

Guidelines for the Fulfilment of Zürcher Kantonalbank's Public Service Mandate

dated 24 February 2005 (version dated 19 December 2013)

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The Board of Directors of Zürcher Kantonalbank

Based on § 15 section 4 no. 7 of the Law on Zürcher Kantonalbank of 28 September 1997, the following guidelines for the fulfilment of the public service mandate of Zürcher Kantonalbank have been issued:

(Any references denoting gender in these guidelines shall include all genders.)

A General information

- § 1 These guidelines specify the public service mandate established in § 2 of the Law on Zürcher Kantonalbank of 28 September 1997.

Purpose of these guidelines

These guidelines set out the basis for ensuring compliance with and monitoring the public service mandate by corporate bodies on the one hand, and its supervision by the commission for auditing the accounts and annual report of Zürcher Kantonalbank on the other.

- § 2 The public service mandate is the legal obligation of Zürcher Kantonalbank to provide banking services to the population of the canton of Zurich in general and certain client groups in particular, which meet their basic needs.

Definition

Zürcher Kantonalbank shall fulfil its public service mandate on the basis of a business policy, which is focused on

stability and continuity, geared to the market economy and with which an appropriate profit should be generated.

Content and scope of the public service mandate

§ 3 The core task of the public service mandate of Zürcher Kantonalbank comprises the business activities described in § 8 number 1 to 16 of the Organisational Regulations for the Group of Zürcher Kantonalbank dated 23 June 2011.

The general basic needs as defined by § 2 of these guidelines include, in particular, the investment and savings business, the mortgage and lending business and payment services. In particular, the range of banking services offered by Zürcher Kantonalbank takes into account the concerns of small and medium-sized enterprises, employees, agriculture and public corporations.

The basic needs result from the prevailing demand.

General conditions for fulfilling the public service mandate

§ 4 In fulfilling the public service mandate, Zürcher Kantonalbank, as a universal bank, shall observe the principles of sustainability and the recognised rules of risk management. To maintain its competitive position and fulfil the public service mandate in the long term, it strives to make an appropriate profit and secures its continuous existence and development with an sustainable return on equity.

B Implementing the public service mandate

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| § 5 | The public service mandate is reflected as the core task of Zürcher Kantonalbank's business activities in the mission statement, the corporate strategy and the business unit strategies. | Mission statement and strategies |
| § 6 | Annual planning and annual objectives constitute the management components for the public service mandate. They provide information on which projects, measures and objectives fulfil the public service mandate. | Annual planning and objectives |
| § 7 | The Executive Board, its chair and the heads of the business units shall ensure the fulfilment of the public service mandate within the scope of their responsibilities and powers, where necessary together with the Chairperson's Committee and the Board of Directors, in the following areas in particular: | Implementation in the operating business |
| | 1. Refinancing | |
| | 2. Allocating funds to pursue specific business purposes | |
| | 3. Investment projects | |
| | 4. Defining distribution channels | |
| | 5. Acquisitions | |
| | 6. Co-operations with other banks and companies | |
| | 7. Outsourcing of lines of business | |
| | 8. Selecting and training staff | |

9. Expanding and modifying the range of banking services (product management)
10. Materially significant individual or mass transactions
11. Support for economic, social and cultural institutions (contributions and sponsorships).

General
abstention

- § 8 The corporate bodies of Zürcher Kantonalbank shall not pursue any business activities that are detrimental to the public service mandate as defined by these guidelines.

C Corporate bodies for monitoring the public service mandate

Board of
Directors

- § 9 As part of its overall management, control and supervisory function, the Board of Directors regularly reviews the quality and economic efficiency of the fulfilment of the public service mandate and its impact.

The Board of Directors assigns this task to the Chairperson's Committee in accordance with § 15a of the Law on Zürcher Kantonalbank of 28 September 1997 and § 29 section 2 of the Organisational Regulations of the Zürcher Kantonalbank Group of 23 June 2011.

Chairmen of
the Board

- § 10 As a permanent Ad-hoc-committee pursuant to § 15a of the Cantonal Bank Act of 28 September 1997 and § 29 section 2 of the Organisational Regulations of the Zürcher Kantonalbank Group of 23 June 2011, the Chairperson's Committee specify the further details of the fulfillment of their duties, in particular the internal bank controls and reporting, in guidelines, which need to be approved by the Board of Directors.

§ 11 The Chairperson's Committee are assisted in fulfilling their duties by a steering committee consisting of representatives of all business units and chaired by a responsible for the public service mandate. This steering committee advises and supports the Chairperson's Committee and the Board of Directors in all matters relating to the public service mandate.

Steering
committee

D Instruments for monitoring the public service mandate

§ 12 The instruments for managing and monitoring the public service mandate in advance are, in particular, the mission statement, the corporate strategy and the business units strategy, the annual planning, the objectives agreements for the business units at all levels, and the conditions for the approval of individual transactions by the Board of Directors or the Chairperson's Committee.

Instruments
for advance
monitoring

§ 13 The instruments for the subsequent monitoring of the public service mandate are primarily the report of the Board of Directors for the attention of the Cantonal Parliament's Commission, which the steering committee shall prepare for the attention of the Chairperson's Committee and the Board of Directors. In addition, the Board of Directors provides an accountability report on the fulfilment of its public service mandate in the annual report.

Subsequent
monitoring

The Board of Directors or the Chairperson's Committee may at any time request interim reports on the fulfilment of the public service mandate from the respective units on all matters relating to the public service mandate.

E Monitoring of the fulfilment of the public service mandate by the Cantonal Parliament Commission

Cantonal
Parliament
Commission

§ 14 Within the scope of the statutory provisions on the level of the Swiss Federation and the Canton of Zurich, the Cantonal Parliament Commission monitors the fulfilment of the public service mandate by Zürcher Kantonalbank. To this end, the Board of Directors reports annually to the Cantonal Parliament Commission. The Cantonal Parliament Commission may request further information from the Board of Directors regarding details of the report. The reporting and provision of information is carried out pursuant to section 4 of the Law on Zürcher Kantonalbank of 28 September 1997.

Content of
the report to
the Cantonal
Parliament
Commission

§ 15 The Cantonal Parliament's Commission shall notify the Board of Directors in good time about the specific topics, that the Board of Directors' report needs to address.

Assessment of
the report

§ 16 The Cantonal Parliament Commission and the Chairperson's Committee discuss the annual report in a joint meeting, which may also be attended by other representatives of the Bank.

F Concluding provisions

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| § 17 | These guidelines enter into force following approval by the Cantonal Parliament on 30 January 2006. | Entry into force |
| § 18 | The amended provisions (§ 3 section 1, § 9 section 2, § 10 and § 14), in accordance with the amendment resolution of the Board of Directors of 6 December 2013 and the approval by the Cantonal Parliament of 14 April 2014, shall enter into force on 1 January 2015 | Concluding provision and entry into force in accordance with the amendment resolution of the Board of Directors of 6 December 2013 and the Cantonal Parliament of 14 April 2014 |

Zurich, 24 January 2005

On behalf of the Board of Directors

The Chair: The recording secretary:

Dr Urs Oberholzer Elisabeth Haltner

**Resolution of the Cantonal Parliament of
30 January 2006**

The aforementioned guidelines were approved.

Zurich, 30 January 2006

On behalf of the Cantonal Parliament

The Chair The Secretary

Hans Peter Frei Raphael Golta

Approved by the Board of Directors on 19 December 2013.

On behalf of the Board of Directors

The Chair: The recording secretary:

Dr Jörg Müller-Ganz Françoise Niemeyer

Approved by the Cantonal Parliament on 14 April 2014.

On behalf of the Cantonal Parliament

The Chair The Secretary

Bruno Walliser Heidi Baumann

