resources or temporarily have a negative impact on supply chains. In addition, climatic conditions will become even more important when choosing a location for production capacities. The significance of physical risks varies greatly depending on the sector and industry. In view of the credit portfolio's broad diversification in terms of sectors and the adaptability of the financed companies, physical risks do exist, but are low overall.

Transition risks stemming from the process of adapting to the shift to a low-carbon economy play a greater role for the financing business of Zürcher Kantonalbank than physical risks. Lending by the bank, borrowers' creditworthiness and the value of collateral can all be affected by transition risks: Firstly, as a result of changes in legislation (amended regulations for heating and cooling systems, higher taxes, etc.); secondly, as a result of technological innovations in the area of climate technology that limit the value of existing products or production processes; thirdly, as a result of client preferences shifting toward sustainable products and services; and fourthly, as a result of changes in the demands of the various stakeholders regarding how Zürcher Kantonalbank deals with the climate-related topics (reputational risks).

In the area of mortgage loans, amendments to the law can have a negative impact on property values. By virtue of the political processes in Switzerland and the fact that everyone is directly or indirectly affected by the changes, sudden legislative amendments without

extended transition periods and with strong, negative impacts on the value of residential property are rather unlikely. Fossil fuel heating systems are among the major sources of CO₂, making it obvious that legal regulations governing these systems will change and become more stringent. In addition to risks, the bank also has opportunities here in that it can provide advice on switching to more climate-friendly heating systems and finance the corresponding investments. In the area of investment properties, it is likely that investor preferences will shift towards “green” properties in the medium to long term and that pressure on the prices of properties with a poor carbon footprint will increase in the medium to long term.

In the area of corporate financing, the impact of climate-related transition risks on borrowers’ creditworthiness will increase. Not only the risks arising as a result of changes in the legal framework (taxes, bans, etc.), but also risks related to technological breakthroughs must be taken into account. Innovations in the field of climate technology offer great opportunities, but they can also endanger existing business models. In the long term, some companies and sectors will have to adapt their products and services. Reputational risks are another aspect of transition risks in corporate financing. Different stakeholders have different expectations as to how climate issues should be factored into the bank’s lending policy are diverse and sometimes even contradictory. Stakeholders’ expectations of climate-compliant lending have changed and will also continue to change in the future. As a result, the reputational risk that arises for the bank if it fails to adequately adjust its sustainability and lending policies increases over time. The fact that contractual obligations in the lending business can extend over several years harbours the risk of long-term contracts that no longer meet current requirements. Lending in carbon-intensive sectors where transition is not possible or difficult is particularly important in terms of transition risks. For this reason, Zürcher Kantonalbank’s lending policy excludes, for example, direct financing of coal mining, oil and gas extraction, fossil fuel-fired power plants or commodity trade financing with coal for electricity production (thermal coal) or with crude oil and heavy oil.

Market risks: Trading business and financial investments

We consider the climate-related financial risks from the trading business to be low in the short to long term, both in terms of physical risks and transition risks.

In the case of physical risks, there is only a very low probability of financially significant losses from extreme weather events on the trading positions. The ongoing management of the trading portfolio leads to a low risk of stranded assets in both the short and long term.

In terms of transition risks, it cannot be ruled out that legislation, client preferences or public pressure could restrict the universe of tradeable financial instruments in the medium to long term. The majority of trading transactions have short terms and hedging options are generally available. This makes it possible to adjust the exposure and therefore the risk profile quite quickly. The trading business of Zürcher Kantonalbank focuses on client trading and the trading book is highly diversified at issuer level, which also has a risk-reducing effect. Zürcher Kantonalbank does not trade in emission certificates. Due to the dynamic nature of the trading business, there is a fairly high level of uncertainty involved when assessing risks in the long-term perspective.

The financial investments in the liquidity portfolio, a portfolio of high-quality bonds, are intended to be held until maturity. The factor of primary relevance with respect to climate-related financial risks is the selection of issuers. There are diversification requirements for the portfolio. Securities of issuers from sectors with a particularly high-carbon risk exposure are excluded from the investment universe, which reduces the risk of transition risks. Stricter legal or regulatory criteria could further restrict the investment universe in the medium to long term. The probability of defaults due to physical risks is classified as low.

Business risks: Investment and pension business

We consider the climate-related financial risks to be low in terms of physical risks, while the transition risks are also low in the short term but slightly higher in the medium and long term.

The investment and pension business form part of Zürcher Kantonalbank’s core business and is enormously important for the success of the commission business and services. On the one hand, this relates to investment advice and wealth management services and, on the other, to the bank as a producer of investment products (e.g. Swisscanto investment funds). The bank’s fiduciary responsibility in the investment and pension business gives rise to fiduciary risks. A fiduciary risk may arise if Zürcher Kantonalbank does not act in the client’s best interests when providing advice or managing client assets. Fiduciary risks are made up of business and strategic risks, operational risks and compliance risks, all of which are also influenced by climate risks and other factors. The systematic investment process with integrated risk management in the Investment Solutions organisational unit ensures that investment decisions are made within the risk ranges defined during investor profiling. Clients are informed in advance of the investment risks corresponding to the risk ranges. In Asset Management, our sustainability strategy is an integral part of the active investment process and risk management. The systematic

integration of climate-related aspects makes it possible to recognise risks at an early stage. An understanding of ESG data and a robust information platform integrated into the portfolio management system are key elements of our implementation.

Physical climate risks: Defaults or sharp decreases in the value of individual issuers' securities as a result of extreme weather events cannot be ruled out. However, diversification in the investment portfolios and ongoing adjustments to asset allocation reduce the risk of major losses from individual events. We therefore consider the physical risks to be very low overall in the short term and low in the long term.

Transition risks: In the context of investment advisory and wealth management, changes in ESG preferences or ESG investment solutions that do not meet requirements can lead to a loss of income. There is also a risk of greenwashing, meaning that clients are consciously or unconsciously misled about the sustainable characteristics of financial products or services. According to the guidelines of the Swiss Bankers Association, three levels are relevant with regard to greenwashing: financial service provider, financial service and financial instrument.

Zürcher Kantonalbank reduces these risks as follows:

a) at financial service provider level through careful, comprehensive training of the employees concerned in accordance with their specific function and a structured, digitally supported advisory process,

b) at financial service level through the systematic consideration of ESG preferences in the advisory and investment process as well as transparent information,

c) at financial instrument level, through both a consistent sustainability-based approach in the area of CIO investment solutions as well as through the sustainable product lines – "Responsible" and "Sustainable" – of Swisscanto investment funds and pension products, the criteria of which are transparently disclosed to investors.

Appendix on climate targets and key figures

Climate targets and key figures for the financing business

Methodology Residential mortgage business and Commercial mortgage business

The climate targets were determined according to the modelling described below. For the modelling, the due dates for refurbishments and heating system replacements were extrapolated for the future according to the assumed service life of the components, taking into account the estimated proportions of fossil fuel heating systems being replaced by climate-friendly systems as shown in the table (below). For the calculation, the necessary heating data was supplemented from the Register of Buildings and Dwellings (RBD, 93 percent of the financed residential properties and 96 percent of the financed office buildings) or from data from the Minergie association (7 percent of the financed residential properties and 4 percent of the financed office properties). Because it has more up-to-date information, priority was given to the heating information provided by the Minergie association. Full data on the energy efficiency of the financed buildings, i.e. on the refurbishment of façades, windows, roofs and basement ceilings, is still unavailable. Excluding refurbishments (worst-case scenario), the CO₂ intensity of the residential financing portfolio is 34.3 kg CO₂e/ERA or 18.2 kg CO₂e/ERA for office buildings. These values were calculated using the PACTA Calculator 2022 as at 31 December 2022 (residential mortgage business) and 31 December 2023 (commercial mortgage business), based on participation in the federal government's climate compatibility test (Paris Agreement Capital Transition Assessment, PACTA).

To arrive at an estimate of the CO₂ intensity with more practical relevance, Zürcher Kantonalbank assumes that the refurbishments were carried out after the end of the average service life of the building components (façade 40 years, windows 35 years, roof 50 years, basement ceiling 50 years). This assumption results in a value of 17.8 kg CO₂e/ERA for residential property and 9.5 kg CO₂e/ERA for office buildings. According to documents provided by the federal government, the information on heating systems in the RBD is still subject to major uncertainties. At the time of calculation, almost 60 percent of the heating system data in the Canton of Zurich still came from the 2000 census. As an oil or gas heating system only has an average service life of around 20 years, many property owners are likely to have already replaced their fossil fuel heating system with a climate-friendly one. Finally, the new Energy Act of the Canton of Zurich, which came into force on 1 September 2022, requires fossil fuel heating systems to be replaced with climate-friendly

Estimated proportion and number of fossil fuel heating systems substituted by climate-friendly ones by year in which the heating system is due to be replaced

Year	2017	2018	2019	2020	2021	2022–2029	2030–2034	2035–2039	2040–2050
› Residential property									
Max. proportion of climate friendly substitution	10 %	20 %	40 %	60 %	80 %	94 %	96 %	98 %	99 %
Number of climate friendly substitutions	298	691	1,126	2,433	1,986	20,811	16,111	12,069	3,525
› Office property									
Max. proportion of climate friendly substitution	10 %	20 %	40 %	60 %	80 %	94 %	96 %	98 %	99 %
Number of climate friendly substitutions	8	28	45	123	46	794	702	445	143

heating systems (see the section “Climate target of the Canton of Zurich”). Exceptions are only possible in cases of financial hardship and exceptional circumstances. This strict regulation has been in the pipeline for several years. According to the Fachvereinigung Wärmepumpen Schweiz (Swiss Heat Pump Association), sales of heat pumps in Switzerland increased significantly from 2017 onwards. When determining the status quo and the future reduction pathway, we therefore assume that a certain percentage of financing (see table above) which, according to the RBD, has a fossil fuel heating system that has been due for replacement since 2017 (based on an assumed service life of 20 years), has actually already been or will be replaced by climate-friendly heating systems. Assuming that the building components have been refurbished and that a portion of the heating systems were replaced at the end of their service life, the starting point for the reduction pathway for residential mortgage business is an intensity of 15.4 kg CO₂e/ERA or 8.1 kg CO₂e/ERA for commercial mortgage business.

Assumptions regarding missing data reduction path residential mortgage portfolio (imputations)

Energy reference area of the building (ERA): For 81,251 (81 percent) financing agreements, the missing ERA of the building was imputed from the living space (factor 1.3, according to the PACTA method). For 8,024 (8 percent) financing agreements, the ERA was supplemented from Minergie data (1st priority), for 11,268 (11 percent) from RBD data (2nd priority).

Living space of the building (SFH/MFH) or the flat (CNDO):

The ERA can only be imputed if information about the building’s living space has been provided. For 198 (0.2 percent) financing agreements, the living space of the building had to be imputed based on RBD statistics.

Living space of condominiums: Residential living space is required for the aggregation of individual inten-

sities at portfolio level. In the case of 4,446 condominium financing agreements (11 percent of condominium financing agreements), the living space missing from the company’s own data was imputed based on RBD statistics.

Number of floors in the building:

The number of floors is required in the PACTA real estate model in order to model the heating requirement in accordance with SIA standard 360/1 (2016). For 97 (0.1 percent) financing agreements, the number of floors of the building had to be imputed based on RBD statistics.

Assumptions regarding missing data reduction path commercial mortgage portfolio (imputations)

Energy reference area of the building (ERA):

For 2,079 (65 percent) financing agreements, the missing ERA of the building was imputed from the gross floor area (factor 0.9). For 117 (3 percent) financing agreements, the ERA was supplemented from Minergie data (1st priority), for 1,018 (32 percent) from RBD data (2nd priority).

Gross floor area of the building:

The ERA can only be imputed if information about the building’s gross floor area has been provided. For 146 (7 percent) financing agreements, the number of floors had to be imputed to determine the gross floor area and for 10 properties (0.5 percent) the floor area had to be imputed from RBD statistics.

Assumed service life of the components in years

Component	Service life in years
Façade	40
Windows	35
Roof	50
Basement ceiling	50
Heating system	20

Climate targets and key figures for the investment business

Special case of direct and indirect property investments by Asset Management

The target for direct property investments is part of the 20 percent of AuM by Asset Management that is aligned with the <2 °C target.

Objective

Our CO₂e reduction target is based on target values that are compatible with the Paris Agreement (IPCC “well below” 2 °C scenario (67 percent)). To achieve these targets, CO₂e reduction pathways are created for the property portfolios, which are periodically adjusted to current circumstances (e. g. due to refurbishments, new acquisitions or disposals).

With the “Swisscanto (CH) Real Estate Fund Responsible Switzerland indirect”, the “Swisscanto (CH) IPF II Real Estate Fund Responsible International indirect” and the “Swisscanto (CH) Real Estate Fund Responsible Switzerland indirect (I)”, ZKB Asset Management focuses its investment activities on the reduction of CO₂e emissions with the aim of making a significant contribution to climate protection.

Methodology

In order to reduce the CO₂e intensity of the investments, the energy consumption and greenhouse gas emissions of the existing properties are measured on an ongoing basis. All greenhouse gases with a global warming effect are included in accordance with the international standard of the GHG Protocol (measured in CO₂e). Greenhouse gas emissions are calculated in accordance with the methodology of the Real Estate Investment Data Association (REIDA) recommended as best practice by the Asset Management Association Switzerland (AMAS) as CO₂e based on the energy consumption values.

Implementation measures for direct and indirect property investments

The specific measures for achieving the reduction pathway follow a three-pronged strategic approach consisting of OPEX, CAPEX²² and new builds. OPEX measures include, for example, systematic operational optimisation in the properties and CAPEX measures include the replacement of fossil fuels with renewable resources. Furthermore, CO₂e-intensive properties are also managed through targeted transaction activity. The remaining greenhouse gas emissions can be offset by purchasing emission reduction certificates (ERCs).

Climate targets direct and indirect property investments by Asset Management

Time frame	Targets	Base year	Methodology	Scenario
Direct property investments	2030: 8.0 kg CO ₂ e/m ² ERA (48 % reduction) 2040: 3.9 CO ₂ e/m ² ERA (75 % reduction) 2050: 1.0 kg CO ₂ e/m ² ERA (94 % reduction)	2020	REIDA ²³ Metrics: Intensity (scope 1, 2)	IPCC Well below 2 °C scenario (67 %)

22 OPEX = Operational Expenditures (operating expenses, i. e. costs for raw materials and supplies, personnel costs, energy costs and costs for sales and administration), CAPEX = Capital Expenditures (investment expenditure for longer-term assets).

23 Real Estate Investment Data Association

Glossary

CO₂ equivalents (CO₂e)

is a unit of measurement used to compare the climate impact of different greenhouse gases. This is also referred to as the global warming potential (GWP) of the various gases. The quantities of other greenhouse gases, such as methane or nitrous oxide, are converted into the quantity of CO₂ that would have the same effect on global warming.

——> Source: Climate glossary FOEN, 2020

Corporate volunteering

refers to the employer's support for charitable activities, i. e. the involvement of our employees in public offices, trade associations and expert activities. Through our corporate volunteering programme, we contribute to a liveable Canton of Zurich in line with our public service mandate.

Financial literacy

refers to the ability to understand financial information and make informed decisions when dealing with money. This includes knowledge of topics such as saving, investing, debt management, insurance and retirement planning. Thanks to financial literacy, individuals should be able to better manage their financial situation, minimise financial risks and achieve long-term financial security and prosperity.

Global warming

refers to the increase in average temperature since the beginning of industrialisation. Greenhouse gases are responsible for this. They are mainly caused by the burning of fossil fuels such as coal, oil and natural gas as well as by large-scale land use changes, such as the deforestation of tropical rainforests.

——> Source: Climate glossary FOEN, 2020

Greenhouse gas emissions Scopes 1–3

The greenhouse gas emissions of a company can be divided into Scopes 1–3. 'Scope 1' includes direct greenhouse gas emissions from sources owned or controlled by the company. 'Scope 2' refers to indirect greenhouse gas emissions associated with the production of purchased electricity, heat or steam. 'Scope 3' includes all other indirect emissions, i. e. emissions associated with the extraction and production of purchased materials, fuels and services. (Source: Annex Fifth Assessment Report, Glossary of the German IPCC Coordination Office, 2016). The so-called "financed emissions" (category 15 of the Greenhouse Gas Protocol), which encompass core activities such as the investment and financing business are particularly relevant for financial institutions.

Negative emission technologies (NET)

are biological and technical processes used to remove carbon from the atmosphere and sequester it permanently in forests, soils, wood products or other carbon stores.

——> Art. 2, Federal Act on Climate Protection Targets, Innovation and Strengthening Energy Security

Net Zero Asset Managers Initiative (NZAM)

is an international group of asset managers committed to the goal of reducing greenhouse gas emissions to zero by 2050 or earlier, in line with global efforts to limit warming to 1.5 degrees Celsius and to support investments that aim to achieve net-zero emissions by 2050 or earlier. Asset Management at Zürcher Kantonalbank joined NZAM in 2021.

Net-Zero Banking Alliance (NZBA)

is an initiative convened by the UN. The members have committed, among other things, to align their business activities with the goal of achieving net-zero emissions by 2050. This ambitious commitment requires banks to set interim targets for 2030 or earlier, following sound, science-based recommendations. The Net-Zero Banking Alliance emphasises the important role of banks in supporting the transition of the global real economy to net-zero greenhouse gas emissions. Zürcher Kantonalbank joined the NZBA in December 2022.

Net-zero emissions

means minimising greenhouse gas emissions and offsetting the impact of the remaining emissions through the use of negative emission technologies. The term greenhouse gas neutrality is often used colloquially.

——> Art. 2, Federal Act on Climate Protection Targets, Innovation and Strengthening Energy Security

Paris Agreement Capital Transition Assessment (PACTA)

The PACTA test is a Europe-wide climate compatibility test for investment and mortgage business to measure the climate compatibility of financial flows in accordance with the Paris Agreement. PACTA stands for Paris Agreement Capital Transition Assessment. All Swiss banks, asset managers, pension funds and insurance companies were invited to have their portfolios tested voluntarily and anonymously. In 2024, 146 financial institutions voluntarily took part in the PACTA climate test, including 71 pension funds, 15 insurance companies, 34 banks and 26 asset managers.

——> Source: FOEN, PACTA Climate Test 2024, 2024

Partnership for Carbon Accounting Financials (PCAF)

is an initiative by the financial sector to develop a uniform and transparent standard for the valuation and disclosure of financed and invested emissions. Zürcher Kantonalbank joined PCAF in May 2022 as a further step towards greater climate transparency. The so-called “financed emissions” (category 15 of the Greenhouse Gas Protocol), which differ from “operational emissions”, are particularly relevant for financial institutions. PCAF also specifies data quality levels; score 1 corresponds to the highest data quality and is based on directly reported and verified emissions data. Score 5 corresponds to the lowest data quality and is based solely on assumptions and estimates.

Sustainable Development Goals (SDGs)

The Sustainable Development Goals (SDGs) are 17 global sustainability goals that were adopted by the United Nations in 2015 and are to be achieved by 2030. Switzerland is committed to these SDGs and has specified them for Switzerland with the Agenda 2030.

Task Force on Climate-related Financial Disclosure (TCFD)

The Task Force on Climate-related Financial Disclosures (TCFD) is an initiative launched by the Financial Stability Board of the G20 in 2015. The TCFD’s recommendations for reporting climate-related risks and opportunities form the basis of the Swiss Ordinance on Climate Disclosures. With the disclosure of climate-related financial risks for the 2021 financial year, Zürcher Kantonalbank has been a TCFD supporter since May 2022. The task force has since been disbanded and the TCFD recommendations have been fully integrated into international reporting standards.

UN Principles for Responsible Banking (UN PRB)

The UN PRB stands for “United Nations Principles for Responsible Banking” and was founded in September 2019 by the United Nations Environment Programme Finance Initiative (UNEP FI). These six principles serve as a conceptual framework for banks to align themselves with the Sustainable Development Goals (SDGs) and the Paris Agreement.

UN Principles for Responsible Investment (UN PRI)

The UN PRI stands for “United Nations Principles for Responsible Investment” These six principles were launched in 2006 and provide a framework for investors to integrate environmental, social and governance (ESG) factors into their investment decisions and ownership practices. Zürcher Kantonalbank joined the Principles for Responsible Investment (PRI) in 2009.

Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e. V. (VfU) (Association for Environmental Management and Sustainability in Financial Institutions)

The Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e. V. (VfU) is an organisation that specialises in the promotion of environmental management and sustainability in the financial sector. Zürcher Kantonalbank uses the tool provided by the VfU with science-based emission factors to calculate operational emissions. The VfU tool is based on internationally recognised standards and methods such as the Greenhouse Gas Protocol.