

Sustainability Report 2025

April 26



Pfandbriefzentrale
Schweizer Kantonalbanken

About this report

Pfandbriefzentrale der schweizerischen Kantonalbanken AG (PBZ) was founded in 1931 and is a public limited company pursuant to Art. 620 et seq. Swiss Code of Obligations (CO) with its registered office in Zurich. It was established as a joint venture of what are now 24 Swiss cantonal banks. In accordance with the Pfandbrief Act (PfA), only the cantonal banks are authorised to be members of PBZ and thus form PBZ's shareholder base. The company's head office is located at Bahnhofstrasse 9, 8001 Zurich (c/o Zürcher Kantonalbank) (GRI 2-1). PBZ operates independently and has no subsidiaries. The management of PBZ is ensured by Zürcher Kantonalbank (ZKB) on the basis of a management contract (GRI 2-2).

This sustainability report documents the 2025 reporting period and is published annually. There are no differences between the reporting period of the financial report and that of the sustainability report (GRI 2-3). No information or data is known from the previous year's 2024 report that has been revised (GRI 2-4). An external audit of the sustainability report was not carried out (GRI 2-5).

By publishing this report with a publication date of 22 April 2026, PBZ is once again sending out a clear signal of transparency and sustainability by comprehensively documenting its responsibility in economic, environmental and social matters. This sustainability report has been published concurrently with the financial report since the 2025 reporting period.

2025 in brief

Publication September 2025

**First
cover
pool reporting**

MSCI ESG rating

AAA

Ø CO₂e-intensity of the cover pool as at
31 December 2025

12.7 kg/m² ERA p.a.

Largest public issue in PBZ's history
(in CHF)

1.86 bn

Gender distribution on the Board of Directors
(f/m) as at 31 December 2025

20/80

ISS ESG rating

C Prime

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Foreword

Ladies and gentlemen, valued shareholders and investors,

we are pleased to present the second sustainability report of Pfandbriefzentrale der schweizerischen Kantonalbanken AG. With this report, which has been prepared in accordance with the GRI standards, we are continuing to place transparency at the centre of our actions and to document our responsibility as a key player in the Swiss financial market in a sustainable and comprehensible manner.

The past reporting year was marked by a continued strengthening of our commitment to sustainable finance. As an issuer of Pfandbriefe, we are aware of the importance of our role – both in terms of ensuring the stability of the financial system and in addressing environmental and social aspects.

A key concern during this reporting period was the further expansion of the disclosures. We have significantly improved our transparency, in particular by publishing additional detailed data on the cover pool for the first time. This expanded cover pool reporting, which was prepared for the first time on the basis of the third-quarter figures and will be published quarterly in future, enables you to assess our financial stability and the quality of the underlying assets even more comprehensively.

We have also taken an important step forward in the area of climate reporting. We have taken on board and addressed the concerns of our investors regarding our CO₂e report. The detailed analysis of our climate-related key figures emphasises our commitment to and support for an energy-efficient transformation of the Swiss building stock.

We have also further strengthened our corporate governance. With the election of a further female member of the Board of Directors, we were able to increase the proportion of women on our highest governing body again. We are convinced that diversity at all levels of our company is a key prerequisite for sustainable success and innovative decisions.

We cordially invite you to use the following pages to gain a detailed understanding of our progress, our challenges and our strategic goals in the area of sustainability.

We would like to thank you for your sustained trust in Pfandbriefzentrale and look forward to continuing our dialogue with you.



Daniel Fust
Chairman of the Board of Directors



Sven Bucher
Director

About PBZ

PBZ is a joint venture of all 24 cantonal banks with the legal purpose, in accordance with Art. 1 para. 1 of the Swiss Pfandbrief Act, of providing homeowners with long-term mortgage loans at the most constant and favourable conditions possible. The main task of PBZ is derived from this clearly defined and limited legal purpose and consists of issuing Pfandbriefe. Accordingly, PBZ is not profit-orientated.

PBZ is a joint venture of all 24 cantonal banks with the legal purpose of providing homeowners with long-term mortgage loans at the most constant and favourable conditions possible. The only shareholders are the 24 cantonal banks and no participation rights are listed.

The issuance of Pfandbriefe in Switzerland is governed by the Pfandbrief Act (PfA) of 25 June 1930 (as amended on 1 January 2023) and the Swiss Pfandbrief Ordinance (PfO) of 23 January 1931 (as amended on 1 January 2025). Based on the provisions of the PfA, the Swiss Federal Council also approves the articles of association and the valuation regulations of the Pfandbrief institutions.

In Switzerland, only the two Pfandbrief institutions authorised by the Pfandbrief Act (Pfandbriefzentrale der schweizerischen Kantonalbanken AG and Pfandbriefbank schweizerischer Hypothekarinstitute AG) are permitted to issue Pfandbriefe. As a result, the Swiss Pfandbrief® differs significantly from similar products, in particular from the covered bonds issued by individual Swiss banks and from foreign Pfandbriefe. Strict regulatory and/or statutory requirements apply to the mortgage loans of member banks that serve as collateral:

- All real estate serving as cover objects must be located in Switzerland.
- Lending is limited to a maximum of two thirds of the lending value of the real estate.
- Cover objects totalling 115 % of the loan amount must be pledged as collateral for the loans obtained by the cantonal banks.

- The interest income from the mortgages serving as collateral must be at least 10 % higher than the interest expense for the mortgage-covered loans received.
- Loan drawdowns by member banks are limited to 35 % of their domestic mortgage receivables recognised on the balance sheet. Competing cover pools (mainly for the bank's own covered bond programmes) or the correspondingly covered balance sheet obligations of a member bank are also taken into account when calculating this ratio.
- The maturity of loans is limited to a maximum of CHF 300 million per member bank within 30 days.
- The issue of Pfandbriefe (mortgage-backed bonds) must not result in bonds and direct placements of more than CHF 1.2 billion falling due at maturity.

ZKB has been responsible for the management of PBZ since its foundation and provides employees, premises and infrastructure. PBZ does not have any employees of its own.

PBZ is closely intertwined with ZKB in many areas of its day-to-day business. As the largest member bank and shareholder, ZKB has been responsible for the management of PBZ since its foundation and provides employees, premises and infrastructure. As a result, PBZ is also operationally integrated into ZKB's sustainability policy and Code of Conduct. For further information, please refer to the «Strategy and business model» and «Organisation» sections.

History

The emergence of the modern Pfandbrief can be divided into two major stages of development: the «old Pfandbrief» in the Prussian system (from 1769) and the «new Pfandbrief», which was established with the founding of the Crédit Foncier de France in 1852. The cabinet order issued by Frederick II of Prussia in 1769 led to the establishment of credit institutions that granted loans to aristocratic landowners and refinanced themselves via Pfandbriefe. These «old Pfandbriefe» were directly linked to individual mortgages and were issued by regional co-operatives with joint and several liability.

In the 19th century, the Pfandbrief broke away from the direct mortgage commitment. With the founding of Crédit Foncier de France in 1852, a new model was established that found wider application across Europe: Banks granted mortgages and refinanced themselves by issuing fixed-interest bonds - the «new Pfandbriefe».

Origin of the Pfandbrief in Switzerland

At the beginning of the 20th century, Switzerland faced considerable challenges in refinancing its mortgage business. While banks abroad financed themselves primarily through Pfandbrief issues, the Swiss model based on short-term savings and medium-term cash notes proved to be unstable in turbulent times. With the enactment of the Swiss Civil Code in 1907, a modern mortgage law was established, laying the foundation for a unified national solution and supplying the previously missing legal framework.

Introduction of the Swiss Pfandbrief system

During the First World War, mortgages became significantly more expensive for bank customers due to enormous capital requirements and rising interest rates. Against this backdrop, demands grew for the introduction of Pfandbriefe as a long-term and stable refinancing instrument offered at favourable conditions.

A commission of experts drew up a draft law in 1923, which, after years of political negotiations, resulted in the Federal Act on the Issuance of Pfandbriefe in 1930.

While other countries relied on a concession system for issuing Pfandbriefe, Switzerland, inspired by the Swedish model, opted for a monopoly system with two issuing entities:

- Pfandbriefbank schweizerischer Hypothekar-institute (founded on 20 December 1930)
- Pfandbriefzentrale der schweizerischen Kantonalbanken (founded on 10 February 1931)

The law came into force on 1 February 1931 and still forms the legal basis of the Swiss Pfandbrief system today. The clear legal structure and the monopoly system have given the Swiss Pfandbrief® a high degree of trust, security and market stability.

In line with their large share of the Swiss capital market, Swiss Pfandbriefe play an important role in the repurchase agreement business. The Swiss National Bank (SNB) uses repo transactions to manage liquidity in the financial system and thus the supply of liquidity to the economy. In addition to their central importance for the refinancing of bank loans, Pfandbriefe also play an important role in banks' liquidity management. They are regarded as high-quality liquid assets (HQLA) and therefore enable liquidity to be procured easily and at any time.

Source:
Dr. Horat, R. (2007). The collateralised refinancing of the mortgage business: the Swiss Pfandbrief and its development opportunities. Haupt Verlag AG.

Strategy and business model

PBZ operates a business model regulated by the PfA and the PfO. By law, the scope of business of PBZ comprises the following activities:

Scope of business of Pfandbriefzentrale



The proceeds from the issue of Pfandbriefe are passed on to the member banks in the form of mortgage-covered loans. The shareholder's equity capital is invested particularly securely, mainly in securities eligible for repo transactions at the SNB, in bonds of domestic debtors traded on a representative market, as well as in fixed-term deposits. PBZ generates its income through an interest margin between the Pfandbriefe issued and the mortgage-covered loans granted to the member banks, as well as through the return on invested own funds. PBZ's own funds are invested in accordance with the legal requirements by means of an asset management mandate through ZKB. The mandate fulfils the criteria for a «responsible» portfolio in accordance with the principles of ZKB Asset Management. This portfolio takes ESG criteria into account and excludes investments in certain areas such as fossil fuels. Further information can be found in the section «Environmental and social considerations in the investment policy» (GRI 2-6).

PBZ's own funds are invested in accordance with the legal requirements by means of an asset management mandate through ZKB that takes ESG criteria into account.

The Swiss Pfandbrief® is a fixed-interest security with particularly extensive collateralisation regulated by law in the PfA. Pfandbriefe are collateralised by mortgages. This gives them maximum security. Pfandbriefe are listed on the Swiss Stock Exchange (SIX) and can be traded at any time. They are therefore accessible to both institutional and private investors, with institutional investors in particular subscribing to Pfandbriefe as part of the issuances. At maturity, repayment of the Pfandbrief is guaranteed

at par value. Due to their very good credit rating and high level of security, Pfandbriefe are a convenient capital market instrument. The funds from the issued Pfandbriefe are passed on to the 24 cantonal banks in the form of mortgage-covered loans in the same total amount, in the same currency (CHF) and with the same maturity, secured by registered collateral. To finance business activities, only a small interest surcharge of three basis points is levied on the mortgage-covered loans. This enables even small cantonal banks, which do not have access to the capital market themselves, to refinance their mortgage business at favourable conditions.

Each mortgage-covered loan claim, along with the accruing interest, is secured by a registered lien on the segregated collateral (mortgages) listed in the cover register of the member banks.

The collateralisation chain of the Swiss Pfandbrief® is unique worldwide and distinguishes the Swiss security significantly from its foreign namesakes. One of the main reasons for this difference lies in the two-tier nature of the Swiss Pfandbrief system. Each Pfandbrief is collateralised across several levels with own funds and ultimately with first-class mortgages.

The security chain for PBZ's Pfandbriefe offers fivefold security:

- First and foremost, the Pfandbrief institutions, in this case PBZ, are liable with their own funds.
- In second place, the member banks are liable for their loans.
- For 21 out of 24 cantonal banks, the respective cantons also guarantee their obligations.
- On the one hand, the debtors of mortgage are liable to the member banks;
- and, on the other hand, their collateral for the Pfandbrief receivables.

Issuance of Pfandbriefe

PBZ issues Pfandbriefe on the Swiss capital market within the clearly defined legal framework and grants member banks mortgage-covered loans to refinance their mortgage business. An issuance can be divided into different phases with specific work steps:

First, the member banks are asked in advance about their approximate loan requirements. This is followed by the loan survey, which starts with a pre-deal check. Based on the feedback from the member banks, the maturities and the expected investor demand, PBZ sets the term and sends it out with indicative pricing. Once the binding loan applications have been received, a pricing proposal is drawn up together with the Swiss Cantonal Bank Issuing Committee and approved by the Board of Management and the Chair or Vice-Chair of the Board of Directors of PBZ. On the day of the launch, the member banks can indicate how many securities (Pfandbriefe) they are subscribing to and for which maturities. Once the subscriptions have been checked, the allocation is made in accordance with Art. 8 of the business regulations, and the member banks are informed. The process is concluded with the settlement and post-processing phase as well as payments on the payment date.

Investment of own funds

PBZ's own funds are invested. For this purpose, ZKB respectively its Asset Management division is commissioned through an asset management mandate that adheres to the strict requirements of the PfA and the investment guidelines. Compliance with these investment guidelines is monitored on a quarterly basis and reported to the Board of Directors. In the event of non-compliance with guidelines, these are noted, and corrective action plans are requested.

Investments are made exclusively in bonds, which are generally held to maturity. Other asset classes and in particular the use of derivatives are prohibited under the Pfandbrief Act.

Further information can be found in the section «Environmental and social considerations in the investment policy».

Provisions of the investment regulations

Bonds CHF Domestic issuers	> SBI rating at least A Bandwidth 70 – 100 %
Bonds CHF Foreign issuers	> SBI rating at least AA Bandwidth 0 – 30 %
Own bonds (nominal)	> max. 20 %
Repo-eligible bonds (market value)	> min. CHF 350 million

Value chain

The 24 cantonal banks are the upstream and downstream elements of the Pfandbrief value chain. The cantonal banks have the right, but not the obligation, to be members of PBZ. All cantonal banks are currently members and shareholders of PBZ. As described at the beginning of this chapter, PBZ's scope of action is limited to the fulfilment of its purpose within the legally defined scope of business (PfA Art. 5). For their part, the cantonal banks are independent companies. Apart from the cases defined in the PfA, PBZ has no authority to give instructions to the member banks. For this reason, the cantonal banks are solely responsible for their credit policy or for granting mortgages to their customers and setting the criteria and conditions. These activities are therefore outside PBZ's sphere of influence. PBZ operates exclusively in Switzerland.

Since PBZ was founded, ZKB, commissioned by the Board of Directors and based on Art. 21 of the Articles of Association of PBZ, has been responsible for the direct management of operations as well as related activities. It is remunerated for this by means of a so-called management commission, which is based among other things on the Pfandbrief volume and is defined in the management agreement. ZKB provides the entire infrastructure (premises, office furniture, technical infrastructure, etc.), the staff, the storage and archiving of PBZ's business-relevant documents, as well as the measures to ensure business operations (emergency organisation/business continuity management) (GRI 2-6). Accordingly, PBZ does not have any employees of its own.

Organisation

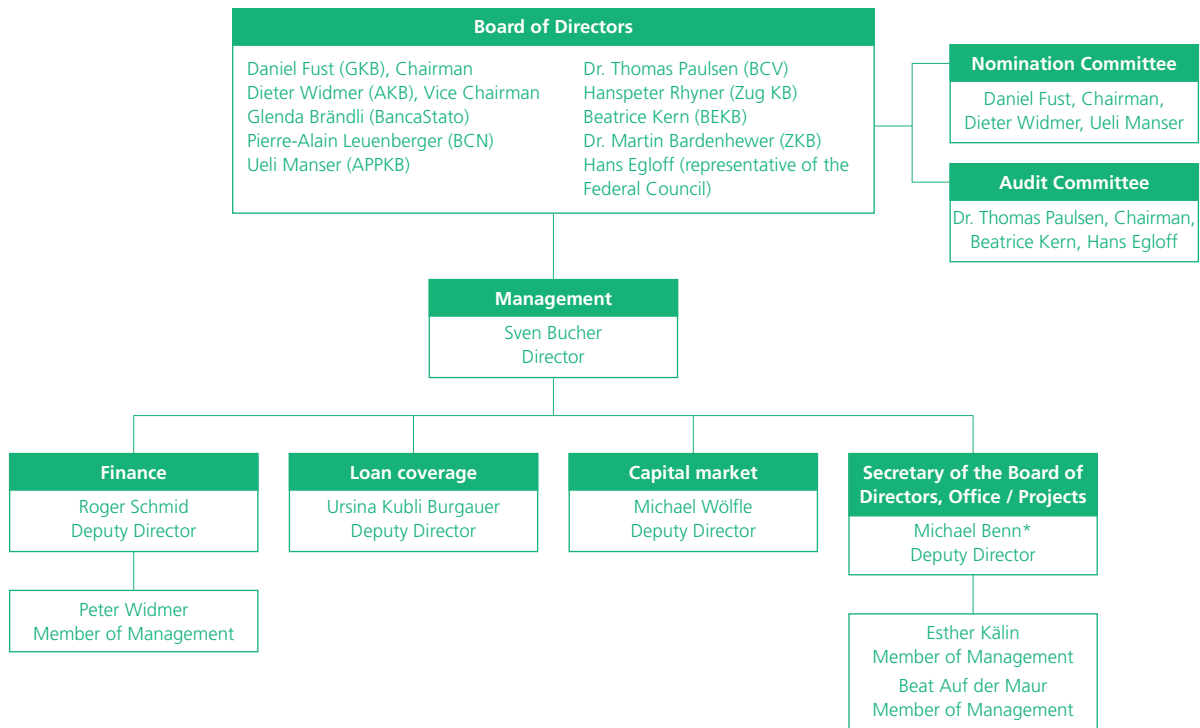
Governance structure and composition

PBZ has a clear organisational structure with four central bodies. The Annual General Meeting is the supreme body and decides on key matters such as approving the annual report, discharging the Board of Directors and electing the Board of Directors, including the Chair and the auditors. It is held annually within six months of the end of the financial year. Only the member banks are shareholders, i.e., there are no third-party shareholders apart from the cantonal banks and neither the Board of Directors nor the employees working for PBZ hold any shares or options. The Board of Directors is the highest governing body of PBZ and is responsible for strategic decisions, including the election of the Board of Management, setting the conditions for Pfandbriefe and loans, and monitoring the collateral of Pfandbriefe. It consists of eight to ten members provided by the shareholder banks, supplemented by a representative appointed by the Federal Council to represent the interests of the mortgage debtors. The Chairman of the Board of Directors is Daniel Fust, CEO of Graubündner Kantonalbank, while Dieter Widmer, Chairman of the Executive Board of Aargauische Kantonalbank, serves as Vice-Chairman. The operational management of PBZ has been in the hands of ZKB since it was founded in 1931. The auditors, currently Ernst & Young (EY) in Zurich, audit the annual financial statements and report to the Annual General Meeting. It also conducts regulatory audits in consultation with FINMA and reports on these to the Board of Directors and FINMA as the regulator.

The Board of Directors currently has two permanent committees. These are the Nomination Committee (Daniel Fust (Chairman), Dieter Widmer and Ueli Manser) and the Audit Committee (Dr. Thomas Paulsen (Chairman), Beatrice Kern and Hans Egloff). All members of the committees are non-executive members. With the exception of the member appointed by the Federal Council, all members of the Board of Directors hold executive positions at one of the member banks, as stipulated in the PfA and the PfO. Each member of the Board of Directors recuses themselves when discussing and deciding on transactions

that affect their member bank in a particular way. The handling of conflicts of interest is regulated in the organisational regulations of PBZ (*GRI 2-9, GRI 2-15*).

Organisation chart of Pfandbriefzentrale



*Deputy Managing Director

Board of Directors and Board of Management

By law, the Board of Directors of PBZ is primarily composed of representatives of the management of the member banks (usually CEOs/ CFOs). In addition, a representative of the mortgagees appointed by the Federal Council has a seat in accordance with Art. 37 PfA. The Annual General Meeting, consisting of all 24 cantonal banks, elects the members of the Board of Directors, its Chair and the auditors, subject to Art. 37 PfA. The term of office of the members of the Board of Directors is three years, beginning and ending with the Annual General Meeting. For the representative appointed by the Federal Council, the term of office is four years in accordance with the calendar year. The members can be re-elected.

In order to fulfil the requirements of a joint venture, the composition of the Board of Directors is balanced in terms of the size of the respective member banks as well as geographical and linguistic criteria. Attention is also paid to a diverse range of expertise, such as financial and risk experience. As far as possible, diversity is also taken into account in the selection process. At the end of the reporting year, the Board of Directors of PBZ consisted of eight male and two female members (GRI 2-10). The Chairman of the Board of Directors is not an executive manager of either PBZ or ZKB (GRI 2-11).

Other mandates of the Board of Directors of Pfandbriefzentrale

Daniel Fust, 1966, Switzerland

Chairman

- › Chairman of the Board of Directors since 2021
- › Chairman of the Nomination Committee since 2024

CEO Graubündner Kantonalbank

Other mandates (offices and commitments)

- › Member of the Board of Directors of Privatbank Bellerive AG
- › Member of the Board of Directors of Albin Kistler AG
- › Member of the Board of Directors of the Association of Swiss Cantonal Banks
- › Chairman of the Graubünden Economic Forum
- › Member of the Board of Trustees of the Rigahaus Senior Citizens' Centre

Dieter Widmer, 1967, Switzerland

Vice-Chairman

- › Member of the Board of Directors since 2019
- › Vice-Chairman of the Board of Directors since 2021
- › Member of the Nomination Committee since 2024

Chairman of the Executive Board of Aargauische Kantonalbank

Other mandates (offices and commitments)

- › Member of the Board of Directors of the Association of Swiss Cantonal Banks

Dr. Martin Bardenhewer, 1967, Switzerland and Germany

Member

- › Member of the Board of Directors since 2023

Member of the Executive Board of Zürcher Kantonalbank, Head of Finance, CFO

Other mandates (offices and commitments)

- › Chairman of the Board of Directors of Swisscanto Holding AG
- › Member of the Board of Directors of esisuisse

Glenda Brändli, 1980, Switzerland

Member

- › Member of the Board of Directors since 2025

Member of the Executive Board of Banca dello Stato del Cantone Ticino, CFO / CIO

Other mandates (offices and commitments)

- › Member of the Board of Directors of the Università della Svizzera italiana in Lugano and Chairwoman of the Audit and Finance Committee
- › Committee member of the Swiss-American Chamber of Commerce, Ticino Section

Beatrice Kern, 1969, Switzerland

Member

- › Member of the Board of Directors since 2024
- › Member of the Audit Committee since 2024

Member of the Executive Board of Berner Kantonalbank, CFO

Other mandates (offices and commitments)

- › Vice-Chairwoman of the Board of Directors of Bivial AG
- › Member of the Board of Trustees of the BEKB SME Promotion Foundation

Pierre-Alain Leuenberger, 1971, Switzerland

Member

- › Member of the Board of Directors since 2021

CEO of Banque Cantonale Neuchâtelaise

Other mandates (offices and commitments)

- › Member of the Board of Directors of the Association of Swiss Cantonal Banks
- › Member of the Board of Directors of the Neuchâtel Chamber of Commerce and Industry
- › Chairman of the Board of Trustees of the Fondation de prévoyance Epargne 3 de la Banque Cantonale Neuchâtelaise
- › Member of the Board of Trustees of the Pension Fund of Banque Cantonale Neuchâtelaise
- › Chairman of the Board of Trustees of Sport Neuchâtel

Ueli Manser, 1964, Switzerland

Member

- › Member of the Board of Directors since 2019
- › Member of the Nomination Committee since 2024

Chairman of the Executive Board of Appenzeller Kantonalbank

Other mandates (offices and commitments)

- › Member of the Board of Directors of the Association of Swiss Cantonal Banks
- › Chairman of the Board of Directors of Alpstein Finanz AG
- › Chairman of the Board of Directors of Stark AG
- › Member of the Board of Directors of the Chamber of Commerce and Industry of Appenzell
- › Member of the Board of Trustees of the Vorsorge-stiftung Sparen 3 of Appenzeller Kantonalbank

Dr. Thomas Paulsen, 1965, Switzerland

Member

- › Member of the Board of Directors since 2009
- › Chairman of the Audit Committee since 2024

Member of the General Management of Banque Cantonale Vaudoise, CFO

Other mandates (offices and commitments)

- › Vice-Chairman of the Board of Directors and Member of the Audit and Risk Committee of Piguet Galland & Cie SA
- › Chairman of the Issuance Committee of Swiss Cantonal Banks
- › Member of the Board of Trustees of ISREC
- › Member of the Management Committee of the Pension Fund of Banque Cantonale Vaudoise

Hanspeter Rhyner, 1968, Switzerland

Member

- › Member of the Board of Directors since 2021

Chairman of the Executive Board of Zuger Kantonalbank

Other mandates (offices and commitments)

- › Member of the Board of Directors of the Association of Swiss Cantonal Banks
- › Member of the Board of Directors of the Zug Chamber of Commerce
- › Chairman of the Board of Trustees of the Pension Fund of Zuger Kantonalbank
- › Member of the Board of Directors of Parkhaus Vorstadt AG
- › Member of the Board of Directors of the IFZ Institute for Financial Services Zug
- › Member of the Board of Trustees of the Greater Zurich Area Location Marketing Foundation

Hans Egloff, 1959, Switzerland

Member

(representative appointed by the Federal Council pursuant to Article 37 of the Pfandbrief Act for the term of office from 2025 to 2028)

- › Member of the Board of Directors since 2017
- › Member of the Audit Committee since 2024

Attorney-at-law, partner in the law firm BEELEGAL Bösiger.Engel.Egloff

Other mandates (offices and commitments)

- › Chairman of the Board of Directors of Sparhafen Genossenschaft
- › Member of the Board of Directors of Sparhafen Immobilien AG
- › Member of the Board of Directors of Sparhafen Bank AG
- › Member of the Board of Directors of Gebäudeversicherung des Kantons Zürich
- › Chairman of the Supervisory Board of SVA of the Canton of Zurich
- › Chairman of the Hauseigentümergeverband (HEV) Kanton Zürich

In addition to attendance fees and travelling expenses, the members of the Board of Directors are compensated as follows for their work on the Board of Directors of PBZ: Chair of the Board of Directors CHF 20,000, Vice-Chair of the Board of Directors CHF 12,000, members of the Board of Directors CHF 10,000. For members of the Board of Directors who are members of the executive board of a bank, PBZ has been paying the entire remuneration to the respective member bank since 2014.

The Board of Management consists of employees of ZKB who fulfil their function on a mandate basis. They are not remunerated separately for exercising this function. ZKB remunerates its employees according to the total compensation approach. This approach includes a basic salary, variable remuneration dependent on ZKB's net profit, statutory allowances and voluntary additional benefits. ESG criteria are not taken into account (*GRI 2-19*). In the reporting year, a dialogue took place between the employee representatives of ZKB and the Executive Board of ZKB regarding the basic salary increase. Otherwise, there was no further dialogue with interest groups on the remuneration policy. Due to the fact that PBZ has no employees, the Board of Directors has no authority to determine the remuneration of ZKB employees working for PBZ. This is solely the line responsibility of the individual divisions within ZKB for which the employees work. The Board of Directors of PBZ is responsible for setting its own remuneration. Where necessary, external consultants are involved in the development of remuneration guidelines and/or the determination of remuneration (*GRI 2-20*).

Risk management

PBZ relies on effective risk management to ensure financial stability and strengthen investor confidence. The integration of ESG criteria, which are covered in this report, not only contributes to sustainable development, but can also improve credit ratings and increase demand for Pfandbriefe. Insufficiently evaluated risks could lead to financial losses for investors. By digitalising its cover pool reporting, PBZ has further optimised risk monitoring and increased transparency, thereby also meeting the needs of the various stakeholders.

Regulatory developments will also need to be monitored in the future, for example the regulatory implications of the takeover of Credit Suisse by UBS, the «Liquidity Against Mortgage Collateral» (LGHS) collateralisation concept and the emergency measure «Emergency Liquidity Assistance» (ELA) or «Extended Liquidity Facility» (ELF) of the SNB. The latter could lead to cover pool competition under extreme stress conditions. Together with Pfandbriefbank, PBZ is in dialogue with the SNB and the Swiss Financial Market Supervisory Authority (FINMA) in this regard.

A covered bond law could also have an impact on volume and/or pricing and lead to cover pool arbitrage and competition. Pfandbriefzentrale actively monitors developments and, if necessary, participates in the relevant committees together with Pfandbriefbank.

The topic of sustainability is also becoming increasingly important in risk management. Following the completion of the digitalisation project for cover pool reporting, it is now possible to carry out CO₂e data analyses. For this purpose, the member banks' data is submitted electronically on a quarterly basis, various plausibility checks are carried out, and reports are generated. Further information on this topic can be found in the sections on «Risk management» and «Transparency and provision of information».

General risk management

The Executive Board and the Board of Directors of PBZ are responsible for monitoring risks. In this context, the Audit Committee has the task of supporting and advising the full Board of Directors in its management and supervisory duties. The Board of Directors of PBZ bears overall responsibility for risk management and ensures that all relevant risks, including sustainability risks, are monitored appropriately. The operational implementation of the risk policy is the responsibility of the Board of Management, with the Head of Risk assuming a central role. The Board of Directors is regularly informed about the most important risk drivers and takes the necessary risk management measures. Risk management at PBZ is enshrined in several regulations and concepts. These include the risk management framework, the valuation regulations and the business regulations. These define risk policy guidelines and provide a clear structure and responsibilities.

PBZ counters its risks with a large number of clearly structured activities that are set out in the «Risk Management Framework» of 1 April 2019, which will be revised in 2026. This defines the relevant instruments and measures for dealing with credit, liquidity, market and operational risks. The Board of Directors is informed of the key risk parameters on a quarterly basis and reviews the risk assessment annually. The topic is also discussed in advance by the Audit Committee, which was created in 2024.

Risk profile and key risk factors

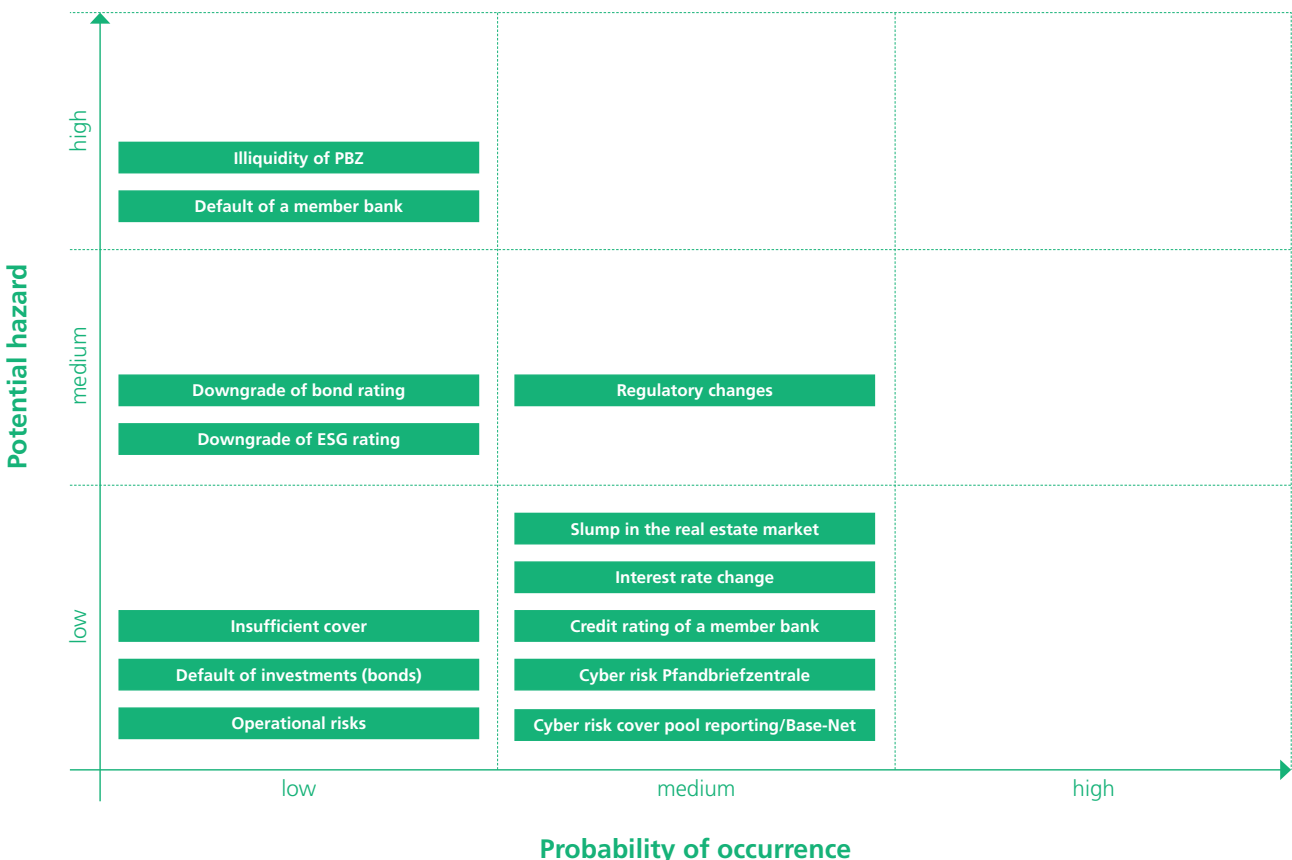
Overall, the risk profile (topics/risk potential) and the associated risk management (measures/controls) have not changed significantly compared to the previous year. The issues of «Illiquidity» and «Default of member banks» continue to harbour the highest risk potential, although the probability of occurrence is still assessed as low. The latter is due, among other things, to various mitigating measures. The other risk factors relevant to PBZ are categorised as medium to low and have also essentially remained stable.

Nevertheless, the following adjustments have been made compared to the previous year:

- With the finalisation of the cover pool reporting project, the associated project risk no longer applies.
- Cyber risk was divided into the subcategories «Cyber risk Pfandbriefzentrale / 11a» and «Cyber risk cover pool reporting/Finnofleet (previously: Base-Net) / 11b».

The risk of an «Downgrade of ESG rating» was reduced from medium to low in terms of the probability of occurrence while the risk potential (medium) remained the same. This is due to the large number of measures in 2024, which have already led to a significant upgrade (from A to AAA) by MSCI.

PBZ's risk profile for the year 2025



Default risks relating to member banks and the risk of illiquidity

The main risks stem from payment defaults by individual member banks. In particular, payment defaults by larger member banks could lead to a liquidity shortage for PBZ. Accordingly, the default risks for member banks and the risk of PBZ's illiquidity are dealt with and monitored in dedicated risk categories in the annual risk assessment submitted to the Board of Directors – including by monitoring the creditworthiness profiles of the member banks based on their rating classifications. In addition, there are various thresholds in place to limit risk, along with a concept for securing liquidity (Board of Directors resolution 2017, in force since 30 June 2018). The instruments include both preventive and reactive measures. Preventive measures include, for example, limiting the maturity of loans per bank to CHF 300 million within 30 calendar days and limiting the amount of bonds issued to a maximum of CHF 1.2 billion per maturity. Reactive measures include, among others, the ability to call up unpaid share capital amounting to CHF 1,780 million as at the end of 2025 at short notice through credit facilities, as well as to utilise the existing credit facility at ZKB and the repo agreement with ZKB for short-term liquidity procurement. There is also an extensive securities portfolio with liquid securities. In addition, the concentrations are checked with regard to property categories. These measures significantly mitigate major risks. In the event of the restructuring or liquidation of a member bank, there is a risk of a longer-term strain on the liquidity situation of PBZ, which is why Art. 40 and 40a of the Pfandbrief Act, which have been in force since 2023, represent a significant strengthening of the system. While Art. 40 of the PfA regulates the review and management of the collateral pool in the event of a bank's financial difficulties, Art. 40a orders the separation of mortgage-covered loans and collateral in the event of insolvency in order to ensure the prioritised satisfaction of the pledgees of Pfandbriefe. FINMA also appoints an investigating agent in these cases. The rating agency Moody's has also evaluated this regulatory improvement favourably.

Overall, the Board of Management assesses the remaining risk potential as low. Disciplined risk management remained a high priority in 2025, with a particular focus on the conceptual integration of sustainability.

Ongoing risk monitoring

The Board of Management and the Board of Directors of PBZ carry out ongoing risk monitoring. This includes regular observation of the regulatory, political and economic environment. Among other things, it consults the monthly «Regulatory Monitoring», which is prepared by ZKB's Risk Controlling department. PBZ also receives relevant information via email distribution lists from institutions such as the SNB, the FINMA, ZKB Research, the Association of Swiss Cantonal Banks (ASCB) and the Swiss Bankers Association (SBA). This information is supplemented by other selected research material from third parties with a focus on interest rates and the property market, as well as press coverage on Pfandbriefe and the property market.

Risk monitoring also includes rolling medium-term liquidity planning with semi-annual meetings in the Board of Management, as well as rolling liquidity and equity monitoring with quarterly reporting to the Board of Directors. Monthly and quarterly financial statements of PBZ are prepared with various key controls (internal control system, ICS), with compliance with various risk limits, requirements and key figures being reported to the Board of Directors on a quarterly basis. Monthly reporting by ZKB Asset Management provides information on PBZ's securities investments.

The member banks submit quarterly cover pool reports to PBZ within 15 days after the end of each quarter. Compliance with the cover pool requirements is analysed within the framework of the ICS using checklists. The member banks additionally confirm compliance with the collateral requirements as part of the issuance process when applying for a loan and, after the launch, during the loan confirmation.

Quarterly, risk-oriented reporting to the Board of Directors covers the dimensions of income statement, equity, liquidity and securities investments (traffic light system) and is sent to the Board of Directors within 45 days of the end of the quarter. In addition, the ratings of the member banks are reviewed annually and ZKB's rating is monitored quarterly (key control due to securities lending).

As a key control, a business impact analysis is carried out annually. The regulatory auditors of the member banks prepare annual audit reports with annually changing reporting dates on compliance with the statutory and regulatory collateral requirements. The Board of Management analyses these reports to establish whether any measures need to be taken and brings the reports to the attention of the Board of Directors and, in advance, the Audit Committee. This usually takes place at the meeting of the Board of Directors in April. The Board of Management maintains regular contact with representatives of Pfandbriefbank, for example at an annual meeting with both Chairs. It is also in dialogue with the Swiss Bankers Association, the ASCB and FINMA.

The Board of Management also carries out an annual risk assessment, which is discussed with and approved by the Board of Directors after being discussed and approved by the Audit Committee.

Ongoing issuance activities and collaterals or real estate market risks are a standing agenda item at meetings of the Board of Management and Board of Directors. These risks are fundamental in connection with PBZ's business activities. They are addressed directly or indirectly in the annual risk assessment to the Board of Directors in various risk categories such as «Slump in the property market», «Change in interest rates», «Insufficient collateral», «Downgrading of bond rating» and «Downgrading of ESG rating» and are dealt with intensively.

Cover pool reporting

Regarding the collateral of Pfandbriefe, it should also be mentioned that due to legal and regulatory requirements, a very high value buffer is present in the cover pool (e.g., through a maximum loan-to-value ratio of two-thirds and a coverage margin of 15 %), which significantly reduce the risks. The cover pool is healthy and exhibits broad, nationwide diversification across Switzerland. It consists exclusively of residential properties.

Since 30 September 2025, PBZ has published a detailed quarterly cover pool report on its website:

[Download-Center – Pfandbriefzentrale der schweizerischen Kantonalbanken AG](#)

Among other things, the cover pool reporting fulfils the regulatory requirements of Basel III final. The reporting provides aggregated information on the underlying cover for Pfandbriefe and is prepared in German and English. Analyses and monitoring are carried out according to various dimensions:

- Type of residential property
- Use of residential properties
- Seniority and competing liens
- Cover pool value of the cover object
- Interest rate structure
- Loan-to-value (mortgage level)
- Amortisations
- Time to maturity of mortgages
- Time to maturity of Pfandbriefe
- Top 10 debtor positions
- Geographical distribution

In accordance with Art. 26 of the business regulations, PBZ may inspect the collateral registers of the member banks at any time and, in accordance with Art. 22 of the business regulations, may demand additional over-collateralisation of up to 10 % at any time.

The Board of Directors exerts selective influence on a case-by-case basis to stabilise and ensure the quality of the cover pool. For example, holiday properties were excluded in 2013 and in 2018 the «max. borrowing 35 %» requirement was extended to include any bank-issued covered bonds. At the meeting held on 27 November 2019, the Board of Directors decided to reduce the proportion of residential investment properties in the cover pool, whereupon measures were adopted and communicated to FINMA in a letter dated 17 December 2019. If necessary, regulations are adjusted due to regulatory changes or changed risks. For example, the valuation regulations were completely revised in 2025 and approved by the Federal Council. With the revision of the valuation regulations, various formulations were expanded and clarified and, where possible, based on the requirements of the Swiss Bankers Association's «Guidelines on assessing, valuing and processing loans secured against property». The amendment of the valuation regulations also created further foundations for taking even better account of sustainability aspects.

Revision of the valuation regulations

The valuation regulations form the basis for the evaluation of the cover assets. It specifies and supplements the requirements of Articles 32-36 PfA on the «valuation and lending against mortgage collateral». In 2025, PBZ revised and updated the regulations, which also included various new aspects relating to sustainability issues.

Relevant sustainability aspects are taken into account in the valuation of mortgage collateral - where possible and to the extent already included in the current valuation process. These include, for example, energy efficiency (or CO₂e emissions in kg/m²), natural hazards such as floods, avalanches or earthquakes, and ecological risks such as contaminated sites.

The valuation regulations also specify that limits for energy efficiency (kg CO₂/m²) or other aspects may be introduced if necessary, with member banks required to be informed in advance.

It is also specified that pledged assets at locations with a very high exposure to natural hazards can be excluded from the cover pool or recognised with a cover value of zero francs.

The Federal Council approved PBZ's valuation regulations on 27 August 2025.

Sustainability at PBZ

Sustainability is a fundamental topic for PBZ and is in the DNA of the Swiss Pfandbrief®. The Swiss Pfandbrief® enables member banks to obtain long-term, stable and, in particular, favourable refinancing. This allows the member banks to offer their customers mortgages at fair conditions and to create incentives for CO₂e-saving property investments, such as energy-efficient refurbishments.

ESG Governance

The Board of Directors is responsible for the development and review of PBZ's sustainability policy. It is adapted to new circumstances or regulatory requirements as necessary, but is reviewed at least once a year. Sustainability aspects are also part of the annual risk assessment, which is prepared by the Board of Management and submitted to the Board of Directors for discussion and approval. The Board of Management is responsible for implementing the sustainability policy and achieving the targets set. Developments in the area of sustainability are regularly presented and discussed at Board of Management meetings and submitted to the Board of Directors for review at least once a year (*GRI 2-14*). Sustainability and ESG issues as well as activities and measures in this context are a fixed agenda item at the Board of Directors meetings, which are usually held quarterly (*GRI 2-12*). The Board of Directors is not evaluated on the basis of ESG criteria. The Board of Directors does not receive any variable remuneration. Despite these structural circumstances, PBZ ensures a continuous and transparent discussion of ESG issues through the close involvement of the governing bodies (*GRI 2-18*).

At an operational level, responsibility for ESG topics within the Board of Management lies primarily with the CFO and the Director (*GRI 2-13*). Director Sven Bucher is a Certified ESG Analyst (CESGA), a designation conferred by the European Federation of Financial Analysts Societies (EFFAS). The CESGA programme includes the impact of ESG on risk and return, various ESG investment approaches and the integration of ESG factors into valuation models. This qualification ensures that the ESG strategies of PBZ are based on sound expertise and are implemented effectively (*GRI 2-17*).

Stakeholder groups and memberships

PBZ is the second-largest issuer on the Swiss capital market and therefore plays a key role in the financial sector. PBZ's central stakeholder groups are its member banks, investors in Swiss Pfandbriefe®, the employees of ZKB working for PBZ, suppliers and partners (although only a small number of suppliers work directly with PBZ, as most procurement is carried out via ZKB), (industry) associations (ASCB, SBA), authorities (SNB), regulators (FINMA), rating agencies and the external auditors. The principles of corporate governance ensure that the interests of the various stakeholder groups are taken into account in a balanced manner. Further information can be found in the «Corporate governance» section.

The main concerns of the key stakeholder groups can be summarised as follows (*GRI 2-29*).

Most important stakeholder groups

Nature of the concerns

Forms of exchange

Member banks

Favourable refinancing options and regular access to the Swiss capital market with various maturities.

The member banks participate in the annual general meeting of PBZ, which is held in person and includes, in addition to the statutory part, an accompanying programme that provides an opportunity for an open exchange of ideas.

The Director of PBZ also participates in the Annual General Meeting of the ASCB, at which all member banks are generally represented by the Chair of the Board of Directors or Bank Council and the CEO.

In addition, PBZ's Board of Directors consists of members of the member banks' management.

Investors

Investment opportunity in an instrument with a very good credit rating (AAA) in a liquid market. In recent years, the focus has shifted increasingly to the topics of sustainability in general and sustainability ratings in particular.

As part of investor relations activities, there is a regular exchange with key investors, including discussions on sustainability topics.

ZKB employees who work for PBZ

Interesting tasks, job enlargement and enrichment opportunities, a high degree of autonomy, and appreciation for the (additional) effort.

Regular meetings of the Board of Management are held, at which all employees working for PBZ are present and able to participate. There is also regular engagement with the Board of Directors. Working for PBZ on a part-time basis gives ZKB employees the possibility to expand and enrich the scope of their work.

Suppliers and partners

Constructive and fair cooperation, appropriate price/performance ratio.

Since procurement is predominantly handled by ZKB, there are only occasional regular service meetings with key suppliers, as well as exchanges at the executive management level.

(Industry) associations/authorities/regulator

Constructive exchange on common topics (e.g. sustainability) and joint solutions for new regulations. Ensuring a stable Swiss financial market

The Director participates in the annual general meeting of the ASCB, which is held in person and provides a good platform for the exchange of ideas at the Board of Directors/Bank Council level of the member banks and C-level executives. An active exchange also takes place with other industry associations where necessary and possible.

Auditor

Compliance with legal and regulatory requirements and assistance with audit procedures

The auditor participates in both the relevant Board of Directors meeting and the Annual General Meeting. Regular meetings also take place.

Furthermore, PBZ understands its responsibility to exert indirect influence on ESG-relevant issues in dialogue with its member banks, FINMA, the ASCB and the SBA. On the one hand, this takes place as part of a regular dialogue with the ASCB's sustainability working group, attended by the Director and CFO from PBZ. On the other hand, PBZ actively participates in the consultation process for legal and/or regulatory requirements in the form of corresponding statements. The statements are generally also coordinated with the Pfandbriefbank. Furthermore, relevant topics are taken into account where possible and appropriate when amending regulations.

PBZ is an extraordinary member of the ASCB and a member of the SBA. It engages in regular exchanges with both institutions. It also joined the Swiss Ombudsman in 2025.

ZKB, which ensures the management of Pfandbriefzentrale, is part of the following climate-related initiatives (GRI 2-28):

- Net Zero Asset Managers Initiative (NZAM)¹
- Net-Zero Banking Alliance (NZBA)²
- Partnership for Carbon Accounting Financials (PCAF)
- Carbon Disclosure Project (CDP Disclosure)
- Climate Bond Initiative (CBI)

Materiality analysis

Using a strategic approach in 2024, PBZ identified the key issues in its business activities that have the greatest impact on the economy, the environment and society, as well as on its own corporate success.

The consequences of climate change and current economic developments may have an impact on PBZ's business activities. At the same time, its business activities can also have an impact on the economy, people and the planet. PBZ therefore carried out a double materiality analysis.

The concept of «double materiality» supports the development of a strategic ESG approach and at the same time forms the basis for reporting in accordance with the GRI Standards. Each material topic is considered from two different perspectives:

1. «Outside-In» perspective: How relevant is a topic for long-term business success?
2. «Inside-Out» perspective: What are the main impacts of business activities on the economy, people and the environment?

The materiality matrix is used to categorise the topics in the overall context, recognise the current sustainability challenges facing PBZ and at the same time work on solutions for the future. Sustainserv was commissioned as an external consultancy to support the process.

¹ The Net Zero Asset Managers Initiative is on pause.

² Membership until the dissolution of the alliance in October 2025

Materiality analysis process



To begin with, a context analysis was carried out to determine the relevant factors to be included in the materiality analysis. This was based on a review of the business model. Building on this, PBZ analysed its value chain, including the upstream and downstream supply chains. It also identified the most important stakeholder groups along the value chain (for more information, see the «Strategy, and business model» section). In a next step, a longlist of potentially relevant topics was drawn up. This list is based on reporting standards such as the GRI and SASB (Investment Banking & Brokerage). The longlist was also based on the requirements of Swiss law (CO Art. 964a). PBZ compared its list with some of its most important peers and their material topics. In order to consolidate the topics, PBZ drew up a shortlist of potentially relevant topics. This resulted in a final list of ten topics.

In a third step, the shortlisted topics were expanded with the help of a topic description. In accordance with the concept of double materiality, PBZ identified and described the actual and potential positive and negative impacts (inside-out perspective) as well as the opportunities and risks (outside-in perspective) for each topic. This approach allowed the potential and actual positive and negative impacts along the value chain to be taken into account. This is one way of presenting positive and negative consequences on business activities.

In order to actively involve the most important stakeholder groups, PBZ chose a two-pronged approach for the materiality analysis. Initially, two members of the Board of Management (the Director and the then CFO) assessed each topic from two perspectives in internal discussions: From the perspective of the management and from the perspective of the ZKB employees who work for PBZ. PBZ then prepared a survey with the most important other stakeholder groups in the value chain. The most important stakeholder groups for PBZ are: Investors, member banks, some of which are also members of the Issuance Committee, and industry associations. The stakeholder representatives were selected based on their role and

function, as well as their expertise in the Pfandbrief business and/or in the area of sustainability in the respective organisation. In a personal interview, they were asked, as far as possible, to evaluate all topics from both perspectives (outside-in and inside-out) and to explain the reasoning behind their evaluations. To ensure qualitative discussions, all participants received the topic descriptions and the IROs (impacts, risks and opportunities) in writing in advance.

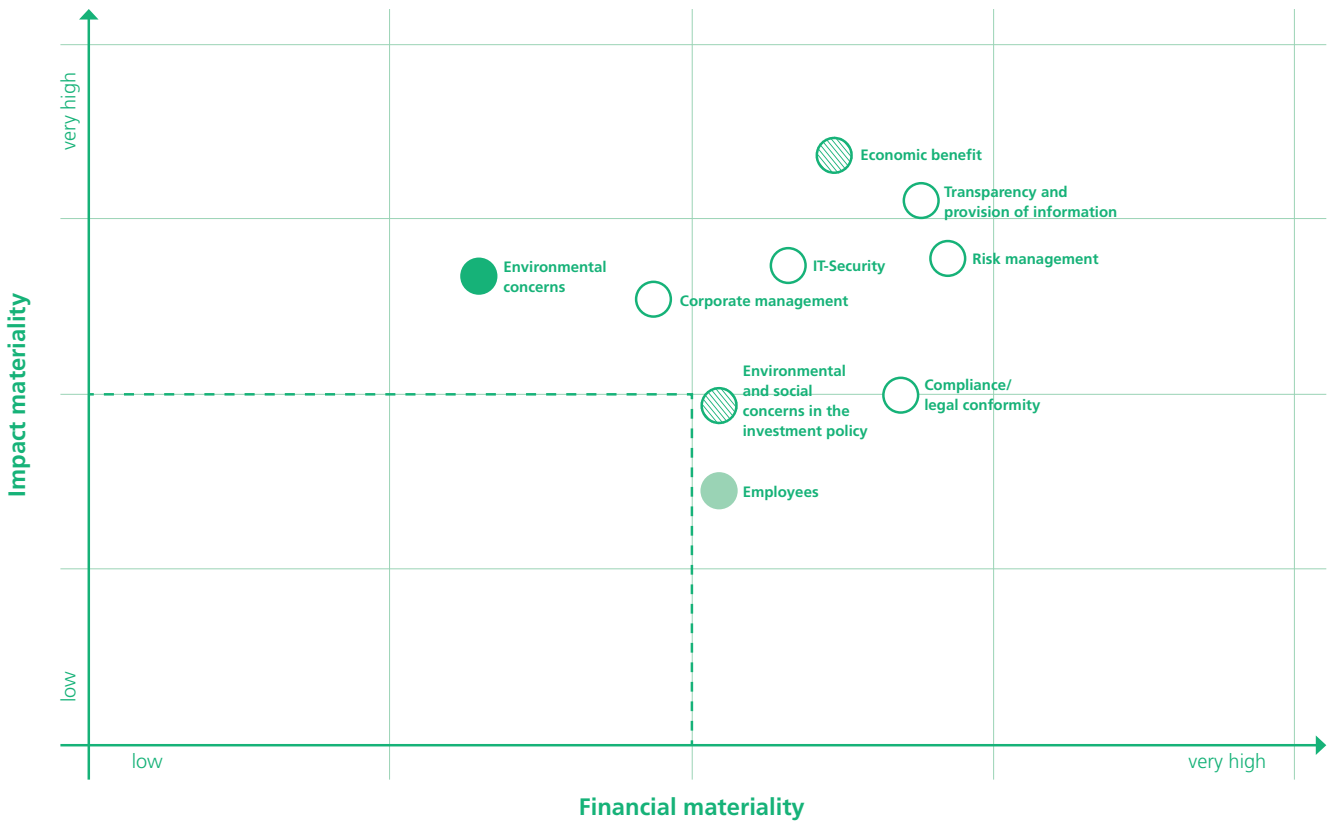
Another important component of the stakeholder interviews was the opportunity to name additional topics that had not previously been considered. In doing so, PBZ ensured that the perspectives and concerns of the most important stakeholder groups were comprehensively represented in the materiality analysis and incorporated into the results.

The results of the stakeholder interviews were consolidated in a workshop with the Board of Management, compared with the internal evaluation and validated. The Director and the Deputy Chair/CFO at the time took part in the workshop. The results of the validation workshop were incorporated into the final materiality matrix. The materiality analysis was finally presented to the Board of Directors (*GRI 3-1*).

The previously described materiality analysis was reviewed in 2025 and deemed to remain relevant and up to date.

Materiality matrix of Pfandbriefzentrale in 2025 (GRI 3-2)

-  Economy
-  Environment
-  Social
-  Governance



Economic topics

With an annual issue volume of several billion Swiss francs, PBZ is one of the largest issuers on the Swiss capital market. Accordingly, it plays a key role in the financial sector and bears responsibility towards its stakeholders as part of its business activities. As part of its ESG strategy, economic issues are particularly important as they ensure financial stability and contribute to sustainable development in accordance with its core mandate under the PfA.

Economic benefit

As one of Switzerland's two Pfandbrief institutions, PBZ plays a key role in the Swiss economy. PBZ's business activities are prescribed by law and are severely restricted. Essentially, these consist of granting mortgage-covered loans to its member banks to refinance the Swiss mortgage business. In return, it refinances these loans by issuing Pfandbriefe, which represent an extremely safe (AAA credit rating from Moody's with a stable outlook) and liquid investment opportunity for private and institutional investors.

Impacts, risks and opportunities

PBZ enables the cantonal banks to refinance their mortgage business fairly and attractively. In this way, it indirectly facilitates access to affordable residential property and contributes to quality of life. PBZ indirectly supports the creation of sustainable cities and communities and thus the social sustainability dimension as defined by Sustainable Development Goal (SDG) 11 and in particular Target 11.1, which emphasises «adequate, safe and affordable housing». At the same time, investors benefit from extremely secure and liquid investment options. The option of partial refinancing via PBZ supports small and medium-sized cantonal banks in particular, providing them with indirect access to the capital market at AAA conditions. This strengthens economic development and secures jobs, including in rural areas. Despite these advantages, concentrating mortgage refinancing on PBZ could entail certain risks. However, some of these are already mitigated by legal, regulatory and/or statutory requirements. The risks include, for example, a potentially reduced resilience of the financial system due to certain dependencies of the cantonal banks on PBZ and a possible overheating of the property market.

Management approach

The Board of Directors is responsible for drawing up the sustainability policy, which addresses the topic of «economic benefit». The Board of Management is responsible for implementation and target achievement. A central goal is to ensure full refinancing of existing maturities and the best possible fulfilment of loan demand within the scope of market capacity. To measure effectiveness, conversion is reviewed, i.e. the extent to which existing maturities can be replaced by new mortgage-covered loans. In addition, the proportion of loan demand covered by the demand for securities is analysed. Another objective is to place the issues as favourably as possible, measured in terms of low spreads.

PBZ has a clear responsibility structure to ensure efficient implementation: an expert explicitly responsible for issues, who also holds a position in ZKB's Debt Capital Markets business, manages the process. In addition, the Issuing Committee, consisting of representatives from eight member banks (previous year: seven), supports PBZ in pricing. After each issue, the conversion and refinancing of loan demand and the paid spreads are reported to the Board of Directors. Reporting on ongoing issuing activity is also a regular item on the agenda of the Board of Directors' meetings in order to ensure continuous evaluation and optimisation of the issuing strategy.

Demand for loans from member banks remained at a high level in the 2025 reporting year. The simultaneous high demand from investors and the expansion of the range of maturities introduced in 2024 – including the option of four instead of three series of bonds per issue date – enabled very good coverage of the financing requirements.

In 2025, PBZ recorded a record increase in outstanding bonds of around CHF 9 billion to approximately CHF 92.3 billion. The refinancing of the CHF 5.5 billion in bonds maturing in 2025 was extremely successful. Overall, a significantly increased volume of around CHF 14.5 billion

was placed with investors. PBZ raised CHF 1 billion or more on eight of the ten public issue dates. With a volume of CHF 1.86 billion, the largest public issue in the history of PBZ was also completed in the summer.

Value added statement according to GRI-201-1

Origin of value creation	2025 CHF 1 000	2025 in %	2024 CHF 1 000	2024 in %
Interest margin mortgage bond business	24 756	81.5	22 606	80.8
Other result from interest operations	5 550	18.3	5 298	18.9
Commission income	78	0.3	67	0.2
Other net income	-0	-0.0	0	0.0
Company performance (= operating income)	30 385	100.0	27 971	100.0
Business expenses	-4 634	-15.3	-4 783	-17.1
Issuing expenses	-1 190	-3.9	-1 076	-3.8
Gross value added	24 560	80.8	22 112	79.1
Commission expenses and fees	-1 372	-4.5	-1 367	-4.9
Depreciation and value adjustments	-	-	-	-
Provisions	-	-	-	-
Net value added	23 188	76.3	20 745	74.2
Distribution of value added				
Board of Directors and personnel	-137	-0.6	-139	-0.7
Member banks (distribution)	-18 913	-81.6	-18 913	-91.2
Distributed net value added	-19 050	-82.2	-19 051	-91.8
Retained economic value	4 138	17.8	1 693	8.2

Pfandbriefzentrale pursues a consistent distribution strategy. As in the previous year, the dividend payout amounts to 4.25 %.

Both the economic value generated and the economic value distributed are realised exclusively at national level. The shareholders are solely the affiliated member banks (GRI 201-1).

The following stakeholders are directly or indirectly affected by the topic «Economic benefits»:

- **Cantonal banks (member banks) and their customers** with regard to mortgage-covered loans: By providing favourable refinancing funds, PBZ enables the cantonal banks to grant mortgages at fair and attractive conditions. This is explicitly regulated in Art. 13 PfA, which obliges the member banks to pass on the benefits of issuing Pfandbriefe to their mortgage borrowers wherever possible. This can make it easier for homeowners to access appropriate and affordable residential property.
- **Investors** (the group of investors may also include member banks and in particular their customers) in the form of investors in Pfandbriefe: Swiss Pfandbriefe offer investors stable, long-term investment instruments, as they are considered to be very safe and liquid and have a wide range of maturities.
- **Treasury departments of banks as well as corporates**, that invest funds in highly liquid Pfandbriefe that are eligible for repo transactions. PBZ's bonds are also subject to a very low credit risk.
- **Cantons/the population as a whole**: Thanks to the favourable refinancing of the member banks, they can generate reasonable income despite fair conditions in the mortgage business. This contributes to the member banks being able to report reasonable profits, which benefits the cantons and thus the population as a whole in the form of tax revenue/dividends.
- **Local business**: As customers of member banks can be offered mortgages at fair conditions, more funds are available for the (energy-efficient) refurbishment or modernisation of their properties. This supports local businesses, which in return can secure jobs (including in rural areas).

Environmental and social considerations in the investment policy

PBZ integrates ESG criteria into the investment decisions for its own funds, which are managed by ZKB Asset Management as part of an asset management mandate. Eligible investments are selected taking into account their

environmental compatibility and social impact in order to promote sustainable investments.

Impacts, risks and opportunities

By integrating ESG criteria into its investment policy, PBZ promotes sustainable investments and contributes to the environmental and social compatibility of its business activities. This strengthens its position as a responsible investor and increases its attractiveness for sustainability-oriented investors. At the same time, the lack of standardisation of ESG criteria poses a challenge, as it makes it difficult to compare sustainable investment products and harbours the risk of greenwashing.

Management approach

When investing its own funds, PBZ pursues a conservative and value-preserving strategy that is geared towards liquidity, security and profitability, also based on regulatory requirements. Overall responsibility for the investment guidelines lies with the Board of Directors, which issues the investment regulations based on the requirements set out in the Pfandbrief Act. The Board of Management can make further specifications within this framework.

PBZ's investments are made exclusively in Swiss francs (CHF), consist mainly of bonds from Swiss issuers and are limited to high-quality securities tradable on the SIX Swiss Exchange. Attention is also paid to an appropriate diversification of debtors. A minimum rating of A applies to bonds from Swiss issuers and an even higher minimum rating of AA for foreign issuers. The Swiss Bond Index (SBI) composite rating applies in each case. All CHF bonds issued by foreign borrowers must also fulfil the SNB's requirements for securities eligible for repo transactions.

If no official rating from a rating agency is available, alternative ratings are used. In the event of a downgrade below the permitted credit rating, the bond in question must be sold within a certain period of time. In this way, PBZ ensures that its investments meet high security standards in the long term. Compliance with the investment guidelines is reviewed quarterly by PBZ and reported to the Board of Directors. To implement this strategy, an asset management mandate was awarded to ZKB, which is managed in accordance with the «Responsible» sustainability approach of ZKB Asset Management.

ESG criteria are systematically integrated into the investment process. In the «Responsible» approach, the exclusion criteria are supplemented with additional criteria based on SVVK-ASIR, thereby excluding other companies with ESG-critical business models. In addition to manufacturers of war technology (> 5 % of turnover), weapons and ammunition, these include producers of pornography, exploitative child labour, coal mining (> 5 % of turnover, excl. coal production), companies with coal reserves (excl. metal production) and UN Global Compact violations. The portfolio is also aligned with the climate targets of the Paris Agreement and aims to reduce CO₂e emissions.

In addition, PBZ receives a sustainability report from ZKB, which presents the ESG scoring, the degree of climate target achievement (<2°C), SDG contributions and exposure to controversies, among other things.

The Swisscanto Sustainability Report also contains information on the largest portfolio positions. In addition, the responsible portfolio manager prepares short monthly reports for the Board of Management. The central key performance indicator (KPI) for monitoring the achievement of performance targets is the deviation from the benchmarks (80 % Swiss Bond Index Domestic AAA-A 1-15 years (TR) in CHF / 20 % Swiss Bond Index Foreign AAA-AA 1-15 years (TR) in CHF), whereby it should be noted that the securities are generally held to maturity and are valued using the accrual method.

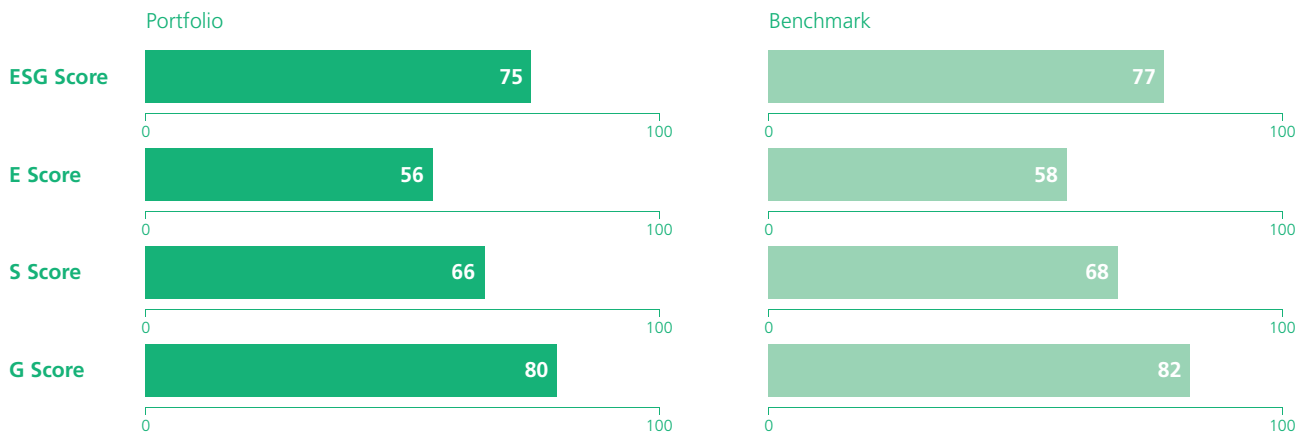
As it concerns the investment of PBZ own funds, the member banks are indirectly affected as stakeholders. Sustainability-oriented investors are also interested in the implementation of ESG criteria.

A significant challenge is that the strict requirements of PBZ regarding the investment universe limit the selection of suitable investments. This explains the slight deviations in the portfolio composition compared to the benchmark.

Swisscanto Sustainability Rating



ESG Score & Subscores

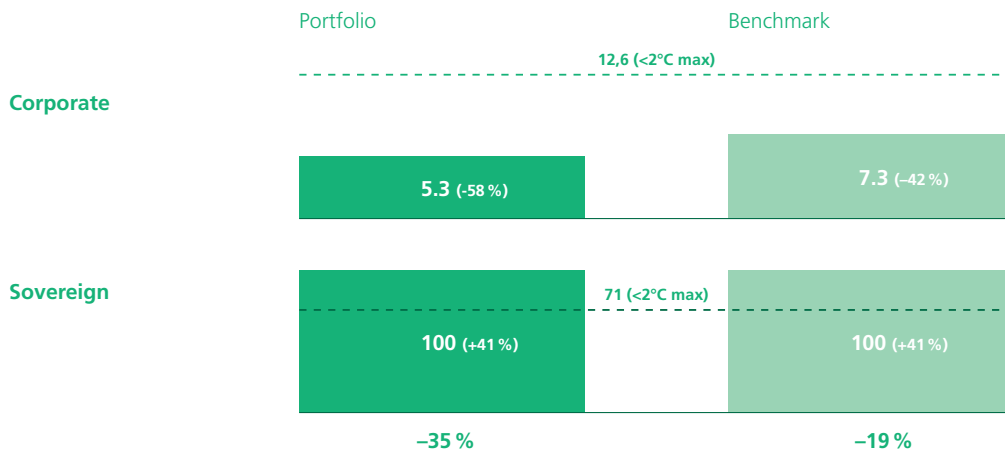


Weighted proprietary ESG, E, S and G scores for the portfolio and the benchmark. All corporate and sovereign positions with a score are included in the calculation. The scores are adjusted by dividing by the sum of the values covered.

Swisscanto Sustainability Rating, ESG scores & subscores, and SDGs – extract from the «Sustainability Report»³ dated 31 December 2025

³The information in the chart is based on the Sustainability Report, which was prepared by the Asset Management division of Zürcher Kantonalbank (ZKB) based on its own criteria and metrics. ZKB assumes no responsibility for the accuracy and completeness of the information in the Sustainability Report.

Achieve <2 °C target



Achievement of climate target

Corporate and sovereign CO₂e intensity of the portfolio and the benchmark and their relative deviation (in %) from the guideline value for the CO₂e reduction path based on the Paris Climate Agreement. If the weighted percentage deviation (corporate and sovereign) for 'Achievement of climate target' is below the benchmark, the climate target is deemed to have been met. The benchmark is calculated by reducing the CO₂e intensity of the benchmark annually by 7.5 % and normal GDP growth. The CO₂e intensity for Corporate is calculated by dividing Scope 1 & 2 greenhouse gas emissions (in tonnes) by sales (in USD million). The CO₂e intensity for Sovereign is calculated by dividing government greenhouse gas emissions (in tonnes) by nominal GDP (in USD million). Estimates can be made if data is missing.

Swisscanto Sustainability Rating, achievement of <2 °C target – extract from the «Sustainability Report»⁴ dated 31 December 2025

⁴The information in the chart is based on the Sustainability Report, which was prepared by the Asset Management division of Zürcher Kantonalbank (ZKB) based on its own criteria and metrics. ZKB assumes no responsibility for the accuracy and completeness of the information in the Sustainability Report.

Environmental topics

The Swiss Pfandbrief® is a central pillar for the upcoming transformation process of the domestic building stock towards more ecological sustainability. The refurbishment of the real estate stock is one of the key elements for sustainably reducing society's energy demand and achieving climate goals. Significant amounts of additional capital are needed to finance refurbishment investments in order to meet the Paris climate goals. Especially as financing for the still unrefurbished portfolio must also be secured.

Environmental concerns

PBZ takes its responsibility to protect the environment seriously and integrates ecological aspects into its business activities. It pursues a forward-looking approach that regards sustainability as an integral part of its decisions. In doing so, it favours the conscious use of natural resources. With a long-term view, PBZ organises its processes in such a way that ecological considerations are taken into account at all levels. In this context, both the environmental impact of business activities and that of PBZ's own business operations are taken into account.

Impacts, risks and opportunities

By providing affordable capital, PBZ indirectly promotes energy-efficient refurbishments and supports a more climate-efficient building stock, thereby contributing to climate protection. As PBZ has no influence on the member banks' lending, it also has no influence on the use of these cheap refinancing funds. Insufficient consideration of ESG criteria by the member banks can indirectly lead to environmental impacts – for example through new buildings that do not meet the highest climate compatibility requirements or through the lack of ambitious, climate-friendly refurbishment targets for existing buildings. Indirect financing of climate-damaging investments could lead to a reputational risk and the loss of sustainability-oriented investors. In its own operations, PBZ is integrated into ZKB's environmental programme and therefore focuses on a resource-conserving procurement policy. By taking targeted measures to comply with ecological and social standards in procurement and energy efficiency, PBZ can further strengthen its reputation as a sustainable company and increase its attractiveness for investors.

Management approach

Overall responsibility for the impact of environmental issues lies with the Board of Directors of PBZ, with ope-

ration responsibility resting with the Board of Management. PBZ has no influence on the granting of mortgages by its member banks and therefore no influence on the associated ESG risks. PBZ cannot influence the process of the mortgages submitted by the member banks as cover-age, nor does it have a direct right to issue instructions to the member banks regarding the lending process and mortgage lending guidelines. Responsibility for the management of the mortgage portfolio and any incentivisation of the corresponding clientele with regard to climate risks lies exclusively with the member banks. Although PBZ cannot exert any direct influence, it is in regular dialogue with its member banks and the ASCB. It supports their efforts to promote energy-efficient mortgages. With the digitalisation of the cover pool, PBZ has also created a transparent data basis. This makes it possible to formulate sustainability targets and track their implementation in a measurable way. This is an important basis for strengthening the impact of refinancing in the area of energy-efficient refurbishment and sustainable property financing in the long term.

At the end of 2025, the average CO₂e (Scope 1) intensity of the cover pool is 12.7 kg CO₂e per square metre of energy reference area (ERA) and year (2024: 14.7 kg CO₂e per square metre ERA and year). In absolute figures, this amounts to 476,202,825 kg CO₂e (2024: 513,061,484 kg CO₂e). CO₂e (CO₂ equivalent) is a unit of measurement that can be used to express the warming potential of various greenhouse gases (such as methane or nitrous oxide) over a period of 100 years in terms of the climate impact of carbon dioxide.

Scope 1 includes direct CO₂e emissions caused by the operation of properties, such as heating systems, while Scope 2 takes into account the indirect emissions from purchased energy, such as electricity or district heating. The inclusion of Scope 2 increases the average CO₂e

intensity (sum of Scope 1 refurbished and Scope 2) of the cover pool to 16.9 kg CO₂e per square metre of ERA and year, and to 633,424,676 kg CO₂e in absolute terms. The emissions of the properties in the cover pool were determined using the PACTA calculator of the Federal Office for the Environment and based on the Paris Agreement Capital Transition Assessment Model. The PACTA test is a Europe-wide climate compatibility test for the investment and mortgage business that can be used to measure the climate compatibility of financial flows in accordance with the Paris Agreement. In the Scope 1 analysis, heating systems such as heat pumps, electric heating, district heating and wood are considered climate-neutral (CO₂e emissions = 0 kg/m² ERA per year).

CO₂e efficiency is determined using the PACTA 2024 calculator (previous year: PACTA 2022 calculator). The basic methodology of the PACTA 2024 calculator remains unchanged with regard to the calculation of Scope 1 emissions. Nevertheless, some important adjustments were made that further improve the accuracy and significance of the results and slightly reduce the calculated emissions. These adjustments include updated emission coefficients, the inclusion of energy certificates and documenting the installation year of heating systems.

To calculate the CO₂e efficiency of the properties, the Federal Building Identifier (EGID) is first determined based on the property address. The financing data is supplemented with relevant building data from the Swiss Federal Register of Buildings and Dwellings (RBD). These include, for example, year of construction, number of floors, floor area and heating. If available, heating-related information taken from certified Minergie data is chosen over RBD data. The following average lifetimes of building components are assumed for refurbishments: Facade: 40 years, windows: 35 years, roof: 50 years, basement ceiling 50 years.

Excluding the refurbishment work described above, the average CO₂e intensity (Scope 1) of the cover pool is 27.6 kg CO₂e per square metre ERA and year (in absolute terms 1,029,933,335 kg CO₂e).

Given that identifiable properties account for 92 % of the entire cover portfolio, the address quality of the data basis is high. The data serves as a basis for strategic considerations on improving the energy efficiency of the mortgage-backed property portfolio. Suitable measures and targets will be formulated at the appropriate time.

The analysis of the environmental data was based on three dimensions: Number of properties, energy reference area and CO₂e emissions in kg/m² ERA per year. The three figures below show Scope 1 emission values taking refurbishment measures into account, each presented across different emission levels and broken down by type of use (condominiums, single-family homes, apartment buildings and mixed-use real estate, i.e. residential properties with a maximum of 30 % commercial space).

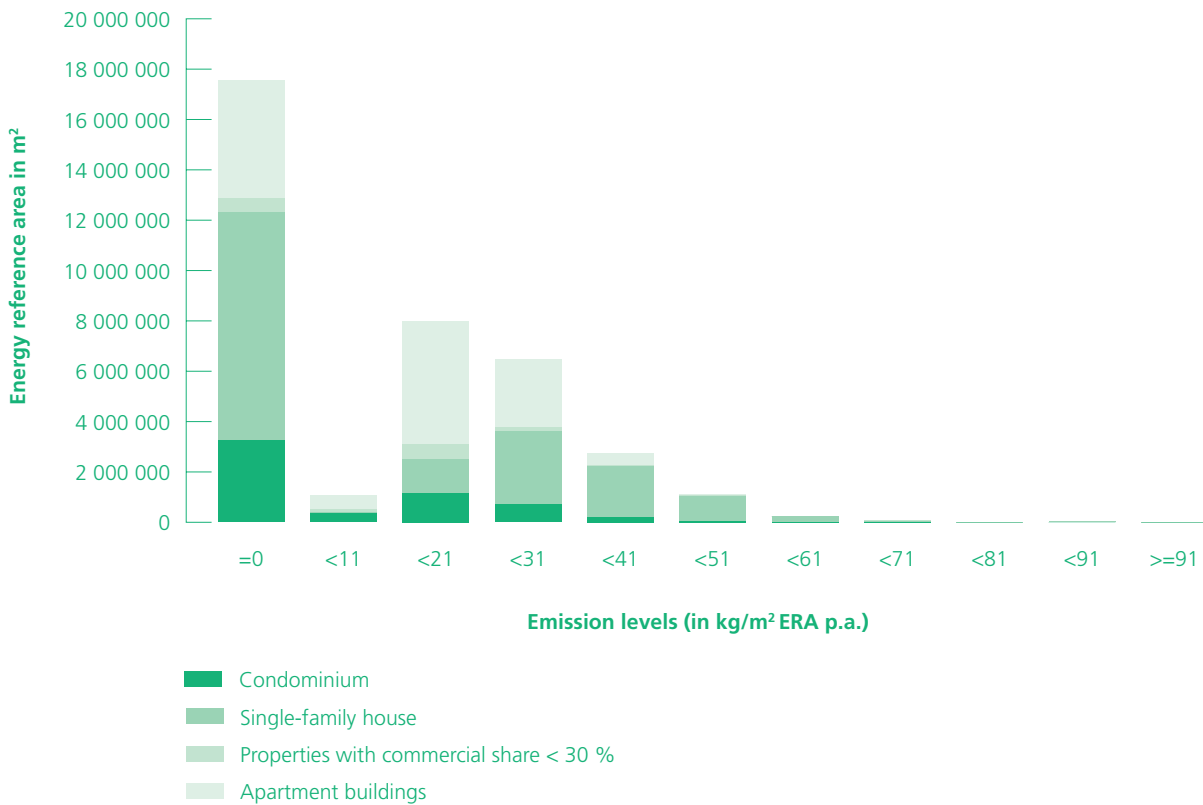
Distribution of CO₂e emissions by the number of pledged objects (Scope 1, refurbished)



The illustration shows the number of objects per emission level. This shows that more than half of the properties identifiable by address are in emission level =0 kg/m² ERA per year. Single-family homes make up the largest proportion in the higher emission levels (<51 to <91 kg/m² ERA per year). In some cases, properties cannot be assigned to any emission level.

Distribution of CO₂e emissions by the sum of the energy reference area

(Scope 1, refurbished)



Furthermore, the energy reference area in m² was calculated as a decisive factor for the total emissions. In particular, multi-family houses have the largest area share in the middle emission levels (<21 and <31 kg/m² ERA per year).

Distribution of CO₂e emissions by the total of CO₂e emissions (Scope 1, refurbished)



When analysing the absolute CO₂e emissions per emission level, it becomes clear that the main burden of emissions (particularly in the range between 21 and 60 kg/m² ERA p.a.) is concentrated in single-family homes.

Due to legal requirements (cf. PfA Art. 1), PBZ only grants mortgage-covered loans to its member banks (the 24 cantonal banks) in order to refinance mortgages secured by property in Switzerland. Based on the legal requirements, the credit policy explicitly excludes other financing from the granting of loans, whereby there is no «Exception to Policy» (EtP) in this regard. These include, for example, the financing of goods/companies in the area of fossil energy production/nuclear energy, the financing of commodities (industrial metals, precious metals, agricultural commodities) and of goods/projects that have an adverse effect on biodiversity, for example. For further details, please refer to the [PBZ credit policy](#) published on the website.

Thanks to its close cooperation with ZKB, PBZ is integrated into its sustainability policy. PBZ has a low CO₂e footprint. The employees working for PBZ are employees of ZKB and work on its premises. ZKB uses 100 % green electricity of «naturemade star» quality and purchases negative emission certificates to offset the remaining recorded residual emissions each year. PBZ participates in measures to reduce CO₂e emissions and promote sustainability in the ZKB supply chain. PBZ also participates in their initiatives in the area of biodiversity. A biodiverse oasis was created in the Steinfels office building, where the employees working for PBZ are based, by greening a concrete area and ecologically upgrading a retention basin. Native plants, deadwood and CO₂e-binding vegetable charcoal help improve the microclimate and create sustainable recreational areas. ZKB has a sustainability mandate derived from the Kantonalbank Act, which focuses on operational sustainability, sustainable banking and a climate strategy aligned with the 1.5-degree target. The objectives of sustainable development and greenhouse gas neutrality are explicitly enshrined in the purpose article of the Kantonalbank Act. It has also introduced the ZKB sustainability standard, which includes the systematic integration of ESG criteria and a reduction in CO₂e emissions.

In the area of procurement, national suppliers and partners are favoured. All ZKB suppliers undertake to comply with recognised ecological and social standards based on the terms and conditions of purchase. In addition, care is taken to ensure that products are manufactured, used

and disposed of in the most resource-efficient, environmentally friendly and socially responsible way possible. These principles also apply to procurements made directly by PBZ in exceptional cases. The procurements made directly by PBZ in the reporting year (audit, legal and management consultancy, IT services, translations and rating agencies) related to service procurements from Switzerland for the most part and only in individual cases from abroad (e.g. rating agency Moody's) (*GRI 204-1*). Probably the most significant procurement by PBZ to date is in connection with the project to digitalise cover pool reporting. After a project period of around four years, all cantonal banks reached production maturity in 2024. This enabled PBZ to switch from project to operational mode in 2025.

The climate ambition of ZKB and thus also of PBZ is based on the goals of the Paris Agreement and greenhouse gas neutrality by 2050. As part of the operational environmental programme, ZKB aims, among other things, to reduce CO₂e in its own operations. Target achievement is checked annually. PBZ also participates in all ZKB initiatives related to operational sustainability, such as the operational environmental management system, which aims to continuously improve the use of resources and ensure environmental sustainability in banking operations.

Social topics

In accordance with its legal purpose, PBZ's business activities are limited to cooperation with member banks and institutional investors. PBZ utilises the structures of ZKB within a mandate relationship, but ensures that its requirements are taken into account within the existing framework. Due to its organisational structure and integration into ZKB, the social topic at PBZ focuses exclusively on the ZKB employees working for it.

Employees

The management and executive management of PBZ is ensured by ZKB employees on the basis of a management contract. The relevant ZKB employees carry out their work for PBZ at their usual workplace and with their ZKB laptops. If necessary, other employees, for example from the IT/Legal/Capital Market departments, are also brought in to work on specific topics. This means that the working and employment conditions of ZKB, including remuneration structures, also apply to employees who work for PBZ. All employees of ZKB, including those working for PBZ, are covered by the negotiations of the employee representatives. The issue volume and the granting of mortgage-covered loans have no influence on the remuneration of ZKB employees working for PBZ. Based on the Federal Act on the «Information and Participation of Employees in Companies» (Participation Act), ZKB has an institution that represents the interests of employees vis-à-vis ZKB and consistently exercises the participation rights assigned to it. This institution is determined through democratic elections, is politically and denominationally neutral and is not subject to any directives. It is also available to employees who work for PBZ.

Although PBZ does not employ any salaried staff, PBZ sees itself as a reliable and responsible organisation that creates a positive and supportive working environment. The focus is on the appreciation and well-being of the people working for PBZ, an open corporate culture and respectful cooperation. PBZ favours an inspiring working atmosphere and framework conditions that enable a good balance between professional and personal needs.

Composition of persons working for PBZ

PBZ does not employ any staff of its own, but utilises the structures of ZKB. «Employees» are to be understood as employees of ZKB working for PBZ as at the reporting date (31 December 2024 and 31 December 2025) (GRI 2-7, GRI 2-8).

	2024	2025
According to the scope of activities commissioned for PBZ		
Full-time	2	2
Part-time	6	6
By gender		
Male	5	6
Female	3	2
Total number of people working for PBZ	8	8

There were no significant changes or fluctuations in the number of people working for PBZ in the reporting year.

Impacts, risks and opportunities

PBZ benefits from ZKB's attractive and fair working conditions, which offer its employees security, equal opportunities and opportunities for further development. Investments in training and further education as well as the opportunity to take on a wide range of activities with a high level of responsibility promote employee motivation and expertise. Co-determination also strengthens the representation of employees' interests. These positive factors contribute to improved performance and cost savings through higher productivity. At the same time, there is a risk that PBZ will be at a disadvantage in the competition for qualified resources within ZKB. Most ZKB employees who work for PBZ do so on a mandate basis as part-time work in addition to their regular duties. Forthcoming retirements and/or changes can therefore represent a further risk.

Management approach

PBZ pursues a forward-looking approach to ensure personnel continuity in key positions. Internal clarifications take place at an early stage in order to draw up a long-list of potential successor candidates. In specific cases, these individuals are contacted in a targeted manner

and involved in the selection process. Where necessary, suitable individuals at the member banks are identified via the existing network to fill positions on the Board of Directors. Among other things, geographical origin and professional qualifications play a role. Suitable candidates are selected by the Nomination Committee in consultation with the full Board of Directors. In the case of appointments to the Board of Directors, the proposal is then submitted to the Annual General Meeting for election.

Training and further education

Like ZKB, PBZ attaches great importance ensuring that the people who work for it continuously expand their professional, methodological and social skills. In line with ZKB's active feedback culture, employees are not subject to mandatory annual appraisals, but are instead given responsibility for their own training and development. People working for PBZ use the wide range of digital services offered by ZKB. In addition to the internal courses, workshops, podcasts and videos that are available through ZKB's structures, the people working for PBZ benefited from external training in the reporting year (*GRI 404-2*). In the year under review, people working for PBZ attended an average of 10.4 hours of training and development programmes (2024: 14.0 hours) (*GRI 404-1*)⁵. The performance and professional development of all persons working for PBZ (100 %) is also regularly assessed (*GRI 404-3*).

Diversity and equal opportunities

ZKB is convinced that practising diversity offers real advantages, that mixed teams achieve more and that this increases its attractiveness as an employer. ZKB, and therefore PBZ indirectly, has been focussing on diversity, equity and inclusion for many years. In 2023, the topic was integrated into the 2030 public service mandate and is therefore part of the balanced scorecard, the bank's strategic management tool. In 2021, the Executive Board decided to launch measures to increase the proportion of women in management and set an example by signing the «Advance Diversity Charter». In 2023, the Executive Board decided to sharpen the focus once again. ZKB has set gender diversity targets and aims to increase the proportion of women at the second management level to 20 % and at the third management level to 30 % by the end of 2026. In order to strengthen the long-term

potential of women within the company, the aim is also to achieve a 50:50 gender ratio in junior management. The Diversity Steering Committee (DSA) (see section 3.1 Sustainability as an integral part of corporate governance and section 7 Employees in ZKB's Sustainability Report) was established by the Executive Board and implements actions 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 was dissolved on 31 December 2025 and the issues transferred to the People & Culture Steering Committee in line with the integral sustainability approach. The topic of gender is now discussed twice a year in the Executive Board.

Due to the organisational structure of PBZ, these measures have a direct influence on the people working for PBZ. PBZ aims to have 30 % women on the Board of Directors. However, PBZ is dependent on the member banks, as the Board of Directors – apart from the representative appointed by the Federal Council – is made up almost exclusively of members of the management of the member banks (essentially CEOs/CFOs).

ZKB, and by extension PBZ, not only focuses on gender diversity, but is also committed to people with disabilities and attaches great importance to the equal treatment of people with different sexual orientations and sexual identities. Accordingly, it is also important for ZKB and PBZ to be active in other diversity, equity and inclusion issues (see the Employees section of the ZKB Sustainability Report).

⁵ The average training hours are average values for ZKB.

The following table shows the gender-specific and age-related composition of the Board of Directors and the Board of Management of PBZ (as at 31 December).

Category	2024					2025				
	By gender		By age group			By gender		By age group		
	F	M	<30	30-50	>50	F	M	<30	30-50	>50
Board of Directors	11 %	89 %	0 %	0 %	100 %	20 %	80 %	0 %	10 %	90 %
Management	40 %	60 %	0 %	20 %	80 %	20 %	80 %	0 %	40 %	60 %

At the end of the reporting year, PBZ's governing bodies (Board of Directors and Board of Management as a whole) were comprised of 20 % women and 80 % men. Of these, 80 % are in the over-50 category and 20 % in the 30-50 category (GRI 405-1).

Promotion of health

ZKB conducts regular surveys on employee satisfaction and work-life balance. ZKB's systematic health management programme, which benefits people working for PBZ, makes an important contribution to quality of life and well-being. An important aspect of ZKB's commitment as an employer is preventive healthcare and health promotion. Since 2023, ZKB has held the «Friendly Work Space» label for three years for the fourth time in a row. The systematic health offerings include, for example, financial support for health checks, free flu vaccinations in collaboration with the Pharmacists' Association and support for sporting activities, such as the nationwide «Bike to Work» health promotion campaign. A health room in ZKB's Hard office building offers a varied programme of different sports and relaxation courses during the working week. ZKB also provides ergonomic workstations as well as relaxation and massage rooms. There is also a free and anonymised external counselling service for stressful situations (GRI 403-6).

Governance

PBZ has various guidelines that govern its due diligence obligations, the precautionary principle and the consideration of human rights. These guidelines lay the foundations for responsible and compliant behaviour and ensure that ESG aspects are taken into account in business activities. In addition to the sustainability policy, which is described in the «ESG governance» section, these include the credit policy, bribery and anti-corruption policy and other regulations. Due to PBZ's proximity to ZKB, the bank's Code of Conduct and sustainability policy also apply with regard to procurement processes (GRI 2-23).

Corporate governance

Corporate governance includes the establishment of clear structures and processes that ensure transparent, responsible and effective management of the company. This includes compliance with legal requirements and the promotion of ethics and integrity. PBZ only grants mortgage-covered loans to its member banks and has no direct influence on their lending to end customers. Refinancing takes place via the issue of Pfandbriefe on the Swiss capital market.

Impacts, risks and opportunities

Transparent and responsible corporate governance, based on legal requirements and ethical principles, strengthens the trust of investors, member banks and the public. The clear governance structure reduces operational risks and supports efficient risk management. At the same time, the close relationship with the cantonal banks may give rise to potential conflicts of interest if individual interests are prioritised over joint or other stakeholder groups. Furthermore, future regulatory requirements could result in additional work and costs. By promoting ethics and integrity and integrating ESG criteria into corporate governance, PBZ can further increase its attractiveness for sustainability-oriented investors and strengthen its reputation in the long term.

Management approach

PBZ pursues a conservative and sustainable business strategy that is designed to minimise negative impacts. Key measures include the integration of ESG criteria into the company's own investment policy, the bribery and anti-corruption policy and comprehensive risk management. This is specified by the Board of Directors – supported by the Audit Committee – and implemented by the Board of Management. Further measures to increase transparency

are the publication of the sustainability report in accordance with the GRI standards and the publication of the cover pool reporting, which is based on the Harmonised Transparency Template of the Covered Bond Label. The Board of Directors of PBZ has overall responsibility for corporate governance. Operational responsibility lies with the Board of Management. The effectiveness of the measures is monitored through regular reviews and quarterly reporting to the Board of Directors. This includes compliance with the business and valuation regulations as well as the investment guidelines defined in the investment regulations. The member banks and investors are primarily affected by PBZ's corporate governance. PBZ is in direct dialogue with various investors and/or groups and tries to respond to their wishes and suggestions as far as possible. Through its membership of the ASCB and the SBA, PBZ is in constant dialogue with its member banks at various levels. In the case of legal and/or regulatory issues, an exchange also takes place with the Pfandbriefbank, Switzerland's second Pfandbrief institution.

PBZ systematically integrates its internal guidelines for responsible business behaviour into its activities and business relationships. The Board of Management ensures that the persons working for PBZ are familiar with the guidelines and comply with them.

In addition, PBZ is in dialogue with investors in order to take into account the importance of ESG criteria for investors' investment decisions. The following regulations support the principles of PBZ's corporate governance:

- Credit policy supplements and specifies the sustainability policy
- ZKB Code of Conduct, based on the core labour standards of the International Labour Organization (ILO)

The credit policy is firmly embedded in Pfandbriefzentrale's strategic orientation and influences central operational processes, particularly in lending and risk management (*GRI 2-23*). In cooperation with the member banks, PBZ ensures that the internal requirements are met through clear agreements and regular reviews of the cover pool.

The close integration of PBZ into ZKB's day-to-day business means that it is also closely integrated into ZKB's sustainability policy and Code of Conduct. Within these guidelines, PBZ respects human dignity and human rights in all of its business activities and in its supply chains. The people working for PBZ are employed by ZKB, which has pledged to comply with the core labour standards of the International Labour Organization (ILO) and is committed to fair working conditions (*GRI 2-23*). The activities performed for PBZ are an integral part of employment at ZKB. Accordingly, working conditions, planned working hours, holiday arrangements and other personnel-related framework conditions are based on the specifications of ZKB. ZKB has a sustainability mandate that focuses on operational sustainability, sustainable banking and the promotion of the transition to net zero. It has also introduced the ZKB sustainability standard, which includes the systematic integration of ESG criteria and a reduction in CO₂e emissions.

ZKB's Code of Conduct requires all employees and board members to familiarise themselves with the applicable regulations and to consistently comply with them in their daily work. They are also expected to act carefully, prudently and professionally at all times (*GRI 2-23*). In implementing these duties, they receive support from their line managers and from Legal & Compliance (*GRI 2-24*).

An overview of other guidelines that are also relevant to corporate governance can be found in the following chapter «Compliance and legal conformity».

Compliance and legal conformity

PBZ is obliged to conduct its business activities in accordance with legal, regulatory and internal requirements. In particular, the provisions of the PfA and the PfO as well

as the Data Protection Act and other legal frameworks, such as company law in the CO, are decisive. An effective compliance and legal conformity system ensures that all relevant regulations are adhered to and that potential risks are identified and minimised at an early stage.

Impacts, risks and opportunities

Strict compliance with regulatory requirements and ethical standards strengthens long-term business relationships, increases attractiveness for investors and contributes to competitiveness and resilience. At the same time, new and/or changed legal and regulatory requirements can lead to additional implementation effort and higher costs. They can also increase the risk of compliance violations and reputational risks, which in turn could have financial consequences. A forward-looking and transparent approach to compliance and legal conformity helps to meet these challenges and ensure the integrity of PBZ in the future.

Management approach

As part of its activities, PBZ ensures that all relevant legal, regulatory and statutory requirements are complied with. PBZ's key regulations and directives listed below provide support in this regard and are based on the following legal requirements (*GRI 2-23*):

- **Business regulations** based on Art. 14 Para. 1 No. 4 of the Articles of Association of PBZ, which are based on the PfA, the PfO and parts of the CO.
- **Organisational regulations** based on Art. 14 Para. 1 No. 4 of the Articles of Association of PBZ, which are based on the PfA and parts of the CO.
- **Competence and compensation regulations** based on Art. 5 Para. 3 No. 2 of the organisational regulations of PBZ, which are based on the PfA, the PfO and parts of the CO and the Articles of Association.
- **Bribery and Anti-Corruption Policy** based on the «Convention on Combating Bribery of Foreign Public Officials in International Business Transactions» of the Organisation for Economic Co-operation and Development (OECD), the «United Nations Convention against Corruption» and the «Criminal Law Convention on Corruption» of the Council of Europe, as well as the relevant

- legislation in Switzerland, including the Swiss Criminal Code (SCC) (see Art. 322ter et seq. SCC).
- **Valuation regulations** based on Art. 14 Para. 1 No. 4 of the Articles of Association of PBZ, which are based on the PfA, the PfO and parts of the CO.
 - **Investment regulations** based on Art. 5 of the PfA.
 - **ICS directive** based on CO Art. 728a.
 - **Risk Management Framework** based on CO Art. 716a Para. 1 No. 1

Comprehensive internal controls and checklists ensure compliance with internal processes.

The Anti-Bribery and Anti-Corruption Policy is based on a zero-tolerance policy towards bribery and corruption. It applies to all persons delegated by ZKB who work on behalf of PBZ, as well as to the entire Board of Directors, contractors and business partners. The member of the Board of Management of PBZ responsible for risk management monitors compliance with the guideline on at least an annual basis (*GRI 2-23*). All persons working for PBZ are obliged to comply with the guideline and to report suspicious activities. Violations of this policy are generally reported to the HR department of the employer (member bank) of the person concerned. They may result in disciplinary measures, up to and including dismissal, as well as consequences under criminal law. In order to ensure compliance in day-to-day business, PBZ ensures that all transactions are transparent and traceable. Bribes may not be offered or accepted either directly or indirectly. Authorised practices, such as accepting gifts of low value, are clearly defined in order to avoid conflicts of interest. In addition, PBZ carries out regular awareness-raising measures to ensure that all persons working for PBZ understand the policy and implement it in their daily work (*GRI 2-24*).

The handling of conflicts of interest (identification, avoidance, taking measures) is governed by the organisational regulations and is reviewed annually by the Board of Directors. The members of the Board of Directors and the Management Board are obliged to inform the Chair of the Board of Directors immediately in writing of any potential or existing conflicts of interest and to fully disclose the details of the conflict of interest. The Chair of

the Board of Directors makes an initial assessment and, if deemed necessary, informs the full Board of Directors, also requesting appropriate measures as needed. In urgent cases, the Chair of the Board of Directors themselves may take the necessary measures. Should the Chair of the Board of Directors themselves be affected by a potential or existing conflict of interest, they shall inform the Vice-Chair of the Board of Directors. The Vice-Chair of the Board of Directors makes an initial assessment and, if deemed necessary, informs the full Board of Directors, also requesting appropriate measures as needed. In urgent cases, the Vice-Chair themselves may take the necessary measures. The full Board of Directors shall hear the member concerned and decide on the specific course of action. The member of the Board of Directors concerned withdraws from the decision-making process (but not from the deliberations). In special cases, a qualified abstention of the member concerned may also be necessary. In this case, the member is excluded from all information and deliberations. The disclosure of the conflict of interest, its assessment by the Chair of the Board of Directors or the full Board of Directors and the measures taken (or the waiver of measures) are usually documented in writing in the minutes of the Board of Directors' meeting (*GRI 2-15*).

Critical concerns are reported to the highest supervisory body. Integrity and reputation are among the most important principles. PBZ therefore relies on receiving reports of suspected misconduct within the organisation from the people who work for it. Misconduct includes, for example, breaches of criminal, supervisory and administrative law as well as other legal regulations and internal guidelines. Misconduct can be discussed with line managers. In addition, ZKB has created a highly secure whistleblowing platform that is maintained by an external independent reporting office (law firm). As employees of ZKB, the persons working for PBZ have unrestricted access to this whistleblowing platform. No critical matters were reported to the highest control body during the reporting period (*GRI 2-16*).

As PBZ does not have any employees of its own, reports of potential grievances are made via ZKB's whistleblowing system, which enables ZKB employees working for PBZ to report violations anonymously. The effectiveness

of these measures is measured by ZKB (*GRI 2-25*). Furthermore, due to the manageable number of people and Board members working for PBZ, there is a close relationship between the highest supervisory body and the managing body. The entire Board of Management and other employees are always present at the meetings of the Board of Directors and the Annual General Meeting.

Compliance with these requirements is also verified through internal controls, audits and regulatory audits by EY. In addition, the auditing companies of the member banks carry out pledge register audits. No material violations of laws and regulations were recorded in the reporting period (*GRI 2-27*).

PBZ also joined the Banking Ombudsman in 2025. This gives stakeholders the opportunity to address concerns to a neutral arbitration body. Information about this option is provided openly and transparently on the PBZ homepage under the heading Consumer Protection. The Swiss Banking Ombudsman offers confidential, independent and free mediation for complaints in the financial services sector and facilitates unbureaucratic conflict resolution. As PBZ, as a refinancing institution does not serve retail customers, the connection serves primarily as a preventative measure to offer business partners and investors an orderly appellate authority. This strengthens trust in PBZ and underlines its commitment to transparency and fair business practices (*GRI 2-25*, *GRI 2-26*).

IT security

PBZ attaches great importance to IT security in order to protect sensitive financial data and strengthen the confidence of member banks, investors and rating agencies. Although PBZ does not manage any primary data, it nevertheless ensures that data and information systems are protected against unauthorised access, data loss and cyberattacks. In order to ensure the integrity, confidentiality and availability of information, particularly when handling sensitive financial data in the context of digital cover pool reporting, PBZ prioritises IT security within and outside its organisation.

Impacts, risks and opportunities

A secure IT infrastructure guarantees the protection of the data from the cover pool. Cyberattacks or data loss could not only cause financial damage, but also tarnish PBZ's reputation. PBZ minimises these risks and strengthens its resilience to digital threats in the long term by continuously adapting to best security practices.

Management approach

IT security is a top priority for PBZ and is subject to clear responsibilities. The Board of Directors bears ultimate responsibility. Operational responsibility within the PBZ organisation lies with the Board of Management and with ZKB for other IT systems outside the organisation. ZKB monitors compliance with internal IT security requirements. Additional extensive security requirements were defined in the security concept and in the SaaS contract for WinCredit, the IT solution for cover pool reporting. These were audited by EY and confirmed as «good practice». To ensure the protection of sensitive data, PBZ relies, among other things, on the technical and organisational measures (TOM) of FINNOFLEET Schweiz AG (formerly Base-Net Informatik AG), which has implemented a certified Information Security Management System (ISMS) in accordance with ISO27001:2022. Strict standards and controls in the areas of cloud data centres, network security management, access, storage and transmission of data as well as regular audits ensure that the highest security standards are maintained. ISAE reports are available that confirm the appropriate implementation of the service provider's internal control system (ICS).

In addition, PBZ has taken out cyber insurance and signed a separate data supply agreement with the member banks for the use of WinCredit.

There were no cases of data theft or data loss in the reporting year (*GRI 418-1*).

Transparency and provision of information

The provision of clear and accessible information on PBZ's business activities and in particular on the structure of the Pfandbrief is of great relevance for PBZ in order to

offer investors a sound basis for decision-making. This includes transparent communication about the legal framework, sustainability aspects and security measures. PBZ has no direct influence on the lending policy of the cantonal banks, which limits full transparency regarding sustainability factors in the cover pool. For PBZ as an issuer of Pfandbriefe on the Swiss capital market, it is essential that market participants receive comprehensive, reliable and comprehensible information about the financial situation of PBZ, the coverage of the Pfandbriefe and risk management. In addition, PBZ is legally obliged to present information in connection with the issue of Pfandbriefe in a clear and comprehensible manner. The fulfilment of regulatory and statutory disclosure obligations, particularly in the context of Basel III final or in compliance with the Financial Services Act, strengthens market acceptance. The latter also applies to the provision of ESG-relevant information. For these reasons, the topic of transparency and the provision of information is one of the most highly rated topics in the materiality analysis.

Impacts, risks and opportunities

Clear information on the legal framework, sustainability aspects and security measures form the basis of PBZ's business activities. This strengthens the confidence of investors and other stakeholders. Increased transparency regarding business activities and the Pfandbrief product (including ESG-relevant information) can also lead to a better evaluation by rating agencies, which keeps refinancing costs low and ensures competitiveness on the Swiss capital market. At the same time, sustainability rating agencies do not always adequately recognise the special framework conditions of Swiss Pfandbrief institutions, which can make investment decisions more difficult and represent a risk for PBZ. Through regular reporting and dialogue with stakeholders, PBZ contributes to the stability and credibility of the Swiss financial system.

Management approach

PBZ attaches great importance to a high level of transparency and the continuous development of its reporting in order to meet the expectations of the Board of Directors, investors, rating agencies and sustainability agencies, among others. As a Pfandbrief institution, it is also important for it to ensure the trust of member banks, investors and regulatory authorities. Responsibility for this

topic lies with the Board of Management, in particular the Director and the CFO.

To ensure the provision of targeted information, PBZ relies on feedback from the Board of Directors and investors as well as comparison with the Pfandbriefbank as a reference. The ongoing optimisation of the information published in reports and on the website is intended to create transparency and promote dialogue with stakeholders.

Key measures to ensure transparency and the provision of information include quarterly reporting, the presentation of results to the Board of Directors, the annual report, the ongoing implementation of cover pool reporting and the sustainability report, which was prepared in accordance with the recognised GRI standards.

A key event in 2024 was the successful completion of the cover pool reporting digitalisation project. The successful completion of the project also laid the foundation for analysing CO₂e efficiency and reporting on the environmental impact of the real estate. With the cover pool reporting published for the first time based on the data for the third quarter of 2025, PBZ fulfils the regulatory requirements of Basel III final ahead of schedule, the implementation of which was required based on the year-end data for 2025. This simultaneously enables PBZ to increase transparency regarding its cover pool, a move appreciated in particular by investors and rating agencies. Regular reviews of the sustainability policy and other publications serve to meet the increased transparency requirements of sustainability rating agencies in the best possible way. At the same time, potential legal and/or regulatory developments pose new challenges for which PBZ is preparing at an early stage.

Cover pool reporting published for the first time

A pivotal project, the digitalisation of cover pool reporting, was successfully completed in the previous year. Digitalisation enables disclosure in accordance with the Basel III final requirements.

Furthermore, this helps to better fulfil both the regulator's and investors' transparency requirements. It also enables analyses of cover pool sustainability data.

PBZ uses plausibility checks of cover pool data submitted by the member banks to help monitor compliance with the relevant requirements. Supporting tools and systematic checking mechanisms ensure high data quality and transparency. The Board of Directors of PBZ is responsible for overall management. Operational responsibility lies with the Board of Management.

As explained in the cover pool reporting, the mortgage loans of the member banks used as cover are subject to strict legal and regulatory requirements. They limit lending to a maximum of two thirds of the lending value of the real estate. All real estate serving as cover objects is located in Switzerland.

According to the provisions of PBZ's business regulations, only residential properties - i.e., single-family homes, apartment blocks, condominiums and properties with a maximum commercial share of 30% - qualify as cover objects in the cover pool. Accordingly, the cover pool does not contain any purely commercial properties.

Cover objects are valued in accordance with the statutory provisions and the regulations of Pfandbriefzentrale, in particular the valuation regulations. The audit companies of the cantonal banks check compliance with the cover provisions annually and report on these audits to PBZ and its audit company.

Furthermore, there are no currency risks, maturity mismatches or interest rate risks in the balance sheet.

Further details can be found in the cover pool reporting, which was first published in October 2025 and is updated on a quarterly basis. In accordance with regulatory requirements, PBZ must disclose the information at least every six months and within two months of the reporting date for the interim financial statements.

GRI Index



CONTENT INDEX ESSENTIALS SERVICE

2026

PBZ has reported in accordance with the GRI Standards for the period from 1 January 2025 to 31 December 2025. For the Content Index – Essentials Service, GRI Services reviewed that the GRI content index has been presented in a way consistent with the requirements for reporting in accordance with the GRI Standards, and that the information in the index is clearly presented and accessible to the stakeholders. The service was performed on the German version of the report.

General standards

GRI 1 used	GRI 1: Foundation 2021
Applicable GRI sector standard	None

General Disclosures

GRI standard	Specification	Place	Omission	Reason	Explanation
			(requirement(s) omitted)		
The organization and its reporting practices					
GRI 2: General Disclosures 2021	2-1 Organizational details	p. 2			
	2-2 Entities included in the organization's sustainability reporting	p. 2			
	2-3 Reporting period, frequency and contact point	p. 2, 50			
	2-4 Restatement of information	p. 2			
	2-5 External assurance	p. 2			
Activities and workers					
GRI 2: General Disclosures 2021	2-6 Activities, value chain and other business relationships	p. 8-9			
	2-7 Employees	p. 36			
	2-8 Workers who are not employees	p. 36			
Covernance					
GRI 2: General Disclosures 2021	2-9 Governance structure and composition	p. 10			
	2-10 Nomination and selection of the highest governance body	p. 11			
	2-11 Chair of the highest governance body	p. 11			
	2-12 Role of the highest governance body in overseeing the management of impacts	p. 19			

2-13 Delegation of responsibility for managing impacts	p. 19			
2-14 Role of the highest governance body in sustainability reporting	p. 19			
2-15 Conflicts of interest	p. 10, 41			
2-16 Communication of critical concerns	p. 41			
2-17 Collective knowledge of the highest governance body	p. 19			
2-18 Evaluation of the performance of the highest governance body	p. 19			
2-19 Remuneration policies	p. 14			
2-20 Process to determine remuneration	p. 14			
2-21 Annual total compensation ratio		X	Not applicable	Pfandbriefzentrale (PBZ) does not employ any staff of its own and, with one exception (the member of the Board of Directors appointed by the Federal Council), does not pay any direct remuneration to members of the highest governance body. Operational tasks are carried out by employees of Zürcher Kantonalbank (ZKB). Any remuneration is processed by ZKB and disclosed there.

Strategy, policies and practices

GRI 2: General Disclosures 2021	2-22 Statement on sustainable development strategy	p. 5		
	2-23 Policy commitments	p. 39-41		
	2-24 Embedding policy commitments	p. 40, 41		
	2-25 Process to remediate negative impacts	p. 42		
	2-26 Mechanisms for seeking advice and raising concerns	p. 42		
	2-27 Compliance with laws and regulations	p. 42		
	2-28 Membership associations	p. 21		

Stakeholder engagement

GRI 2: General	2-29 Approach to stakeholder engagement	p. 19			
Disclosures 2021	2-30 Collective bargaining agreements		X	Not applicable	No collective agreements apply at Pfandbriefzentrale (PBZ) or Zürcher Kantonalbank ZKB). The working conditions of ZKB employees who also work for PBZ are governed by negotiations with the ZKB employee representative body. This organisation represents all ZKB employees and thus also those persons who perform tasks for PBZ.

Topic-specific standards

GRI standard	Specification	Place	Omission		
			Requirement(s) omitted	Reason	Explanation

Materiality analysis and list of material topics

GRI 3: Material Topics 2021	3-1 Process to determine material topics	p. 22			
	3-2 List of material topics	p. 23			

Economic benefit

GRI 3: Material Topics 2021	3-3 Management of material topics	p. 24			
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	p. 25			

Environmental and social concerns in the investment policy

GRI 3: Material Topics 2021	3-3 Management of material topics	p. 26			
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Environmental concerns

GRI 3: Material Topics 2021	3-3 Management of material topics	p. 30			
GRI 204: Procurement practices 2016	204-1 Proportion of spending on local suppliers	p. 35			

Employees		
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 36
GRI 403: Occupational Health and Safety 2018	403-6 Promotion of worker health	p. 38
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	p. 37
	404-2 Programs for upgrading employee skills and transition assistance programs	p. 37
	404-3 Percentage of employees receiving regular performance and career development reviews	p. 37
GRI 405: Diversity and Equal Opportunity 2016	405-1: Diversity of governance bodies and employees	p. 38
Corporate management		
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 39, 40
Compliance/legal conformity		
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 40-41
Risk management		
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 14-18
IT security		
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 42
GRI 418: Protection of customer data 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	p. 42
Transparency and provision of information		
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 42-44

List of abbreviations

Abbreviation	Description
CBI	Climate Bond Initiative
CDP	Carbon Disclosure Project
CESGA	Certified ESG Analyst
DSA	Diversity Steering Committee
ERA	Energy reference area
EFFAS	European Federation of Financial Analysts Societies
EGID	Federal Building Identifier
ELA	Emergency Liquidity Assistance
ELF	Extended liquidity facility
EtP	Exception to policy
FINMA	Swiss Financial Market Supervisory Authority
GRI	Global Reporting Initiative
RBD	Register of Buildings and Dwellings
HQLA	High-quality liquid assets
ICS	Internal control system
ILO	International Labour Organization
ISMS	Information security management system
KPI	Key performance indicator
LGHS	Liquidity against mortgage collateral
NZAM	Net Zero Asset Managers Initiative
NZBA	Net-Zero Banking Alliance
OECD	Organisation for Economic Cooperation and Development
CO	Swiss Code of Obligations
PACTA	Paris Agreement Capital Transition Assessment
PBZ	Pfandbriefzentrale der schweizerischen Kantonalbanken AG
PCAF	Partnership for Carbon Accounting Financials
PfA	Pfandbrief Act
PfO	Pfandbrief Ordinance
SASB	Sustainability Accounting Standards Board
SBI	Swiss Bond Index
SBA	Swiss Bankers Association
SDG	Sustainable Development Goals
SNB	Swiss National Bank
SCC	Swiss Criminal Code
ASCB	Association of Swiss Cantonal Banks
ZKB	Zürcher Kantonalbank, Zurich Cantonal Bank

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