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# Sustainability Report 2024

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## List of abbreviations

Abbreviation	Description
AG	Aktiengesellschaft (stock corporation)
Art.	Article
ASAP	Automated Security Awareness Program
CHF	Swiss franc
CO <sub>2</sub>	carbon dioxide
CO <sub>2</sub> e	measure used to compare emissions from various greenhouse gases by converting them to the equivalent amount of CO <sub>2</sub>
CSR	corporate social responsibility
e.g.	for example
ESG	Environmental, Social, Governance
etc.	et cetera
ewz	Elektrizitätswerk der Stadt Zürich (Zurich Electrical Company)
FINMA	Swiss Financial Market Supervisory Authority
FSB	Financial Stability Board
GHG Protocol	Greenhouse Gas Protocol (regarding greenhouse gas emissions)
GWR	Federal Building and Housing Register
ICS	internal control system
incl.	including
km	kilometres
kWh	kilowatt hours
m <sup>3</sup>	cubic metres
MWh	megawatt hours
para.	paragraph
PET	polyethylene terephthalate
PfG	Pfandbriefgesetz (Pfandbrief Act)
PfV	Pfandbriefverordnung (Pfandbrief Ordinance)
RBI	Responsible Business Initiative
SAF	Sustainable Aviation Fuel
SBVg	Swiss Bankers Association
SDGs	Sustainable Development Goals
SNB	Swiss National Bank
t	tonnes
TCFD	Task Force on Climate-related Financial Disclosures
VAB	Agreement on Conditions of Employment for Bank Staff
VAZ	Agreement on the Recording of Working Time

# 1 Introduction and overview

## 1.1 Greeting

Dear Stakeholders,

The concept of sustainability is important to us. For us, being sustainable means thinking long-term and acting reasonably.

Sustainability is the defining topic of our time. The effects of climate change are already evident, and it is our collective duty to take action for the well-being of both present society and the generations to come. Even if it is often hard to reconcile aspiration with feasibility, a "wait-and-see" approach is not goal-oriented – failing to align with the needs of both political dynamics and economic realities. We will only succeed in shaping a sustainable future if we act together, quickly, and purposefully.

Not just the economy as a whole, but rather each individual company must be responsible for playing its part. As Pfandbriefbank, we strive to meet society's demand for more environmentally and socially responsible business within the framework of our statutory mandate under the Pfandbrief Act. We want to and should concentrate on this mandate and also fulfil it responsibly.

This requirement is a long-term and social process. The Swiss Pfandbrief® is a product that is geared towards security and stability and is intended to make a significant contribution towards financing the upcoming transition towards a climate-efficient Swiss building stock. We are creating a necessary foundation for such transition. This transformation is a long-term process with many dependencies. The decision to carry out a more sustainable construction or renovation is made by the property owner. Politicians put suitable framework conditions in place, e.g., incentives or prohibitions, as well as building guidelines and procedural requirements. However, limited capacity in the construction industry may prevent rapid progress by acting like a bottleneck. There is no doubt that this is a long-lasting project, in which we will play a key role as an "enabler". We intend to actively support our member banks in this important task.

Yours sustainably,



Dr. R. Horat  
Executive Director



P. Eichenberger  
Deputy Director



M. Razavi  
Vice Director

## 1.2 About the report (classification, reasoning, approach)

A sustainable and respectful treatment of people and resources are key priorities for Pfandbriefbank. We intend to use this report to showcase our activities and our commitment when it comes to sustainability. For years now we have been working with dedication to implement sustainable solutions in different areas. We are proud of what we have already achieved and that, with the Swiss Pfandbrief®, we are able to offer what we consider to be a fundamentally sustainable product. At the same time, we are aware that the path to sustainability is constant and ongoing, and we are continuously striving to pursue the path we have chosen.

We therefore want to use this report to disclose the impact of our business on environmental, social and governance matters, our contribution towards the Sustainable Development Goals (SDGs), and internal measures taken to protect our employees and the environment. We are also disclosing our company's sustainability vision and highlighting which international sustainability standard should support us in the future.

We strive to comply as much as possible with the latest Swiss regulatory developments. Due to the manageable number of employees of Pfandbriefbank, we are not subjected to any legal obligations regarding non-financial reporting. However, we strive for a voluntary approach in order to be as transparent as possible towards our stakeholders.

The indirect counterproposal to the Responsible Business Initiative (RBI-CP) entered into force on the 1 January 2022. The counterproposal lists several reporting requirements on non-financial matters such as environmental and social issues as well as due diligence requirements in the areas of conflict minerals and child labour. Even though Pfandbriefbank does not fall within the scope of this regulation, we aim to voluntarily comply with its environmental, social and governance requirements and we regard them as guidelines for this report.

Key figures mentioned in this report are extracted from our 2024 Annual Report. Pfandbriefbank has no group structure and no subsidiaries. Its mandate is governed by the [Pfandbrief Act](#) (PfG; SR 211.423.4) and the [Pfandbrief Ordinance](#) (PfV; SR 211.423.41). In this context, it should be noted that Pfandbriefbank is not a bank under the Banking Act but a Pfandbrief central office under the Pfandbrief Act.

The calculation of Pfandbriefbank's greenhouse gas emissions is based on the internationally recognised standard "GHG Protocol: A Corporate Accounting and Reporting Standard". Myclimate, an independent Swiss foundation, has carried out all calculations and reporting of Pfandbriefbank's greenhouse gas balance sheet, covering Scopes 1, 2 and 3, based on detailed information provided by Pfandbriefbank.

The reasons behind Pfandbriefbank's limited scope of action and responsibility regarding the cover pool are explained in Appendix I – Exclusion policy.

### 1.3 Our contribution towards achieving the SDGs

We consider the SDGs as a guiding principle for our business activities. The SDGs aim to ensure sustainable development at an environmental, social, and economic level. By taking them into consideration, we want to create a solid basis for long-term development and consequently for a sustainable and successful future. This is in causal harmony with our statutory mandate, the Swiss electorate's 2050 net-zero target, as well as the efforts of the Federal Council, which is committed nationally and internationally to achieving the goals of the 2030 Agenda for Sustainable Development (SDGs).

In particular, we are focusing on contributing positively towards Goal 11.



"Making cities and communities inclusive, safe, resilient and sustainable"

#### SDG 11 – Sustainable cities and communities

Pfandbriefbank has a clear legal mandate: "To provide the owner with long-term mortgage loans at the lowest and most consistent interest rates possible" (Art. 1 PfG). By ensuring sufficient capital for financing properties, we are making a significant contribution towards creating sustainable cities and communities. By fulfilling our legal mandate, we are indirectly helping to ensure the availability of adequate and affordable housing. We thus make

a causal, albeit not directly quantifiable, contribution to the social sustainability dimension in the sense of SDG 11, in particular subitem 11.1, which highlights "adequate, safe and affordable housing".

Furthermore, the Swiss Pfandbrief® is a central pillar for the upcoming process of transforming Switzerland's housing stock towards greater environmental sustainability. The renovation of the housing stock represents a core factor for sustainably reducing our society's energy requirements and for achieving the climate goals. Large amounts of additional capital are required for financing these modernisation investments. In addition, housing stock that has not yet been refurbished still needs to be financed. Although it is the property owner who decides whether to invest, the Swiss Pfandbrief® is becoming a relevant "enabler" for the necessary transformation process – because it provides an important, reliable, long-term, and affordable source of refinancing for the mortgage market. After all, the financial viability of a project is an essential requirement. The same considerations apply when it comes to financing sustainable energy solutions on buildings (e.g., solar panels or photovoltaic systems). By ensuring financial viability, we are also making a significant contribution to the ecological sustainability dimension in the sense of SDG 11.

The Pfandbrief system in Switzerland also ensures efficient access to the capital market for all banks. For small and medium-sized institutions that would otherwise have no access to this important source of refinancing, this can sometimes be essential for survival.

The Pfandbrief system therefore supports diversity in the banking sector, which is made of large and small regional banks that are focused on the national market. The Swiss Pfandbrief system is also an important pillar for the functioning of the Swiss capital market, and it has proven in the past to be especially crisis-resistant and stable. The Swiss Pfandbrief® thereby contributes as a stabilising factor to maintaining Switzerland's position as a functioning and resilient centre for banking and finance and contributes therefore indirectly to its social and economic stability.

## **2 About us**

### **2.1 The history of the Pfandbrief and the Swiss Pfandbriefbank**

In Switzerland, the Pfandbrief Act (PfG), which was adopted by the Federal Assembly on 25 June 1930, forms the legal basis of and regulates the Pfandbrief system. It entered into force on 1 February 1931, three years before the Swiss Banking Act. It was introduced in response to recurring problems in the mortgage credit business – such as the credit shortage and strong interest rate fluctuations – and associated undesirable economic and social impacts.

The PfG enabled the establishment of Pfandbriefbank schweizerischer Hypothekarinstitute AG, which is generally known as the "Pfandbriefbank". Only Pfandbriefbank and the Pfandbriefzentrale der schweizerischen Kantonalbanken AG are legally entitled (under Art. 1 para. 2 PfG) to issue Swiss Pfandbriefe®. They pass the proceeds on to their members to refinance their mortgage businesses. Although they are organised as stock corporations, both Pfandbrief institutions have so far operated as joint undertakings and central issuing offices for their member banks. Their business scope is definitively and narrowly defined by law (under Art. 5 PfG), and this allows Pfandbriefbank to conduct activities that are only directly associated with the Pfandbrief business.

The Swiss Pfandbriefbank is one of the most crisis-resistant institutions in Switzerland. Since the adoption of the PfG in 1931 it has never failed, despite several, and sometimes major financial and real estate crises. While other institutions in Switzerland have had to accept losses or even to stop their activities, the Pfandbrief institutions and their investors

have remained unaffected. During the financial crisis between 2008 and 2012, Pfandbriefbank was even part of the solution to prevent more dramatic consequences as a "silent saviour".<sup>1</sup>

## 2.2 Our company

The legal purpose of the Swiss Pfandbrief® business (under Art. 1 para. 1 PfG) is to provide property owners with long-term mortgage loans at the lowest and most constant interest rates possible. The right to issue Pfandbriefe is reserved (under Art. 1 para. 2 PfG) for two institutions, which perform this role within a narrow legal framework as central issuing offices for their member banks.

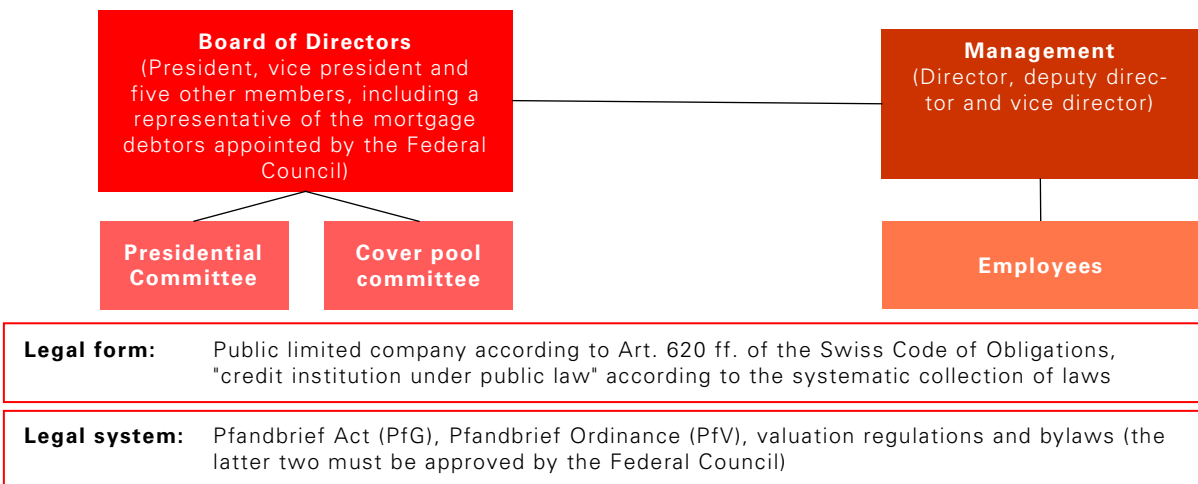
We issue Swiss Pfandbriefe® and use the proceeds to grant member banks mortgage loans against mortgage-backed collateral (registered liens) to refinance their mortgage lending business.

At the end of 2024, Pfandbriefbank counted 289 member banks (which are also shareholders), of which 284 member banks had drawn loans from Pfandbriefbank. The current share and loan distribution can be viewed on our website (<https://pfandbriefbank.ch/en/member-banks>).

The organisation of the Pfandbrief institutes is derived from Art. 2 PfG. Pursuant to para. 1, the authorisation of the Federal Council is required in order to be able to issue Pfandbriefe in Switzerland. Para. 2 defines the requirements for their organisation: firstly, by means of a direct definition and, secondly, indirectly via approval of their [bylaws](#) and their valuation regulations, which must also be carried out by the Federal Council. Their bylaws include provisions on organisation, annual reports, and business activities. The organisation of Pfandbriefbank's governance bodies is regulated in the bylaws under section 3.

In carrying out our business activities, we are responsible for:

- our employees,
- member banks (which are both clients and owners),
- Pfandbrief investors,
- other business partners, such as service providers and suppliers, as well as
- society and environment.



**Figure 1: The current structure of Pfandbriefbank (own illustration).**

<sup>1</sup> Dewet Moser, SNB: "The silent saviour of the major banks – the Limmat Pfandbrief redirects excess liquidity in the financial sector to the major banks and saves Switzerland from issuing expensive state guarantees"; in Finanz und Wirtschaft, 17 September 2014, page 22.

The principle of sustainability is the guiding principle in carrying out this responsibility and is anchored in our statutory purpose article. In accordance with our mandate, we contribute towards a stable, adequately funded and properly functioning mortgage market as an important basis for the economy. Only under these conditions has the market been able to provide enough affordable housing and can continue to do so. Likewise, financial viability is one of the basic requirements for the ongoing transformation process of improving the energy efficiency of the Swiss housing stock. Our product, the Swiss Pfandbrief®, has therefore been a sustainable instrument for over 90 years, with both a social and an environmental dimension of sustainability.

Our **vision** is to become the "extended arm" of the refinancing departments and treasuries of our member banks. We provide our member banks with a reliable, long-term, and cheap source of funding. As a joint venture, we provide all member banks, who are both our shareholders and our borrowers, with efficient access to the capital market through our Pfandbrief issues. In doing so, we also make a significant contribution towards the well-established diversity in the Swiss banking sector.

In addition, we want to contribute towards securing our long-term future through our own actions. In doing so, we intend to consider the consequences for all stakeholders in the company as well as the environment. In accordance with the legal mandate, our Pfandbrief is intended to make a significant contribution to secure, long-term stable and cost-effective financing of the domestic building stock, which, being the fundamental part of the population's living and working environment, forms a necessary basis for social peace and prosperity. Assuming that the financing of upcoming building renovations (facade, windows, roof, heating, etc.) will also be carried out at least partially directly or indirectly via the mortgage market, the Pfandbrief also makes a contribution to the financing of the ongoing transition of the Swiss building stock towards greater energy efficiency and a better greenhouse gas balance, and promotes a basic prerequisite for achieving the Swiss electorate's 2050 net-zero target.

The brand "The Swiss Pfandbrief®" stands for the absolute highest investment quality and creditworthiness (Aaa/ gilt-edged), which is based on a large number of regulatory and normative security measures. Swiss Pfandbriefe® therefore also enjoy preferential regulatory treatment, for example when it comes to capital adequacy in the banks' HQLA portfolio.

Our bonds have a significant share of the Swiss bond market for domestic borrowers. The investors also value our Pfandbriefe due to their high liquidity on the secondary market. The market liquidity is a major contributor to a functioning Swiss capital market and can also be seen on the Swiss repo market, where Swiss Pfandbriefe® likewise play a key role as collateral.

Apart from their high volumes, the stable, top-class rating of our Pfandbriefe is a prerequisite for their high level of market liquidity. The Pfandbrief institutions are among the few non-public sector debtors, whose issuances belong to the highest credit rating category. We want to defend this rating in order to be able to continue to offer investors the security they are looking for and also to keep providing our member banks with reliable access to the capital market, even in difficult times. The market liquidity of Pfandbriefe helps the Swiss capital market; the high degree of security and the stability of Pfandbriefe have a positive impact on the Swiss financial system, especially during times of crisis.

We strive to fulfil our legal mandate in a resource-saving and sustainable manner. In accordance with our vision and our legal mandate, our aim is not just to promote sustainability within our company but to make a long-lasting contribution to society.

Our **guiding principles** ensure that Pfandbriefbank is designed with security, stability, and durability in mind. This also includes the sustainable management of our resources. In order to stay true to our guiding principles, we are active in a number of areas and ensure the following:



- Under the premise of complying with our legal mandate, we want to create meaningful incentives to support the Swiss electorate's 2050 net-zero emissions target. These can range from measures to raise awareness among our member banks and participation in relevant committees to increasing the eligibility of particularly desirable objects.
- For our members, we are an independent, reliable, and low-interest source of funding. We offer banks stable and efficient access to the capital market regardless of their size. Because of this access to the capital market, the banks are shareholders of Pfandbriefbank.
- For investors, we are a highly appreciated, large debtor and regular issuer of standardised products of the highest credit rating, which are eligible for repo transactions and well established in the market with a liquid secondary market.
- We want to develop and offer our products (Pfandbriefe/loans) and services to the highest standards, easily manageable, and – insofar possible within the narrow legal guidelines – innovatively, in a way that is both market-oriented and flexible.
- We invest our own funds primarily with a view to security and liquidity, and secondarily with a view to optimising risk/return. We avoid investing in companies with high ESG risks.
- Our corporate governance is up to date. As a joint undertaking with a "self-help character", we are close to our members but ensure balanced representation and safeguard our independence from individual members or groups of members. In the annual report, we devote a separate chapter to the topics of sustainability and corporate governance in the management report.
- We are a progressive and attractive employer, upon which they can depend, and which offers opportunities. Working well together is important to us. Not only do we encourage an open and cooperative partnership among employees, but also with our partners (suppliers, service providers, member banks, etc.).

## 2.3 Business areas and model

Our business model is conclusively regulated by law (Art. 5 PfG). Accordingly, it is simple and transparent: By law, the series of Pfandbriefe issued and the loans granted as a result must be matched by maturities and volumes for each series. The proceeds from the issue, including premiums and after deducting the direct issue costs, are passed on in full to the member banks. There is a margin of a few basis points between the interest rate on the loans and the coupon of the bonds to cover general costs. The excess flows back to the member banks as a distribution and through the strengthening of the equity capital basis. The focus remains on the idea of self-help as conceived in 1930: Pfandbriefbank is not profit-oriented. This model offers a reliable and an extremely efficient access to the capital market to the member banks, as they benefit from the economies of scale and the excellent reputation of Pfandbriefbank and the Swiss Pfandbrief®.

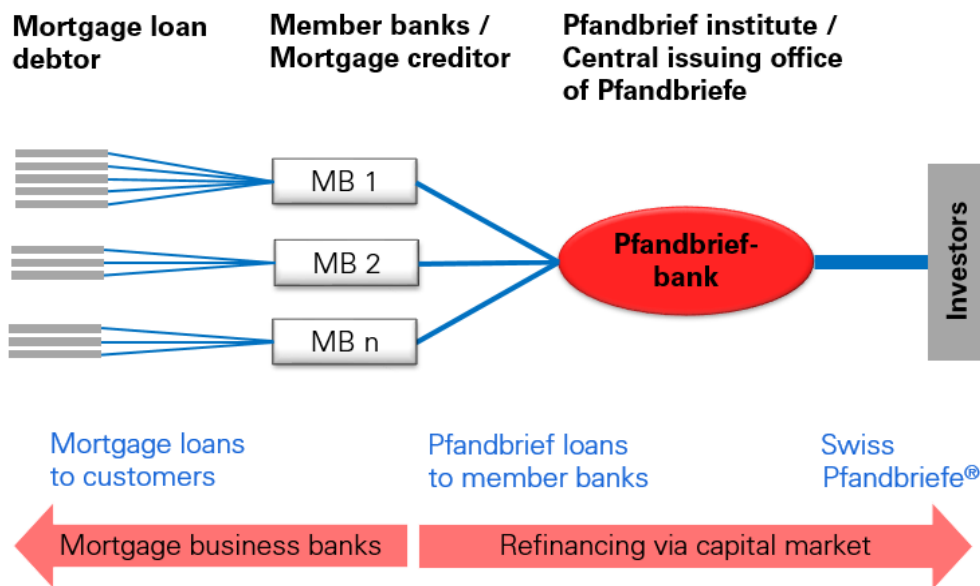


Figure 2: Basic structure of the Swiss Pfandbrief system (own illustration).

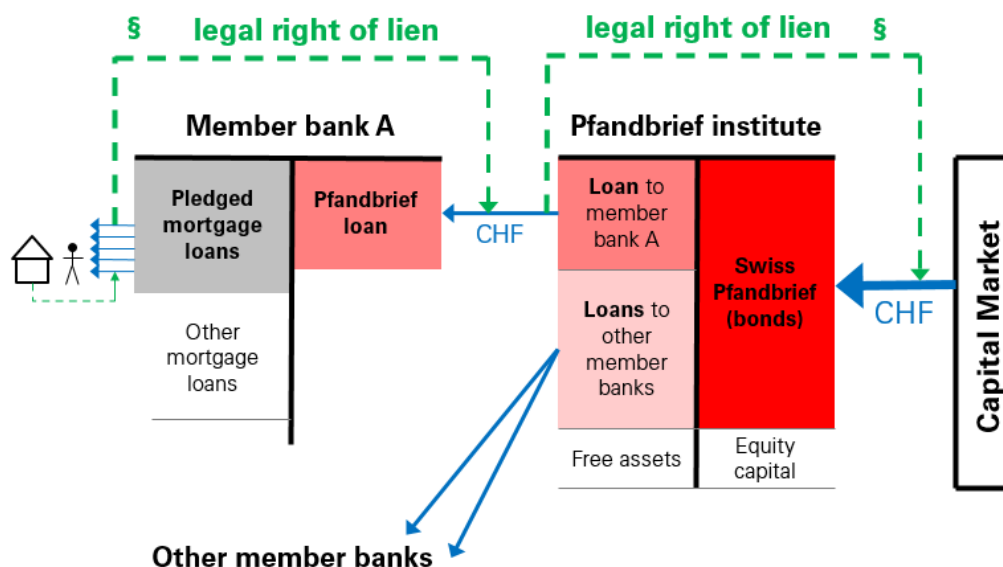


Figure 3: Pfandbriefbank business model (own illustration).

The Pfandbrief Act stipulates that only Swiss banks may become members of Pfandbrief-bank (Art. 4 PfG)<sup>2</sup> and that refinancing only refers to the domestic mortgage lending business of member banks. Pfandbriefbank has no group structure and no subsidiaries. Questions regarding international tax planning practices can be ruled out thanks to the Pfandbriefbank's clearly regulated legal framework. Its business segment is limited exclusively to Switzerland. Accordingly, high Swiss standards apply regarding aspects such as human rights, corruption, working conditions and the environment. In 2024, the goal of addressing corporate governance more explicitly was achieved. Policies on the following topics were developed and implemented: "[Bribery and Corruption](#)", "[Environmental and Climate Protection](#)", "[Whistleblowing](#)", "[Freedom of Association](#)", "[Human Rights](#)" and "[Sexual Harassment, Bullying, Prohibition of Discrimination and Promotion of Diversity and Inclusion](#)".

<sup>2</sup> "[...] and more than 60 % of whose assets consist (according to the last balance sheet prepared and published in accordance with the provisions of the Federal Council) of receivables that were acquired in the domestic mortgage credit business." (Art. 4 PfG)

The following sustainability aspects are already incorporated into our business model:

- Within the scope of its Pfandbrief business, Pfandbriefbank may only provide earmarked funds available to Swiss banks for the refinancing of mortgage loans on domestic properties. The properties must be fully built and occupied, and the mortgage loans must already have been approved by the banks. Pfandbriefbank is therefore not active, either directly or indirectly, in countries or sectors that are exposed to child labour (e.g. agricultural production, raw material extraction or manufacturing in emerging or third-world countries). The Swiss Pfandbrief model explicitly does not allow the raising of funds for the financing of foreign properties or the financing of the extraction or trade of raw materials (e.g. nuclear and fossil fuels, wood and agricultural products, precious stones, precious metals, metals) or goods.
- We rely on long-term and domestic (preferably regional) supplier relationships that are subject to Swiss law.
- We focus on reducing our consumption of materials and promote recycling. We pay attention to sustainable production when purchasing consumables. We promote digital channels to reduce, for example, our paper consumption.
- We have a greenhouse gas balance sheet drawn up based on the "GHG Protocol" and support domestic sustainable projects in the amount of the calculated CO<sub>2</sub> emissions. Ideally, we try to avoid or reduce emissions.
- We calculate the CO<sub>2</sub> emissions of the properties pledged in the cover pool and actively participate in working groups related to sustainability.
- We raise awareness among our member banks by setting regulatory deadlines for de-registering properties with particularly high CO<sub>2</sub> emissions.

Pfandbriefbank is permitted to engage exclusively in the following four types of business activity (Art. 5 PfG):



**Figure 4: The business areas of Pfandbriefbank (own illustration).**

### **Issuance of Pfandbriefe**

Investor and member banks' demand for Pfandbriefe must be optimally coordinated. Contacts with investors as well as analysts are important and help us to improve the Swiss Pfandbriefe®.

We strive to keep issuance and placement costs low while keeping market liquidity for our bonds high.

The long-term stability of our Aaa rating and our high market liquidity are important reasons for purchasing our Pfandbriefe. The high level of security is also expressed in the privileged regulatory treatment of our Pfandbriefe, for example in the capital adequacy requirements of our investors.

Large investors in particular attach great importance to sufficient market liquidity when making investment decisions to ensure that they can obtain good pricing terms on the market at any time, even for larger transactions. The most important basis for market liquidity is high-volume series. This is why Pfandbriefbank regularly increases the volume of its existing Pfandbriefe.

### **Investing the proceeds from the issuance of Pfandbriefe in loans**

We want to satisfy the needs of our members as much as possible within the known framework. In our risk management system, the long-term security and stability of the joint undertaking plays a key role, for example through various key figures to avoid or reduce risks

(e.g. credit and liquidity risks, but also concentration risks at Pfandbriefbank and the member banks). Due to risk considerations, we limit the lending volume of member banks and groups of member banks, for example by setting loan caps relative to the existing mortgage volume. Our lending criteria therefore also include the aspect of the borrowers' ability to make future additional and replacement cover.

We assess the coverages conservatively and ensure good recoverability. We support our member banks in keeping a cover pool. We also keep an electronic mirror register. However, according to the Pfandbrief Act (Articles 19 - 24), the member bank is responsible for its own cover pool. It must manage this in accordance with the legal and regulatory requirements. The sole purpose of the cover pool is to hold Pfandbriefbank - and thus indirectly the Pfandbrief investors - financially unharmed in the event of the member bank's bankruptcy.

### **Investing equity and debt capital**

We want to invest our equity capital in a safe, liquid, and long-term manner (in CHF bonds with a high or highest credit rating and adequately diversified). We regard safety as more important than yield. To ensure that we have first-class secondary market liquidity of the investments, we only purchase securities that are eligible for repo.

When the investment regulations were revised in 2023, it was added that ESG considerations would be taken into account when making investment decisions. In particular, we do not want bonds from companies with strong ties to controversial industries (e.g. mining, fossil fuels, addictive substances or banned weapons) in our portfolio. In addition, we adhere to the recommendations of the SVVK ASIR<sup>3</sup>.

### **Other short-term bank transactions**

Other short-term bank transactions are only permissible to the extent they are required as part of the issuance of Pfandbriefe and the granting of loans (Art. 5 PfG). We primarily control our short-term liquidity through repo transactions, because we want the lowest possible counterparty risks.

### **What is therefore excluded by law?**

Pfandbriefbank is not permitted by law to engage in any other business activities, such as accepting customer funds, providing asset investment and management services, or using issue proceeds for purposes other than granting Pfandbriefe. As Pfandbriefbank only has its member banks (i.e. Swiss banks in their own name and on their own account) as customers (i.e. Pfandbrief loan borrowers), problematic issues such as money laundering or the financing of companies with controversial business activities or business relationships abroad, are excluded from the outset. The legal framework does not allow us to conduct such transactions and compliance with the legal requirements is monitored as part of the regulatory audit. In a memorandum, a renowned auditing and consulting firm also supports the view that the Anti-Money Laundering Act cannot be applied to Pfandbriefbank.

Furthermore, Pfandbriefbank is not permitted to grant mortgage loans as part of the Pfandbrief business<sup>4</sup> (see also Figure 2). This actual financing activity (i.e. the mortgage business) is the sole responsibility of the banks, that bear all the risks associated with the granted loans and the customer relationships. Pfandbriefbank therefore exercises neither financial

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<sup>3</sup> Schweizer Verein für verantwortungsbewusste Kapitalanlagen (Swiss Association for Responsible Investments; <https://www.svvk-asir.ch/en>).

<sup>4</sup> The PfG theoretically mentions the possibility of investing in so-called "Gülden". However, this outdated form of mortgage has completely disappeared from today's lending practice. While granting of mortgage loans from Pfandbrief issues' funds is not permitted, it would still be possible for Pfandbriefbank to invest its own funds in mortgages. Pfandbriefbank only has a very small portfolio of mortgage loans, mostly employee mortgages.

nor operational control over the bank's (mortgage) lending business as such nor over the bank's cover pool.

## **2.4 Financial information**

The financial information, including the management report, may be taken from our Annual Report (<https://www.pfandbriefbank.ch/en/business-reports/>). The annual report contains information on the topics of "Business performance and economic situation", "Annual financial statements", "Risk assessment and cover pool", "Sustainability", "Corporate governance" and "Outlook".

### **Considerations on the financial impact of climate risks on Pfandbriefbank**

Climate risks are important and should be taken into account. Climatic changes generally occur in long cycles but also have an impact in the form of increased risks from extreme weather conditions. Although no quantitative information can yet be provided, qualitative considerations can be made. Specifically, for Pfandbriefbank, the potential financial impact of climate-related risks is significantly reduced by the multi-level structure.

In the case of long-term climatic changes, from a financial perspective, the primary risk is that poorer basic climatic conditions in a specific region will reduce its attractiveness as a place to live and therefore the economic conditions of the borrowers living there and/or property valuations will come under pressure. This worsens the risk position of the lending bank but has no direct impact on Pfandbriefbank. The bank must replace non-performing positions in the cover pool and compensate for lower cover values in the cover pool by adding further cover objects.

The same considerations can also be applied to transition risks in the transition to a low-emission economy. Old properties that do not meet current standards are therefore likely to lose value. This increases the credit risk and possibly also the reputational risk of the lending bank. In addition, the cover value of the mortgage loan may also fall due to the lower property value. If the bank falls below the minimum cover ratio as a result, it must provide additional cover to compensate.

In case of extreme weather conditions and the weather-related damages that may result from them (floods, mudslides, hail, forest fires), there is also no immediate risk for Pfandbriefbank. Since all covered objects must be insured, the insurance companies bear the main financial risk. If there is a downstream risk, this is borne primarily by the owner and secondarily by the lending banks.

Although the financial risks arising from natural hazards do not directly affect Pfandbriefbank, we want to know our cover pool in detail. Technical developments are therefore planned to be able to assess the cover pool using various hazard maps.

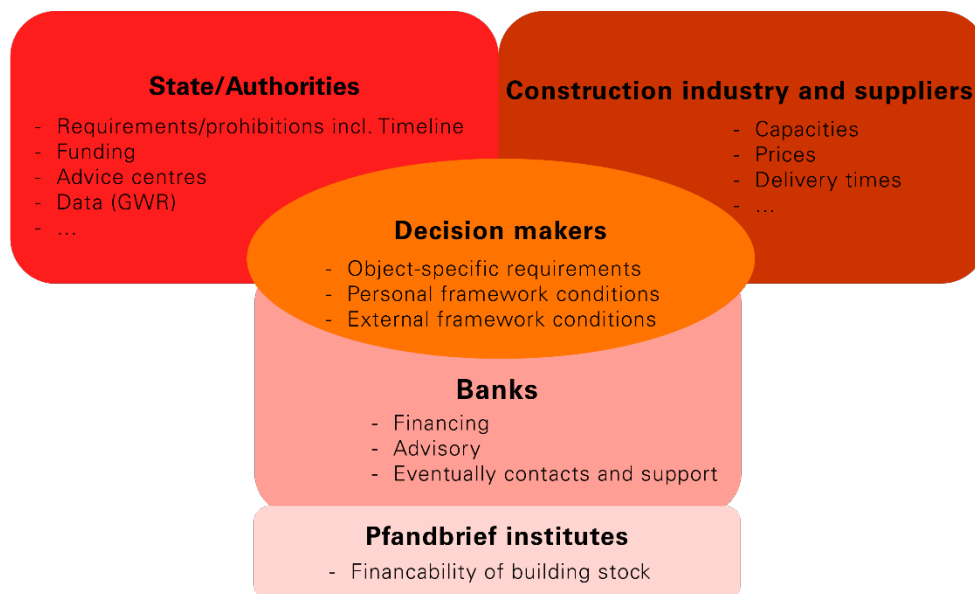
## **2.5 Our values**

As one of the two Pfandbrief institutions in Switzerland, we have both a direct and indirect impact on our economy, society, and environment. We therefore see it as our responsibility to base our business activities on the core cooperative values of sustainability, solidarity, fairness, partnership, responsibility, and proximity.

In our understanding, Pfandbriefe are fundamentally sustainable instruments. They were developed to solve economic and the associated social problems. They are geared towards longevity, stability, and security. Sustainability is therefore part of Pfandbriefbank's DNA. Sustainability will continue to have a significant impact on our actions in the future. We can only fulfil our legal mandate if we strive towards solutions that are effective in the long term and that support a more sustainable economy and society.

Our legal mandate enables us to significantly contribute to a more sustainable society. At the same time, the law imposes narrow limits to our scope for action. Pfandbriefbank is not free to choose its business areas or how to structure its products. It can neither determine the mortgage strategies of the banks nor the renovation strategies of the property owners.

Pfandbriefbank sees itself as an "enabler" for the important social step towards greater environmental sustainability in the real estate sector. As such, it is part of a large ecosystem along with investors (as capital providers), member banks (as advisers and mortgage lenders), construction companies (as implementers of construction and renovation work) and legislators (as creators of the regulatory framework). While banks, construction companies and legislators create the regulatory framework, the property owner is ultimately the sole decision maker. Pfandbriefbank has no contact with the property owners at any stage of the credit process. It simply procures a necessary "raw material" for the financing. The customer relationship exists exclusively between the customer and their lending bank.



**Figure 5: Ecosystem for energy efficiency in old and new buildings (own illustration).**

Swiss banks support the transition towards a more energy-efficient building stock. Under the auspices of the Swiss Bankers Association, they have committed themselves to incorporating the topic of energy efficiency into the credit advisory process in the context of binding self-regulation. Guidelines for mortgage providers on the promotion of energy efficiency<sup>5</sup> came into force on 1 January 2023, with a transitional period until 1 January 2024 for banks to adapt their internal processes. In addition to adapting their processes, the banks also had to provide appropriate training to their customer advisors. Many member banks now also offer additional services or specific funding products in this area, often not only in the area of ecological sustainability. The range extends from guides to discounts on building energy analyses to identify renovation potential and the provision of contacts for advice or funding, to discounts on specific mortgage products.

Pfandbriefbank's role is to facilitate the procurement of capital for the long and costly process of making Swiss building stock more environmentally friendly. We expect the following change in this context: new buildings and replacement buildings are highly energy-efficient due to modern building regulations, and their share of the portfolio will steadily increase, starting from a low level. The renovation of old buildings may be a key element. In comparison to new constructions, large savings in terms of energy efficiency can be realised at lower cost by renovating old buildings, even if it is rarely possible to achieve the

<sup>5</sup> <https://www.swissbanking.ch/en/topics/sustainable-finance/self-regulation-in-sustainable-finance>.

same level of energy efficiency as a new building. Geographical or building-specific restrictions often act as an impediment to renovating old buildings, along with planning permission issues and preservation/environmental protection orders. Another important element is the speed of the transformation. Even if the property owners are entirely willing to carry out renovation work, there is only a limited capacity available in the construction industry as well as among producers and installers of energy-efficient systems. As a result, it will not be possible to renovate a large, albeit declining share of the building stock for many years to come. However, this share still needs to be funded for the foreseeable future – if only for social reasons – and therefore forms part of our legal refinancing mandate.

On 12 January 2021, the Federal Council officially pledged its support to the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD was established in late 2015 by the Financial Stability Board (FSB), of which Switzerland is also a member, in order to make recommendations on the financial transparency of companies regarding climate risks. Their recommendations form a common international framework that enables both the companies and the stakeholders in the financial industry to correctly assess and quantify their exposure to climate risks, supporting them to implement the necessary strategies as part of their business activities. In a broader sense, it is a question of making markets more efficient and ensuring that economies are better prepared to deal with climate change and risks. The Federal Council invites Swiss companies from all sectors of the economy to begin implementing these recommendations voluntarily. In addition, the Ordinance on Reporting on Climate Matters of 23 November 2022 provides for the mandatory implementation of the internationally recognized TCFD recommendations for large Swiss companies.

In view of the Federal Council's support for the TCFD, it is also an objective of Pfandbriefbank to endorse the TCFD. We see ourselves as "reminder, tracker and observer" in order to make member banks aware of the ESG-related challenges. In this regard, we have had prepared an anonymized benchmarking evaluation for the member banks in 2023. This shows the individual CO<sub>2</sub> distribution of the member bank's cover pool in comparison to the total cover pool of all members. We intend to base our future sustainability reports on the TCFD regulations.

On the product side, the CO<sub>2</sub> emissions of the properties pledged in the cover pool have been calculated and reported in Pfandbriefbank Pool (<https://pfandbriefbank.ch/en/pfandbriefbank-pool/>). Based on this, a first regulatory requirement was implemented in 2023, according to which member banks must have deregistered properties with very high CO<sub>2</sub> emissions after a specified transition period. To assess the CO<sub>2</sub> emissions of the properties in the cover pool more efficiently, the IAZI energy calculator was integrated into our mortgage register system in 2024. To enable us to assess CO<sub>2</sub> emissions, additional data must be obtained from the GWR, the Swiss federal building and housing register. In order to access this data, the addresses recorded must match the official address register exactly. The extensive data clean-up required for this in the area of property addresses was pushed ahead in 2024 and completed in 2025, with the target set being achieved. Around 60,000 suspicious addresses were identified and analysed to clean up the database. The member banks then had to correct around 25,000 addresses on a case-by-case basis. This campaign improved data quality and digitisation capabilities for us and the banks, as well as the accuracy of the data in the Pfandbriefbank Pool, while also raising awareness of this important issue among our member banks. In addition, the first steps for technical implementation were approved and commissioned in 2024 so that properties with particularly low CO<sub>2</sub> emissions can be granted a bonus on the cover value cap in future.

The CO<sub>2</sub> evaluation is intended to serve as the foundation for further product developments. Changes in the sustainability strategies employed by investors and the other issuers are monitored in order not only to better understand the requirements, but also to incorporate them into our sustainability efforts.



In connection with our support for the TCFD, it is also important for us to integrate and define the necessary risks associated with sustainability. We are determined to pursue this path in the future.

Source: <https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-81924.html>

**Figure 6: Our vision of sustainability in the context of the TCFD.**

We achieve our economic objectives through long-term thinking and responsible acting. We assume social and environmental responsibility by being socially involved and limiting our utilisation of natural resources. We are committed to ensuring that our bank and our employees set a good example for society. To achieve this ambition, Pfandbriefbank has also implemented an extensive, corporate environmental management system. For example, we became CO<sub>2</sub> neutral (in the sense of measuring and compensating) for the first time in the 2020 financial year (see Chapter 5 for more information). We moved one step closer to achieving our additional goal of reducing our energy consumption through an extensive project to improve the energy efficiency of our offices in 2021/22. In 2022, we updated our ICT infrastructure and decided with immediate effect to offer our employees the half-fare travel card, which enables them to use public transport at half price. In 2023, we optimized the company's internal recycling system: By using a water dispenser, the consumption of PET beverage bottles was practically eliminated. Furthermore, the new collaboration with WeRecycle means that all other recyclable materials, even if they only arise in small quantities, are collected and optimally recycled. In 2024, in line with our target, we were able to make a detailed estimation of the electricity consumption of all ICT components used by our outsourcing supplier for Pfandbriefbank. This consumption has been included in our CO<sub>2</sub> footprint and offset for the first time.

From Pfandbriefbank's perspective, sustainable use of resources begins with the way we treat our fellow human beings: our employees and our contact persons at our partners. Our employees are our most important resource. For them, Pfandbriefbank wants to be a progressive and attractive employer that demands a high level of reliability. The following basic values have been established for our internal interactions with one another and for external stakeholders:

- Respect for our fellow human beings,
- Promotion and recognition of performance,
- Commitment to comprehensive quality and professionalism,
- Reliability as an employer and partner, and
- Maintaining open communication.

We have always been socially committed and support valuable institutions and projects, e.g., a colouring book for children on preventing road accidents and improving road safety or brochures for young people on drug prevention and cyberbullying.

Since 2019, we have also been cooperating with Atelier 93 GmbH, Lenzburg, a company with a social mission in the professional (re-)integration of young people and adults, and successfully support suitable people in their accompanied return to working life.

## **3 Corporate governance**

### **3.1 CSR governance and strategy**

The topic of Corporate Social Responsibility (CSR) is highly important to Pfandbriefbank, and – as outlined in this report – we have taken various measures in the areas of corporate social responsibility and environmental protection, in which social and ethical aspects are reflected throughout.



In order to guarantee and implement the beforementioned measures, modern corporate governance is essential, which is strictly tailored to the simple business model and the management structure and culture. Particular attention must be paid to the independence of Pfandbriefbank. Only the two Pfandbrief institutes were granted the very valuable privilege of issuing Pfandbriefe by the legislator. The value of this privilege should benefit all banks via Pfandbrief institutes as joint undertakings. It is therefore important that Pfandbriefbank remains independent and that all member banks are represented in a balanced manner.

CSR is a challenging strategy, which pursues multiple objectives at the same time. A clear legal mandate exists to implement this strategy in a way that covers costs, meets the highest standards, and offers maximum efficiency for the member banks. We achieve this by behaving in a socially responsible way towards society and especially towards our employees, as well as by operating in a way that is sustainable and environmentally friendly.

The Board of Directors, the Presidential Committee, the Cover Pool Committee, the Management, the auditors (in accordance with the bylaws and the organisational regulations) and the Swiss Financial Market Supervisory Authority (FINMA) are responsible for management and supervision regarding the formulation of the CSR approach. The issue of CSR is especially important to our Management.

Pfandbriefbank takes the interests of shareholders and stakeholders into consideration when defining the management and supervision at the highest corporate level, while ensuring a good balance between corporate strategies and transparency. Decision-making abilities and efficiency should be maintained. We are continuously working to improve the above mechanisms to ensure a constant level of honesty, integrity and responsibility towards ourselves, our member banks as shareholders and clients, and towards society and the environment.

### **Shareholders/General Meeting**

By law, only banks with a Swiss banking license may become shareholders. At the end of 2024, Pfandbriefbank's shareholder base comprised of 289 member banks. These form the shareholder group and the customer base in the sense of the borrower group. An up-to-date overview of the loan and shareholdings is continuously published on our website (<https://www.pfandbriefbank.ch/en/memberbanks/>). According to our bylaws, no bank or bank group may hold more than "25 % minus one share" and exercise a maximum of 20 % of the votes present at the General Meeting. These precautions are intended to ensure that Pfandbriefbank remains independent and can act as a joint undertaking. This is of central economic importance because the legal privilege to issue Pfandbriefe is linked to the two central institutions.

### **Board of Directors**

The Board of Directors is responsible for the overall direction and management of Pfandbriefbank. In accordance with the legal requirements, Pfandbriefbank is a joint undertaking of the member banks. Accordingly, the Board of Directors is primarily made up of representatives of the member banks (Art. 4 PfV). A representative of the mortgage debtors, who has been nominated by the Federal Council, also sits on the Board (Art. 37 PfG). With the exception of the latter, the members of the Board of Directors are usually members of the management of the member banks. All of them have many years of broad and in-depth knowledge of the industry. Financial management and risk management are part of the day-to-day business for all of them, personally supplemented by in-depth knowledge of the mortgage business, property valuation or investment business. Thanks to the simple and strictly defined business model, the time commitment for the mandate is easy to reconcile. The tasks and powers of the Board of Directors are regulated in the Pfandbriefbank's organizational regulations.

The Board of Directors has established two standing committees. The Presidential Committee is made up of the President and the Vice-President of the Board of Directors and is led by the President of the Board of Directors. Its tasks include promoting and monitoring the Corporate Governance and it is responsible for implementing the strategy adopted by the Board of Directors as well as the business activities of the Management, in accordance with Art. 15 of the organisational regulations. On behalf of the Board of Directors, the Presidential Committee also explicitly deals with all issues relating to **sustainability**.

The Cover Pool Committee takes care of all matters of interest of the Board of Directors regarding the cover pool, which is a key issue for Pfandbriefbank. The Cover Pool Committee is made up of two members of the Board of Directors who are familiar with the mortgage business. Its responsibilities include carrying out examinations in connection with cover assets.

The tasks related to nominations, remuneration, as well as audit and risk management are dealt with by the entire Board of Directors in view of our simple business model and the tight framework conditions, with these tasks being prepared in advance by the Presidential Committee. With regard to **audit issues**, it should be noted that the auditors present their reports directly to the full Board of Directors and answer its questions directly. As mentioned, the Board of Directors now also assesses the auditors.

With regards to **risk management**, the Board of Directors assesses the risk analysis as required, but at least once a year, and assesses the adequacy of risk management (including the sustainability risks integrated therein) and the appropriateness of the internal control system. It also checks compliance with risk policy requirements and limits and decides on measures in the event of special events and developments. The risk analysis includes a list of identified risks from the risk types "credit default", "credit clusters", "market", "financing (including liquidity)", "internal organization/ICS, operations", "legal and compliance", "reputation" and "reporting obligations" as well as existing or planned "risk-reducing effects and measures" for these risks. The risk analysis contains various sustainability aspects that are distributed across the various areas. In addition, the Board of Directors monitors compliance with the requirements regarding bonds and loans. The management has to take several key figures into account: When applying for loans, banks may not exceed a maximum quota relative to their mortgage volume. When allocating loans, the mortgage bond loans may not exceed certain upper limits relative to the mortgage volume, the balance sheet total and the bank's core capital. There are also rules regarding the maximum loan maturities per maturity date and per calendar year, as well as regarding the concentration of maturities over time per member bank. The Board of Directors has delegated the audit of compliance with the investment regulations in the context of investments of the free assets to the Presidential Committee but is informed of the situation once a year or as required. In addition, the auditing company also prepares an annual risk analysis in accordance with FINMA's requirements and derives the audit strategy from this.

In terms of **remuneration**, the Board of Directors determines the compensation of the individual members of the management in their absence. The salary structure at Pfandbriefbank is as simple as the narrow business model: variable salary components and bonuses were already abolished at all levels years ago. All employees (including management) have the same pension fund plans and the same personnel insurance.

Furthermore, the Board of Directors has also made it its task to carry out an annual **self-assessment** of "its composition, working methods and results achieved" as well as an **assessment** of "the operational standards relating to the environment, social issues and corporate governance (ESG)".

## **Management**

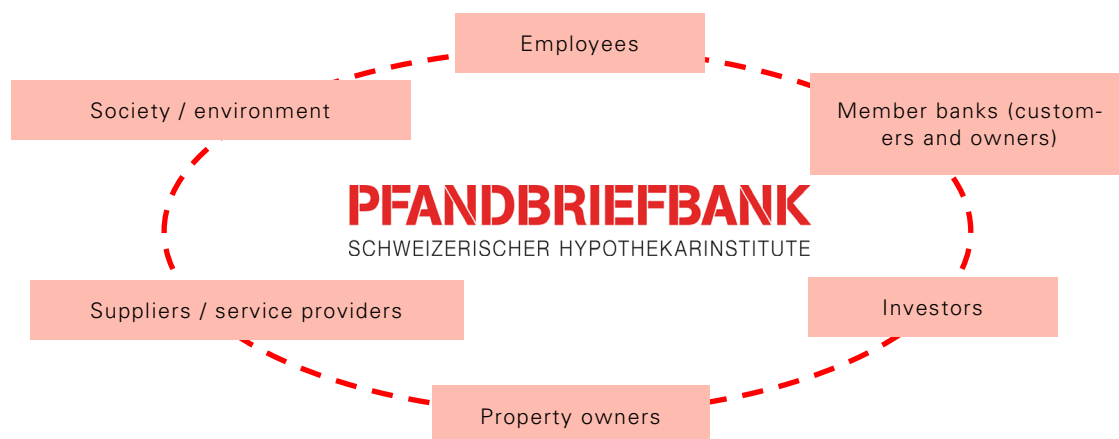
Alongside other tasks, the Management is responsible for implementing the resolutions passed by the Board of Directors and its committees as well as taking care of all other

necessary activities to ensure ongoing operations. The tasks and powers of the management are regulated in the Pfandbriefbank's organizational regulations.

The Executive Director performs the roles of Risk Manager, Compliance Officer, and Chief Communication Officer. The Deputy Director is responsible for issues relating to cover pool monitoring and is the Chief Data and Information Security Officer and is also responsible for risk management in the area of information and communications technology as well as cyber issues. The Vice Director is responsible for Capital Market and Accounting and is the main contact person for sustainability issues.

The Board of Directors is responsible for the strategic and sustainable orientation of Pfandbriefbank as part of its legal mandate. The Management and the employees are together responsible for the implementation of relevant policies.

In carrying out our business activities, we have identified various stakeholders in addition to the Pfandbriefbank's bodies (General Meeting, Board of Directors, Management, Auditors):



**Figure 7: Our stakeholders (own illustration).**

Pfandbriefbank ensures strict compliance with legal, supervisory and internal guidelines in all its activities. We are convinced that long-term economic success goes hand in hand with a healthy, natural environment and a stable society. In view of the challenging problems facing humanity – from the climate crisis and resource scarcity to a stable financial and economic system – Pfandbriefbank recognises its responsibility to contribute towards a stable environment and economy. Within the framework of our legal mandate, there are above all social and ecological sustainability dimensions. Providing sufficient capital enables a well-functioning and stable housing market with adequate affordable housing. Likewise, financial viability is one of the basic requirements for the ongoing, lengthy, and costly transformation process of improving the energy efficiency of the Swiss housing stock. The Swiss Pfandbrief system also has a stabilising effect on the domestic banking sector and the capital market. With this in mind, we assume responsibility not only as the provider of our services, but also as an employer and as part of society.

### **3.2 Ethics, integrity, and lawful conduct**

Traditional financial institutions play an important role in preventing corrupt, unlawful, or unethical behaviour. As technology evolves, the dangers for society and the methods of abuse (e.g., money laundering, financing of terrorism, and favouring the anonymity of business relationships) are also increasing. Implementing preventative actions and conducting comprehensive employee awareness campaigns are crucial to prevent such abuses.

Pfandbriefbank is fairly protected from such risks due to its narrowly defined business activity and its structure. Nevertheless, it considers that prevention and raising awareness of its employees towards ethical and lawful behaviour are an important task as well as a duty towards its own employees, clients, and business partners. This also includes compliance with regulatory and legal requirements and the sanctioning of any form of bribery or corruption. To improve awareness, the "[Bribery and Corruption](#)" policy was additionally developed, implemented and published in 2024.

With the use of Automatic Security Awareness Program (ASAP) provided by KnowBe4, Pfandbriefbank has access to a content library with more than 1,000 training courses. It allows Pfandbriefbank to design a fully customised awareness programme (e-learning courses: presentations, videos, quizzes, control questions, etc.) for our organisation. Our employees receive training on the topics that are relevant to Pfandbriefbank (e.g., cyber security, working from home, corruption, data protection, and sustainability) at our biweekly team meetings. In addition to training sequences, various forms of phishing attacks can also be simulated using ASAP. This module is used regularly, and the results are then discussed. In addition, all employees also have individual ASAP-access and can thus receive specific further training.

In the event of suspected breaches in ethical matters, there are several options for reporting such incidents, as outlined below. No complaints were received for the 2024 reporting year.

### **3.3 Compliance**

Good corporate management requires compliance with legal regulations and supervisory rules. It forms the basis for a responsible approach to managing all risks. These guidelines are key for us and form the foundation of our business.

The Pfandbrief Act of 1930 forms the cornerstone of all business activities carried out by Pfandbriefbank. It stipulates that "authorisation from the Federal Council is necessary in order to exercise the right to issue Pfandbriefe" (Art. 2 PfG). The act also regulates the coverage of Pfandbriefe and loans (Section III), including the coverage of loans to the members themselves (Section III, II PfG). Before issuing Pfandbriefe, the responsible bodies must certify (coverage) that the statutory coverage is in place (Art. 9 PfG). The reporting requirements also state that the audit companies of the members of the Pfandbrief institutions are to audit "the cover pool and the coverage of loans as part of the annual audit" and "create a report about these audits for the Pfandbrief institutions and the audit companies employed by them" (Art. 38b PfG).

With regards to the audit, Pfandbriefbank is obliged by law (Art. 38a PfG) to commission one of the auditors authorised by the Federal Audit Oversight Authority (para. 1). It must also have its annual reports audited "by a state-supervised auditing company in accordance with the auditing principles of the Swiss Code of Obligations" (para. 2). There is no rotation requirement for the auditor/audit company. However, Art. 730a of the Swiss Code of Obligations stipulates that the person leading the audit must be rotated regularly, that the mandate may be carried out for a maximum of seven years, and that the audit company is elected by the general meeting for only one year at a time. In addition, since 2023 the Board of Directors has been assessing the independence, qualifications and working practices/professionalism of the audit company on an annual basis.

The compliance structure of Pfandbriefbank ensures that the aforementioned statutory, regulatory and other (internal) requirements are complied with. This protects members and investors alike. Central to this is the protection of the autonomy and independence of Pfandbriefbank, because it must be ensured that the Pfandbriefbank's Pfandbrief privilege is available to all members as part of the joint undertaking and cannot be undermined by a few large players. Pfandbriefbank can also prevent reputational damage with its tailor-made compliance structure.

Pfandbriefbank is committed to respectful dialogue, openness, and responsible behaviour, both within the company and in its dealings with investors, member banks and other stakeholders. This is intended to create an environment of trust where any shortcomings can be disclosed and corrected at the first opportunity. To this end, Pfandbriefbank is in regular contact with various partners and actively asks them how satisfied they are with regard to the cooperation.

Binding guidelines and instructions have been issued for the handling of business activities and processes (e.g., payment transactions, issuing incl. lending, accounting, and awarding of contracts), and these are audited for compliance by an internal control system (ICS). This means that at least one additional, independent person performs control functions in each process and certifies the checks. The controls are documented in writing for each process run. This further counteracts problematic or unethical behaviour in the event of conflicts of interest.

Praise and complaints are important for the healthy development of every company. We take all feedback seriously and want to analyse critical feedback in particular and take appropriate measures if necessary. Our clients, our investors, our employees and other third parties can address their complaints to us at any time by telephone, by e-mail or in person to any member of the Management or the Board of Directors. However, any complaints should be first addressed by management, which will deal with the issue raised. Even though Pfandbriefbank is not obliged to submit to the Swiss Banking Ombudsman (<https://www.bankingombudsman.ch/en>), it has done so voluntarily. Questions and complaints can also be addressed to it at any time. As Pfandbriefbank is supervised by FINMA, anonymous reports can also be submitted via FINMA) (<https://www.finma.ch/en>). In 2024 Pfandbriefbank developed, implemented and published its "[Whistleblowing](#)" policy. This contains information and obligations regarding the process as well as provisions for the protection of whistleblowers.

No reports of any violations of laws or regulations or other complaints were received for the 2024 reporting year.

### **3.4 Fighting corruption and money laundering**

Pfandbriefbank prohibits and sanctions any form of corruption and bribery in business transactions. The legally very narrowly defined business model and detailed processes for our few core tasks (with standard four-eyes controls) reduce the risk to a minimum. The Pfandbrief system is also not suitable for money laundering or terrorist financing.

The compliance department is responsible for ensuring that regulations are complied with through regular monitoring and awareness raising. The employees are trained by means of online courses. In addition, Pfandbriefbank worked with external experts in 2024 to develop its policy against "[Bribery and Corruption](#)". With regard to money laundering, a memorandum commissioned from a renowned auditing and consulting firm confirms the view that the Anti-Money Laundering Act does not apply to Pfandbriefbank.

No cases of bribery and / or corruption were identified in the 2024 financial year. Likewise, no financial transactions were identified that would have posed a money laundering risk.

### **3.5 Data protection and security**

Information security and data protection are fundamental components of Pfandbriefbank's business activities. Both are monitored, safeguarded, and improved by the Chief Data and Information Security Officer. In addition, it is the task of every employee to comply with the rules on data security and data protection at Pfandbriefbank. When dealing with sensitive data and information, increased attention is required and demanded. The rules and guidelines on information security are operationalized in security guidelines and are made

available to every employee. Employees are also trained by means of online courses. Pfandbriefbank conducts annual risk-based audits to identify gaps and vulnerabilities in its data security. If any data protection incidents are detected, they are analysed promptly, and solutions are developed. Such incidents also serve as a basis for future improvement measures.

In addition, the completely revised Swiss Data Protection Act entered into force on 1 September 2023 and will set high requirements for the collection, retention, processing, and deletion of sensitive data. The requirements were implemented on time and documented in Pfandbriefbank's data protection policy and the Data Protection Impact Assessment (DPIA) directive. A DPIA must be carried out if, due to the nature, scope, circumstances (particularly when using new technologies) and purposes of a new data processing activity, this is likely to involve a high risk to the personality or fundamental rights of the person concerned. The DPIA serves to systematically review such risks and implement appropriate measures.

No data protection incidents were identified in the 2024 financial year.

## **4 Social affairs and employees**

Pfandbriefbank is designed on the principles of security, stability and durability, and its work makes a major contribution towards ensuring financial stability in Switzerland. In addition to our social obligations, we are aware of our responsibilities towards our employees. A motivated and highly trained workforce, which works together as a team, is our most important resource. We treat our employees, suppliers, clients and other stakeholders with respect and fairness because we are convinced that this benefits all stakeholders in the long run.

Within the scope of our operational possibilities, we promote equal opportunities and expressly distance ourselves from any form of discrimination on grounds of gender, age, nationality, religion, or sexual orientation. In 2024, the corresponding policy "[Sexual Harassment, Bullying, Prohibition of Discrimination and Promotion of Diversity and Inclusion](#)" was developed, implemented and published.

As mentioned in section 4.1 of the policy on "[Sexual Harassment, Bullying, Prohibition of Discrimination and Promotion of Diversity and Inclusion](#)" Pfandbriefbank has been offering its employees an external confidential advisor since 2024. This service is available to all employees who feel severely distressed (for professional or personal reasons) by any of the following situations:

- Bullying, sexual harassment;
- Discrimination, violence;
- Conflicts with superiors or colleagues;
- Overwork, stress, impending burnout;
- Stress resulting from dismissal;
- Addiction/alcohol problems.

If necessary, affected persons or observing employees have access to an external, professional contact person who is independent of the employer and available free of charge.

The external confidential contact has confirmed that no enquiries concerning Pfandbriefbank were received by the contact point in 2024.

Although Pfandbriefbank is not a "bank" in the strict sense, it is a voluntary member of "Arbeitgeber Banken", the employers' association of banks in Switzerland. With this membership, the employees of Pfandbriefbank are subject to the VAB and benefit from generous

regulations. The Swiss banking industry has had a well-functioning social partnership between employers and employees since 1920 (!). Together, with the "Agreement on Terms of Employment for Bank Employees" (VAB), they form one of the oldest collective labour agreements in Switzerland.<sup>6</sup>

#### 4.1 Social issues

It is essential for Pfandbriefbank to have a systematic approach to its stakeholders and their demands. Regular communication with our stakeholders is primarily led and coordinated by the Management and is part of Pfandbriefbank's strategy. This contributes to the continuous improvement of our organisation and the implementation of new ideas. The dialogue regarding sustainability issues has increased noticeably in recent years. We use feedback from both our stakeholders and the rating agencies as a pool of ideas for further potential improvements.

#### 4.2 Corporate/management culture and employees

At Pfandbriefbank, the skills, knowledge, commitment, and motivation of its employees form the basis of our success. Progressive and attractive working conditions are an integral part of this and make a significant contribution towards the wellbeing and thus the motivation of the workforce.

The Pfandbriefbank team is small and manageable. As mentioned under 2.5, we offer opportunities to try to re-enter the professional world with us. In such cases, tailor-made solutions are also required, which are agreed upon individually with the authorities, the coaches and the employees. In 2024, we were able to welcome one person to our team for one year. All other employees are employed directly by Pfandbriefbank on a permanent basis, we do not work with contractors. At the end of 2024, twelve people were employed at Pfandbriefbank's (only) office, with a full-time equivalent of 10.0 FTEs. Since 1 January 2023, the Management has comprised three people, and there are nine members of staff.

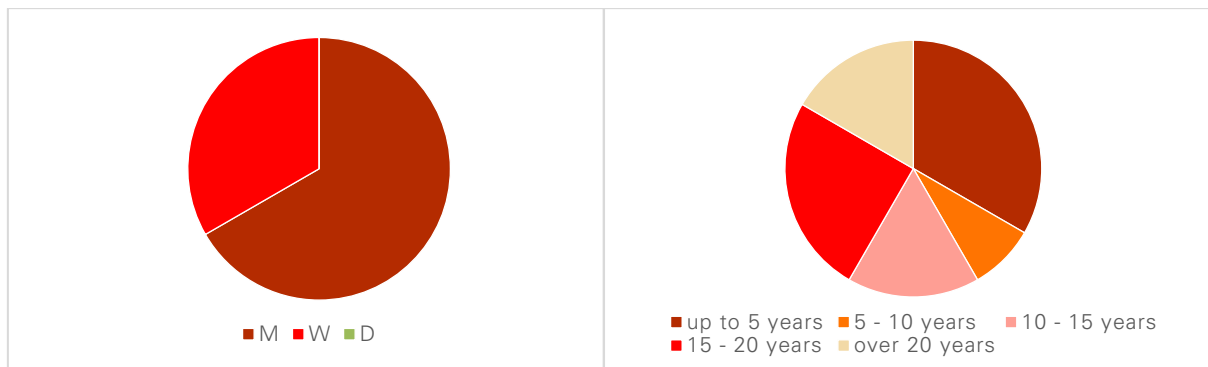
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	FTEs	Em	FTEs	Em	FTEs	Em	FTEs	Em	FTEs	Em
Starting figure	6.8	8	7.4	9	7.6	9	8.4	10	8.9	11
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Closing figure	7.4	9	7.6	9	8.4	10	8.9	11	10.0	12

**Figure 8: Full-time equivalents "FTE" and number of employees "Em" (data collected internally).**

As a small business, we are focused on stability, longevity, and security in our role as employer. Proof that Pfandbriefbank's workforce is satisfied can be demonstrated in the low staff turnover and their long-standing service: despite new hires resulting from an increase in the number of employees, the average length of service is more than ten years. Seven employees have been working at Pfandbriefbank for eleven years or more. From our perspective, this highlights the quality and stability of the jobs and working conditions that we offer.

<sup>6</sup> Further information about the Social Partnership in the Swiss banking industry and about the VAB, including its evolution, can be found at: <https://www.arbeitgeber-banken.ch/dienstleistungen/sozialpartnerschaft>.





**Figure 9: Gender distribution**  
(data collected internally).

**Figure 10: Seniority distribution**  
(data collected internally).

Making sure that our employees have a good work-life balance is important to us at Pfandbriefbank. In the past, especially during changes in living circumstances (e.g., starting a family), the Pfandbriefbank team has been able to find solutions that are acceptable to all parties. Part-time working is possible and helps us retain our long-serving members of staff. In addition, we allow leeway to adjust working hours to personal needs in an uncomplicated manner. Part-time employees receive the same general conditions as full-time employees. At the end of 2024, six employees were employed part-time. We grant sabbaticals as special leave or extend the parental leave when requested by employees. Our internal deputy system also makes it easier to return to work with a reduced workload.

Unlike companies with a large workforce and constant staff turnover, our small number of employees as well as their long-term commitment to the company does not allow any statistically significant conclusions to be drawn regarding our HR policies. Singular events can have a significant and long-lasting impact on changes in staffing. It is important for the principles of equal opportunity to be taken into consideration in every personnel decision: gender, origin, age, sexual orientation, etc. are irrelevant. The only things that matter for Pfandbriefbank are the personal and professional skills of the applicants (see also the policy on ["Sexual Harassment, Bullying, Prohibition of Discrimination and Promotion of Diversity and Inclusion"](#)).

Due to the small size of the team, close cooperation is extremely important. The entire team works hand in hand and its members are therefore in constant contact with one another, which is why direct, in-person interaction in our offices is also important to us. There are short hierarchical and local decision-making paths, and the door is always open to employees for any concerns or suggestions. The management style is participative. Being proactive and assuming responsibility is not just permitted but encouraged. Employees are heard, and their opinions are taken into consideration when making decisions. Through regular visits by Board members to our offices or other contact options, the distance between employees and the members of the Board of Directors is also actively kept short.

In addition, we attach great importance to good team spirit, which we encourage through joint activities and experiences (business trips, meals together, etc.). There are also no individual performance targets at Pfandbriefbank; instead, the main objective is to support Pfandbriefbank as a whole – which means that working as a team is essential. The satisfaction as well as the health of the employees is very important to Pfandbriefbank. By connecting to a professional, external advisory centre, all employees have easy access to expert advice on health issues (overwork, stress, impending burnout, addiction/alcohol problems, etc.). Staff and the Management are able to criticise or to make constructive suggestions at any time. Thanks to short decision-making paths, adjustments can be implemented swiftly and easily. Our employees' wellbeing and satisfaction are specifically looked at during discussions and surveys, which take place at least once a year. In 2024, there were no negative experiences to report, nor were any enquiries received by the external confidential advisory centre. Our employees enjoy working at and for Pfandbriefbank and value their colleagues.

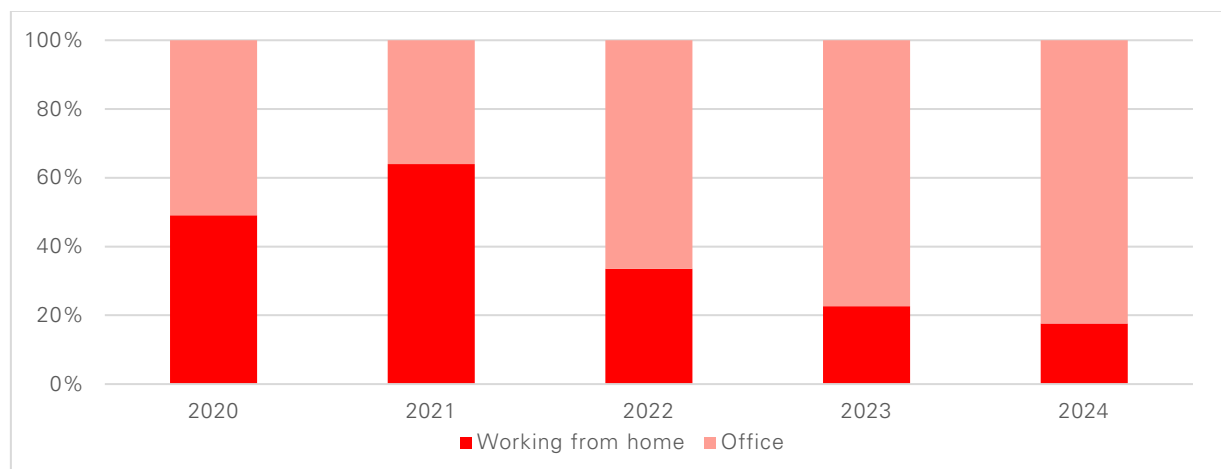


The low staff turnover, due to the many years of service, helps to create an informal work culture and a trust-based working environment. Our day-to-day work is characterised by a flat hierarchy and a culture of open communication. In addition to direct contact, our regular team meetings also provide opportunities to address any issues openly and directly. This vessel is also used to discuss planned or pending innovations before they are implemented. If any major differences in opinion emerge, employees can directly approach members of the Board of Directors, who are personally known to the staff or get in touch with the confidential external advisory centre.

Freedom of expression, assembly and association and the right to form a professional association are four of the fundamental rights under the Swiss Constitution<sup>7</sup> (Articles 16, 22, 23 and 28 respectively). As an employer, Pfandbriefbank respects and protects these fundamental rights of its employees. All employees are allowed to join a trade union, in our industry typically one of the two associations that are also involved in the Social Partnership, namely the Swiss Bank Employees Association and the Swiss Commercial Association. Under the VAB<sup>8</sup> (Art. 32 - 36), banks encourage employee participation and according to Art. 37 - 42 VAB, employees also have the explicit right to set up an internal personnel committee with extensive say in personnel matters. In 2024, Pfandbriefbank developed, implemented and published its "[Freedom of Association](#)" policy.

In a small business, mutual understanding of processes and activities is particularly important. Therefore, in the course of their work at Pfandbriefbank, our employees are repeatedly given the opportunity to participate in different departments or to take on new areas of responsibility (job enrichment and enlargement). Access to the ASAP training and knowledge database enables our employees to acquire additional knowledge or to refresh their existing knowledge online at any time, both in their own field of activity and across the board. The Swiss Bankers Association also offers regular webinars on current topics. When necessary, we collaborate with our large network of member banks, which have a wide range of internal banking courses to provide additional training opportunities. In addition, independent third parties provide a wide range of banking-related courses and more general training opportunities. Pfandbriefbank supports its employees and contributes financially and/or through vocational training projects during working hours and, if requested, it also enables workload reductions.

As a progressive employer, we offer our staff the option of flexible working and working from home up to 40 %. This enables the workforce to work flexible hours reduces commuting as well. However, all employees still have their personal workstation at the office. The option of working voluntarily from home was again widely used in 2024. Out of 2,396 days worked by all employees, 423 were worked from home. This corresponds to 18 %.<sup>9</sup>



**Figure 11: Place of work in % (data collected internally).**

<sup>7</sup> <https://www.fedlex.admin.ch/eli/cc/1999/404/en>

<sup>8</sup> The "Agreement on the terms and conditions of employment of bank employees (VAB)" is available online, for example at Arbeitgeber Banken (<https://www.arbeitgeber-banken.ch/themen>).

<sup>9</sup> Data collected internally.

### 4.3 Compensation and benefits

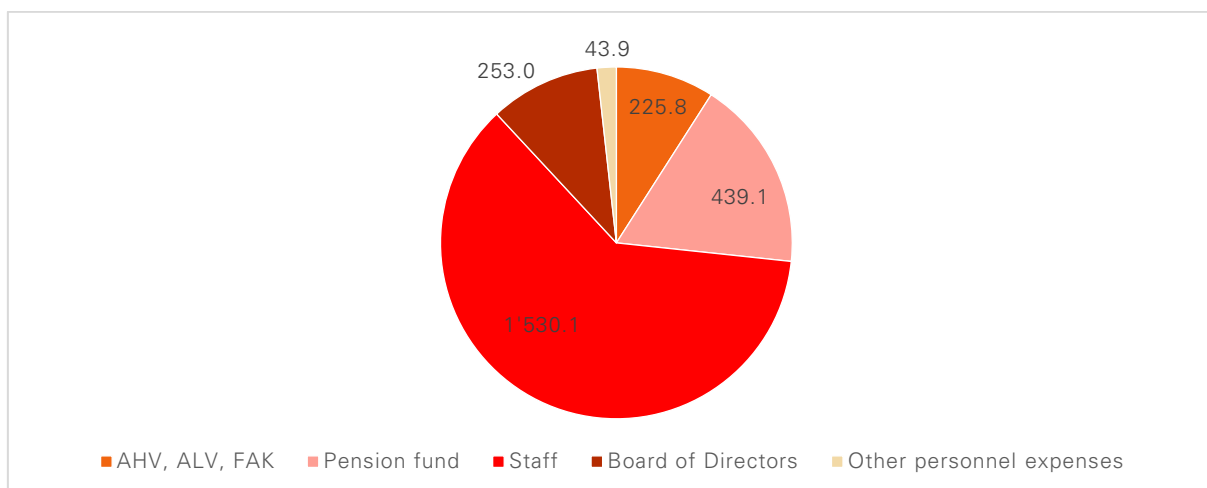
In order to promote the development of our employees and ensure their wellbeing, we employ certain measures with the aim of creating a working environment that is characterised by respect and openness.

In accordance with our security-oriented company culture, we also take our duty of care towards one another seriously. Alongside a competitive, gender and workload-independent, market-based, and performance-related remuneration, the provision of generous social security has always been important to Pfandbriefbank. It is just as important to us that all employees (regardless of gender, workload, or hierarchical level) can benefit from the same (generous) insurance and pension solutions. Regarding accident, accident supplement and daily sickness benefits, there is a single insurance policy which is valid for the entire staff and Pfandbriefbank covers the entire premiums for all employees (until further notice). Regarding the pension fund, there is also a single pension plan that applies to all employees (incl. management). There are no C-suite special benefits, and all details of insurance and pension benefits are known to the entire workforce. This principle of equal treatment also applies to additional benefits such as Reka-Checks, Lunch-Checks, half-fare travel cards and travel expenses. Members of the Management are subject to additional expense regulations approved by the tax authorities of the Canton of Zurich with a flat-rate expense scheme.

Likewise, all employees (incl. management) are treated equally regarding variable compensation components. Bonuses, which are still common elsewhere in the banking industry, were abolished at the end of 2019 for all employees – from the staff through to the Executive Director.

Under Art. 4 PfG, only Swiss banks may become shareholders of Pfandbriefbank. Accordingly, employees are not allowed to own shares in Pfandbriefbank.

Personnel costs can be found in our annual report (<https://pfandbriefbank.ch/en/business-reports>). The salaries of all employees are disclosed and discussed in the Presidential Committee. This ensures that remuneration is fair and in line with the industry. The Board of Directors and the Presidential Committee ensure that uniform rules are applied when determining the salaries of all employees. The salaries of the Management are discussed and determined by the full Board of Directors. The wage gap is smaller than 1 to 4.



**Figure 12: Distribution of personnel expenses in CHF thousands (data collected internally).**

The social security of its employees has always been a major concern for Pfandbriefbank. As mentioned above, all employees (incl. management) benefit from the same generous insurance and pension fund solutions. These comprehensively cover the financial risks relating to invalidity and death as a result of accident or illness as well as old age, and at a

level significantly above the statutory minimum. As an employer, Pfandbriefbank also voluntarily covers all premiums for the supplementary accident insurance (occupational and non-occupational accidents) on a provisional basis.

Pfandbriefbank's occupational pension solution also emphasises its active responsibility towards its employees and their relatives. As early as 1933, i.e., shortly after Pfandbriefbank was founded and almost 50 years before the introduction of the statutory minimum, Pfandbriefbank joined the now-called Bafidia Pensionskasse Genossenschaft (then known as Pensionskasse schweizerischer Regionalbanken) and insured its employees. Bafidia Pensionskasse was founded by different regional and savings banks in 1926 as a self-help organisation. As a cooperative, which is an unusual legal form for a pension fund nowadays, Bafidia functions on a democratic basis: all affiliated members must choose one employer and one employee representative, which grants them a direct say at the Assembly of Delegates, at which the board (management body) is elected and changes to the regulations are determined. Important decisions therefore always require the approval of both employers and employees. This principle of joint consent also applies to Pfandbriefbank's pension plan. Our plan is modern and provides the insured with individual options within the framework of the pension fund's statutory and regulatory requirements. Pfandbriefbank has always paid a higher share in contributions than the 50 % stipulated by law.

As a small business, Pfandbriefbank does not have its own canteen but still contributes towards employees' meal costs with a monthly payment in the form of "lunch-check" vouchers.<sup>10</sup>

#### **4.4 Occupational health and safety**

The health and safety of our workforce is a high priority for Pfandbriefbank. Our offices are in an ideal location immediately next to Zurich Oerlikon railway station. In addition to excellent connections to the public transport network, the location also offers a number of shops and restaurants in the vicinity. If, exceptionally, employees need to travel by car, adequate company parking spaces are available free of charge in the underground car park.

The office is spacious and well lit, and plants, pictures and plenty of daylight create a pleasant atmosphere. Each employee has their own personal workspace (often in individual offices) near windows, which can be opened to provide ventilation. We provide coffee and tea (organically grown) as well as cold drinks (no soft drinks) to our employees free of charge. To promote employee health, all workplaces have ergonomic chairs and height-adjustable desks as well as efficient lighting that is easy on the eyes. Newly purchased technical equipment are state of the art, while also taking health-related and environmental aspects into consideration. In the first half of 2024, all employees were sensitized and trained on healthy posture at work on-site and individually by a qualified occupational therapist. The workplace was also optimally set up together with the expert and the desk and office chair were adjusted correctly. The measure was greatly appreciated by the employees.

With the external confidential advisory centre mentioned above, all employees have the opportunity to seek confidential advice from specialists on health issues (overwork, stress, impending burnout, addiction/alcohol problems, etc.).

The above-mentioned membership of Arbeitgeber Banken subjects Pfandbriefbank's employees to the two Social Partnership frameworks: the "Agreement on Terms of Employment for Bank Employees" (VAB) and the "Agreement on the Recording of Working Time" (VAZ).<sup>11</sup> Both frameworks also cover the topic of health and safety. To ensure statutory working hours, care is taken to ensure that a working week of 42 hours (at 100 %) is not

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<sup>10</sup> See also <https://www.lunch-check.ch>.

<sup>11</sup> For more information about Arbeitgeber Banken, as well as the VAB and VAZ, go to <https://www.arbeitgeber-banken.ch>.

exceeded wherever possible. Thanks to flexible working hours, employees can also use the many sporting and health-promoting facilities near the office premises during the day.

All employees benefit from generous vacation policy. The industry solution pursuant to the VAB already grants a fifth week of holiday to everyone. From the age of 50 or 60, at the latest, Pfandbriefbank grants its employees an additional week of holiday and, if they have also reached their 11<sup>th</sup> year of service, they also receive an additional week of holiday. Care is taken to ensure that all employees take their holidays and are therefore able to rest. Pfandbriefbank also makes a small contribution to its employees' leisure and holiday activities through the subsidised issue of Reka-checks.<sup>12</sup>

## **4.5 Respect for human rights**

Our business activities and this report are primarily based on the international human rights provisions that are binding for Switzerland and which are also anchored in various ways in the revised Swiss Federal Constitution of 1999. In 2024, Pfandbriefbank developed, implemented and published its "[Human Rights](#)" policy.

As a Swiss company operating in Switzerland, Pfandbriefbank is committed to respecting human rights. Its business partners such as service providers and suppliers are also located in Switzerland. Pfandbriefbank knows the companies and their circumstances. The relevant suppliers are visited on site at least once per financial year. Pfandbriefbank also has access to the audit reports of the respective companies. To date, no violations of human rights or inadequate employment or working conditions have been identified, nor have any third parties reported such violations.

## **5 Environment and operations – targets and metrics**

As a complex and multifaceted issue, sustainability has attracted widespread attention – economic, political, and societal – for quite some time, and its significance has rapidly gained momentum in recent years. As already explained at the beginning of this report, Pfandbriefbank – or rather the Swiss Pfandbrief system – also plays an important role in terms of environmental sustainability as a result of its statutory mandate. Ensuring the financial viability of the building stock will enable its transition towards greater energy efficiency. Stable and sustainable financial viability is a prerequisite for every renovation project and for every energy-efficient new building. Our business activities create this financing base.

Pfandbriefbank is aware that it will be required in the future to adjust to change political and societal conditions regarding sustainability and to react accordingly. The requirements will continue to evolve, and we will have to adjust to them. We fulfil our legal mandate sustainably and, in a resource efficient way so that we can continue to operate our business in a stable manner over the long term. We therefore give our energy consumption, CO<sub>2</sub> emissions and efficient use of resources a significant role in our own operations.

As a strategic goal in terms of sustainability, Pfandbriefbank focuses on constantly reducing its own ecological footprint. To this end, we began to consistently implement a number of smaller and larger measures in all areas of our day-to-day business operations many years ago. As a matter of principle, we have relied on long-term, and where possible local, supplier relationships. Accordingly, we also play an active role in the working groups and committees of the Swiss Bankers Association (SBVg) on the subject of energy-efficient mortgages. We are convinced that this important topic requires engagement and commitment from all societal actors for a chance at success.

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<sup>12</sup> See also <https://www.reka.ch>.

Sustainable operating activities are important for Pfandbriefbank. As such, Pfandbriefbank has set itself the goal of using natural resources conscientiously, sparingly, and efficiently. Our long-term goal is to minimize the use of energy and raw material necessities. This includes monitoring and recording district heating, electricity, water and material consumption in the office premises as well as employee mobility. In case of replacements or new purchases, longevity, and energy efficiency in terms of environmental sustainability are considered to be crucial. We ensure long usage cycles for furniture as well as technical equipment, and always check for the possibility of repairs if faults occur. Besides minimising our consumption of energy and other materials, we consistently use environmentally friendly forms of energy (green electricity, district heating) and recycle valuable materials.

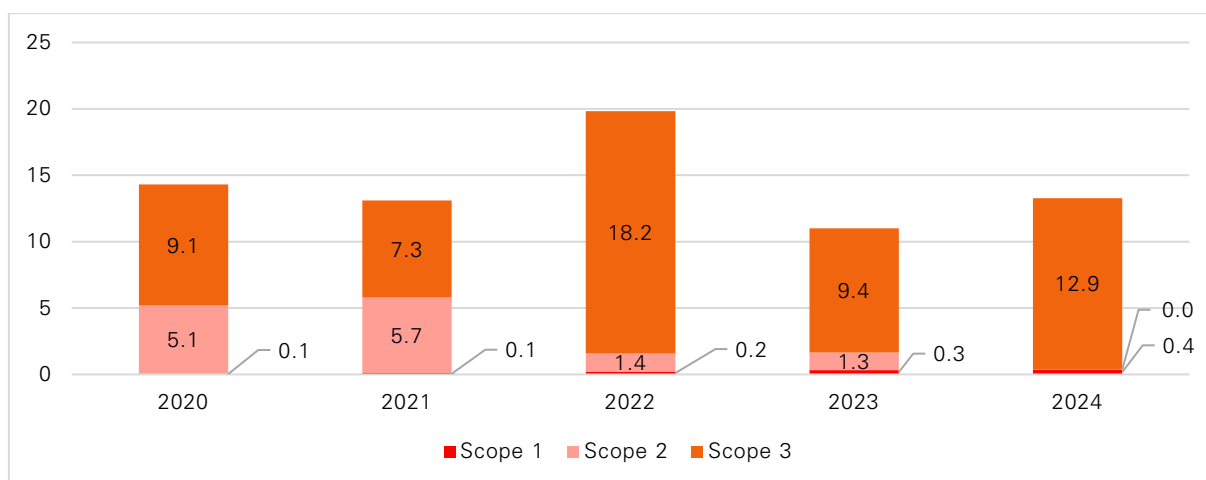
Through this holistic and comprehensive approach, Pfandbriefbank is playing its part in protecting the climate and preventing environmental pollution by safeguarding resources. To further underline our intentions, we also developed, implemented and published the "[Environmental and Climate Protection](#)" policy in 2024.

## **5.1 CO<sub>2</sub> emissions**

Pfandbriefbank has set itself the goal of closely monitoring its carbon footprint and, where possible, further reducing it. For this reason, since 2020, the CO<sub>2</sub> footprint (as CO<sub>2</sub>-e) of own business operations has been determined as part of a greenhouse gas balance across all three scopes together with the Swiss climate protection foundation myclimate and invested accordingly in domestic sustainable projects.

For the 2024 financial year, the carbon footprint figure came down to 13.3 t CO<sub>2</sub>e. The calculation was made in accordance with the internationally recognised GHG Protocol Corporate Accounting and Reporting Standard. The data basis for the calculations comes from myclimate Release 1.24.1 (based on ecoinvent 3.8, 3.9, 3.10, myc EF) and the IPCC 2021 calculation method (GWP 100a). The estimated electricity consumption of our infrastructure operated by our ICT outsourcing partner is included in the calculation for 2024 for the first time. In line with the CO<sub>2</sub> target, the total emissions are offset by investments in myclimate carbon-offsetting projects in Switzerland. For 2024, we have selected the climate protection project "Climate-adapted forest management". Among other things, the benefits of this project include promoting biodiversity, increasing the resilience of forests and forests as recreational areas for people. Our sustainability reports, CO<sub>2</sub> balances and compensation certificates from myclimate are published on our website (<https://pfandbriefbank.ch/en/sustainability>).

It is planned to continue to calculate the CO<sub>2</sub> footprint and to compensate it by supporting sustainable Swiss projects. With such investments, Pfandbriefbank not only wants to support well-founded projects but also to raise awareness on this topic and to express its willingness to minimise its CO<sub>2</sub> emissions.



**Figure 13: Change in greenhouse gas emissions over time according to published greenhouse gas balance sheets in t CO<sub>2</sub>e (model and calculation by myclimate based on internal data collection).**

## 5.2 Renovation and maintenance of own premises and offices

In the second half of 2021, Pfandbriefbank's offices were renovated and refurbished, where energy-saving refurbishments – within the limitations of planning regulations and structural constraints – represented a central aspect. The comprehensive and large-scale renovation and refurbishment work included, among other things, the installation of new, high-quality windows, the thermal insulation of the façade area and the replacement of our old, inefficient radiators, air conditioning and kitchen appliances. With replacement or new acquisitions, attention was paid to the highest available energy efficiency. The lighting was consistently converted to LED (workplace lights with integrated light management for synchronous daylight and season-dependent control of light colour).

In 2022, all ICT hardware at our workstations was replaced. After many years of operation, the devices were at the end of their service life (five years for thin clients and ten years for monitors). Attention was paid to energy consumption when selecting new IT hardware. Our new equipment acquisition had a one-off impact of 11 t CO<sub>2</sub>e on our 2022 greenhouse gas balance sheet in Scope 3.

In 2023, a large screen was purchased for the meeting room so that meetings and consultations could also be held professionally via telephone and video conferences. The condominium owners had to reinforce the three basement floors due to possible static risks. On this occasion, all sewage pipes were renovated and new ventilation was installed. The construction work was reflected primarily in water consumption for 2023.

In 2024, the owners of the commercial building began extensive renovation work on the upper floors. Among other things, the sanitary facilities are being renewed and the old risers replaced. The lighting in the common areas throughout the commercial building will also be completely converted to energy-efficient LED lighting. As part of the planning work and contract award process, Pfandbriefbank has, in line with our goal, awarded the contract for a gender-neutral and barrier-free toilet with shower for employees and visitors in the building. According to the plans, construction should be completed in 2025. Unfortunately, the roof renovation, which is not yet mandatory, and the associated installation of a photovoltaic system on the roof have been postponed until further notice by the building owners' association. However, further progress has been made as planned regarding the external infrastructure. Our physical servers at our ICT outsourcing partner had reached the end of their life cycle and were replaced by new, significantly more efficient servers.

### 5.3 Environmental management and key indicators

As part of its environmental management, Pfandbriefbank has systematically recorded its key figures on water, electricity, and district heating consumption since 2020. This facilitates the yearly comparison, which supports our operational objective to minimise consumption. Unfortunately, due to the old installations in the building (building dating back to the 1970s and Pfandbriefbank has a condominium ownership share of only 3.9 %), we can not yet determine all the key indicators individually for Pfandbriefbank. The renovation of our offices will have a significant and long-lasting effect in terms of reducing our energy consumption and is therefore a key part of our operational efficiency strategy.

We consider sustainable production when purchasing consumables. For any unavoidable paper consumption, we have long been using ecologically certified paper. For several years now, we have successfully worked towards reducing our paper consumption and using digital options instead. As a result, we now need around three quarters less paper than ten years ago. This figure does not yet include the various reports produced by the member banks, which are now delivered to us in electronic form instead of physically. As a final step, we switched to digital documents in accounting in 2024 as planned. Our employees now also use black and white as the default printing option and only switch to using colour ink when necessary.

In 2023, a water dispenser with a filter system for the professional treatment of tap water was installed as a replacement for mineral water in PET bottles, and soft drinks were also dispensed with. The filters clean the water of odors, tastes and pollutants. There is no longer any need to transport drinks or use PET bottles. In 2025, we commissioned an external laboratory to determine the quality of our drinking water and carry out an indoor air analysis with long-term measurements. The results are very satisfactory.

In addition, all unavoidable waste is separated, and the recyclable materials are professionally recycled in cooperation with WeRecycle. We collect and recycle paper and cardboard, aluminium, PET bottles, plastics, glass, batteries, small metals, toner, beverage cartons (milk), cork, electronic waste and coffee pods, among other things. With the purchase of reusable tableware for our employees, we have taken another step towards minimising waste.

We put a lot of emphasis on making sure that our employees are aware of the importance of reducing their resource consumption. For example, lights should only be switched on when necessary and screens should be switched off in the evenings instead of continuing to consume electricity in standby mode.

#### Electricity and water consumption of the offices<sup>13</sup>

In 2024, our total electricity consumption of Pfandbriefbank's offices amounted to 6,831 kWh. The "ewz.natur" type of electricity is obtained from ewz<sup>14</sup>: natural electricity from water, sun and wind. This is 100 % produced at ewz's own production facilities in Switzerland and across Europe. New in the 2024 calculation is the estimated electricity consumption of the infrastructure operated by our ICT outsourcing partner.

Our water consumption (according to the quota key) was 58.3 m<sup>3</sup> in 2024. We reduced our water flows to a standard 70 % by means of a special, water-efficient tap in our kitchen and flow restrictors in the toilets on each floor – which has had a significant impact in terms of saving water. The ongoing construction work in the building (especially in 2023 with the renovation of the basements and sewage pipes) has led to increased water consumption, which has subsequently significantly increased the share allocated to us via the fixed quota key.

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<sup>13</sup> Data collected internally, based on ewz data among other sources.

<sup>14</sup> ewz is the electricity company of the city of Zurich, see <https://www.ewz.ch/en/private-customers.html>.



We obtain our heating energy as district heating, which is known to be an efficient and environmentally friendly method of heating and obtaining hot water. In 2024, our annual consumption (according to the quota key) was 23.3 MWh.

Type	2020	2021	2022	2023	2024
Electricity consumption kWh	9,591	11,133	11,872	13,291	40,902
Of which electricity in the office kWh	5,311	5,822	6,858	8,472	6,831
Of which electricity ICT outsourcing kWh	N/A	N/A	N/A	N/A	29,003
Water consumption m <sup>3</sup>	85.1	73.2	56.4	83.0	58.3
District heating consumption MWh	25.6	28.3	23.7	23.1	23.3

**Figure 14: Consumption of energy, water, and district heating in the offices (data collected internally).**

## Mobility and commuting<sup>15</sup>

Mobility, either through commuting or business travel, is a significant factor in CO<sub>2</sub> emissions, with the (exact) impact largely depending on the means of transport. Our aim is to continuously reduce the environmental impact caused by employee mobility. We believe that trips should only be made where necessary and appropriate, and where possible they should be made using public transport. By incorporating mobility into our greenhouse gas balance sheet and investing in climate protection projects, we are also creating financial incentives for ourselves to act in an environmentally friendly way.

We encourage our employees to use public transport instead of travelling by private car when commuting, and we subsidise the former in the form of Reka-checks and, since 2022, by giving each employee a half-fare travel card<sup>16</sup> free of charge. The majority of our employees travel to work using public transport or by bicycle. However, the data for 2020, 2021 and to some extent also 2022 are less representative due to the restrictions imposed as a result of the COVID-19 pandemic: official, operational, and private protective measures (e.g., home office obligation, split office set-ups, and use of private transport to avoid crowds on public transport) are likely to have reduced commuting overall but increased the proportion of private transport (partly already privately compensated for by employees).

The total distance commuted by all our employees in 2024 was 120,639 km. Of this, 114,703 km was travelled using public transport and 5,936 km by employees using their own cars. This means that 95.1 % of the distance commuted was covered using public transport. We aim to increase this percentage further. Employee commuting is included in Pfandbriefbank's greenhouse gas balance.

There are no company cars, either for individual employees (incl. Management) or for shared use.

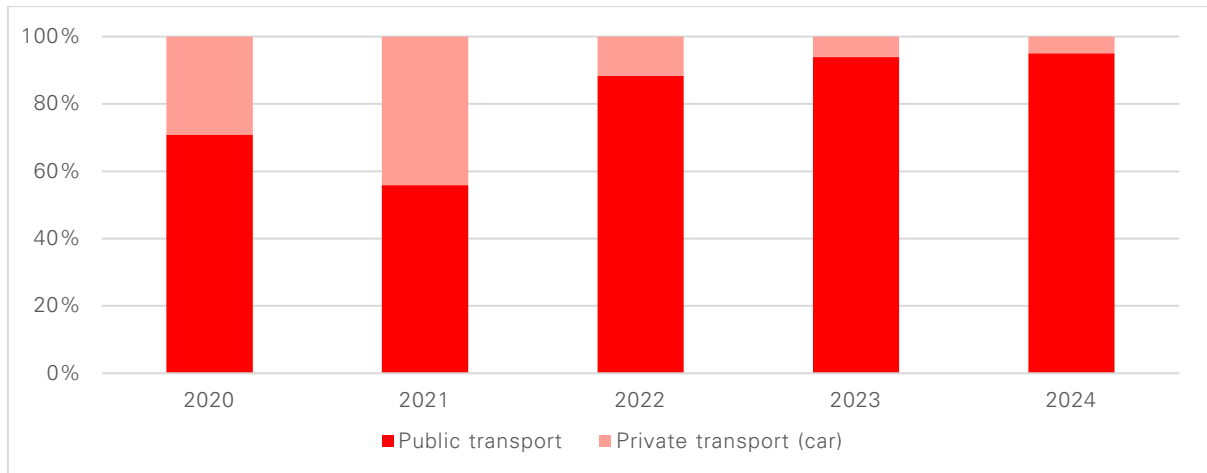
Means of transport in km	2020	2021	2022	2023	2024
Public transport	34,440	13,700	63,121	97,035	114,703
Private transport (car)	14,168	10,800	8,282	6,339	5,936
Total	48,608	24,500	71,403	103,374	120,639

**Figure 15: Breakdown of employee distance commuted by public and private transport (data collected internally).**

<sup>15</sup> Data collected internally.

<sup>16</sup> The half-fare travel card entitles holders to use public transport throughout Switzerland for half price.





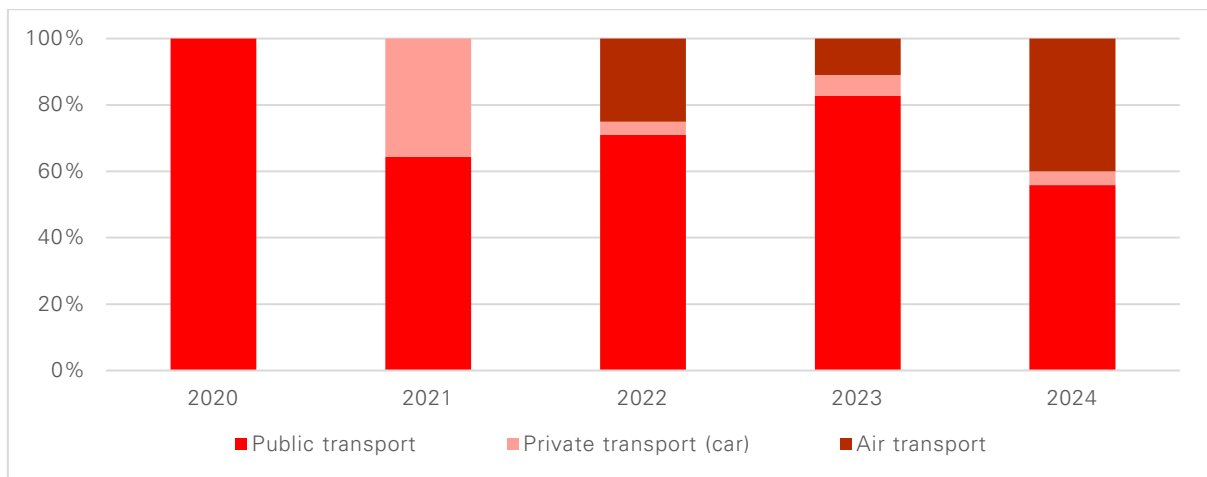
**Figure 16: Proportion of employee distance commuted by public and private transport (data collected internally).**

When it comes to business travel, we also try to make sure that it is as environmentally friendly as possible and use public transport wherever feasible or try to minimise flight or car kilometres through intelligent travel planning. Data from the COVID-19 pandemic years 2020 - 2022 isn't directly comparable with the reporting year 2024 due to the known restrictions in those years.

The total distance travelled by our employees on business trips in 2024 was 11,011 km. 55.9 % of these business trips were made using public transport. All business trips carried out by our employees are incorporated into Pfandbriefbank's greenhouse gas balance sheet. Since 2022, when travelling by air, the "greenest" option proposed by the airline will be chosen, in order to minimise CO<sub>2</sub> pollution at the source. If several options are available, the surcharge is paid for the largest portion of Sustainable Aviation Fuel (SAF). Whenever reasonable, business trips to neighbouring countries are also preferably made by train.

Means of transport in km	2020	2021	2022	2023	2024
Public transport	2,076	492	6,797	9,244	6,152
Private transport (car)	0	273	380	691	459
Air transport	0	0	2,400	1,229	4,400
Total	2,076	765	9,577	11,164	11,011

**Figure 17: Breakdown of employee business travel by public and private transport as well as air travel (data collected internally).**



**Figure 18: Proportion of employee business travel by public and private transport as well as air travel (data collected internally).**

## 6 Goals for the next business year

For the 2025 financial year, we want to address or are already working on the following issues:

- We intend to complete our "double materiality analysis" launched in 2024 to further develop our sustainability approach. Under the project management of a leading external consulting firm, the Executive Committee and the Executive Board have so far held several workshops to identify Pfandbriefbank's value chain and stakeholders and then defined, evaluated and consolidated around 80 IROs (impacts, risks and opportunities). The next step is stakeholder engagement to validate or, if necessary, supplement the assessments. The result of this complex process will be a systematically compiled list of Pfandbriefbank's key IROs and issues.
- In the short to medium term, we want to obtain an individual calculation of electricity and water consumption per condominium owner. The prerequisites for this should be clarified and the request will subsequently be addressed to the condominium owners' association.
- The installation of a photovoltaic system on our business premises remains a medium-term goal for Pfandbriefbank, in order for us to be able to cover our electricity needs ourselves as much as possible in the future. As our share of the total quota of condominium owners is only 3.9 %, we are largely dependent on the cooperation of the other condominium owners to achieve this goal.
- We want to further encourage our employees to commute using public or sustainable modes of transport. To this end, we are planning to create an additional incentive by offering discounted Reka-Rail+ vouchers. Reka-Rail+ is a designated means of payment that can only be used for climate-friendly mobility.
- In our role as "reminder, tracker and observer", we want to continually raise awareness among our member banks about the issue of energy efficiency and greenhouse gas emissions from properties and, within the narrow framework of our legal mandate, incentivise them to provide us with collateral with high efficiency and low greenhouse gas emissions respectively. To this end, we want to:
  - maintain the high standard of address data quality achieved in order to ensure a high level of coverage for the necessary data enrichment from official registers.
  - enable a higher cover value for collateral with low CO<sub>2</sub> emissions and
  - be able to better assess the cover pool, also in relation to natural hazards.The adjustments (higher coverage ratio and natural hazards) are to be implemented by the end of 2025 and should be available for production in 2026.
- Furthermore, we will consider whether and how a CO<sub>2</sub> reduction path could be defined in the medium term, although in this regard we must first observe and await the relevant developments at our member banks.

## 7 Legal notice

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### Exclusion of liability

This report was published by Pfandbriefbank to the best of its knowledge and in good conscience. The internal and external data used for this purpose has been carefully checked, but no liability can be accepted for any errors.

This sustainability report contains forward-looking statements, which are based on current plans, targets, and intentions. Pfandbriefbank does not assume any liability or make any guarantee that any statements will prove correct in the future, since any developments will depend on external factors that are beyond the control of the Management or the Board of Directors.

The German-language version of this report shall take precedence in cases of uncertainty or conflict.

**Reporting period**

Financial year 2024 (1 January to 31 December)

**Reporting cycle**

This sustainability report is set to be published on an annual basis, this being the third edition.

## **Appendix I**

# Exclusion policy

## Background

The Swiss Pfandbrief system was established in 1931 with the enactment of the Pfandbrief Act (PfG) and was supplemented by the Pfandbrief Ordinance. In Switzerland, only two institutions are authorised to issue Pfandbriefe, namely the Pfandbriefzentrale der schweizerischen Kantonalbanken AG and Pfandbriefbank schweizerischer Hypothekarinstitute AG (referred to below as Pfandbriefbank). Pfandbriefbank pursues a very precisely defined purpose: to issue Swiss Pfandbriefe®, as a product geared towards security and stability, and to pass the proceeds on to its members for refinancing their mortgage businesses. The legal mandate is a long-term, stable, and most favourable financial viability of the domestic building stock, and thus the basis for living and working for the Swiss population. In view of the necessary transition of the building stock towards more energy efficiency and lower pollutant emissions, the associated additional costs will also have to be financed. In line with its mandate, the Swiss Pfandbrief system will make a significant contribution to facilitating a successful transition.

The Pfandbrief system enables all member banks to access the capital market indirectly and thereby supports diversity in the banking sector, which is characterised by large banks that are focused on the national market as well as small regional banks. The Swiss Pfandbrief system is also an important pillar for the functioning of the Swiss capital market, and in the past has also proven to be especially crisis-resistant and stable. The Swiss Pfandbrief system thereby makes multiple contribution as a stabilising factor to maintaining Switzerland's position as a functioning and resilient centre for banking and finance, and therefore indirectly to its social and economic stability. In carrying out our business activities, we bear responsibility towards our employees, member banks (who are both clients and shareholders), Pfandbrief investors and other business partners such as service providers and suppliers, as well as society and the environment.

At the same time, however, the Pfandbrief Act places narrow limits on our scope for action. Pfandbriefbank is not free to choose its business areas or to structure its own products. It cannot determine the member banks' mortgage strategies or the property owners' renovation strategies. Its business scope is definitively and narrowly defined by law, and only allows Pfandbriefbank to carry out activities that are directly associated with the Pfandbrief business. This exclusion policy aims to clearly define our business boundaries and explain the limits of our scope of action.

## Statutory exclusions

The Pfandbrief Act stipulates that only Swiss banks may become members of Pfandbriefbank and that refinancing only refers to the domestic mortgage lending business of member banks. The Pfandbrief institutions do not have group structures; nor do they have any subsidiaries in foreign countries. Pfandbriefbank's business activities are therefore restricted to Switzerland. Accordingly, high Swiss standards apply with regard to aspects such as human rights, working conditions and the environment. Due to Pfandbriefbank's strictly regulated legal framework, issues relating to international tax planning practices can also be ruled out. It is also important to note that:

- Pfandbriefbank is not a bank in the usual sense and does not have a banking licence pursuant to the Banking Act but is authorised by the Federal Council as a Pfandbrief central office pursuant to Art. 2 of the Pfandbrief Act.
- Pfandbriefbank has a statutory refinancing mandate, and this relates to the mortgage business as a whole.
- Pfandbriefbank has no direct influence on the banks' lending activities.
- Banks carry out credit checks and affordability assessments on their customers in accordance with applicable standards.
- Pfandbriefbank has no direct influence on the structure of the banks' mortgage products (e.g. any incentives offered to bank customers).
- A Pfandbrief loan is only one out of several refinancing sources and there is no direct refinancing link to the cover pool.

- A member bank's cover pool is exclusively assigned the role of financially securing the Pfandbriefe.
- A member bank can exchange or deregister individual mortgage loans in the cover pool at any time as long as the overall cover is guaranteed.

Here you will find another detailed overview of our business limitations under the Pfandbrief Act and the Pfandbrief Ordinance:

### **Authorisation by the Federal Council**

The authorisation by the Federal Council is a prerequisite for exercising the right to issue Pfandbriefe (Art. 2 PfG). The Federal Council's direct involvement is also evident in other aspects of Pfandbriefbank's activities. It is particularly worth mentioning that the Federal Council nominates a member of the Board of Directors as representative of the mortgage debtors (Art. 37 PfG) and that it must explicitly approve the articles of association (Art. 2 PfG) as well as the valuation regulations on which the cover is based (Art. 32 PfG).

### **Membership**

Any credit institution with its head office in Switzerland may be a member of Pfandbriefbank. If at least 60 % of a credit institution's balance sheet consists of receivables in the domestic mortgage credit business, it has a statutory right to membership (Art. 4 PfG). However, the Pfandbrief institutions are free to accept other Swiss credit institutions as members.

### **Business scope**

The business scope of the Pfandbrief institutions is narrowly and conclusively defined, and includes in practice (Art. 5 PfG):

1. the issuance of Pfandbriefe
2. the investment of the proceeds from the issuance of Pfandbriefe in covered loans to member banks
3. the investment of equity and debt capital in accordance with the definitive list in Art. 5 lit. 3 PfG
4. other short-term bank transactions only to the extent required for the issuing of Pfandbriefe and the granting of loans.

### **Issuance of Pfandbriefe**

Pfandbriefbank may only issue Pfandbriefe in such amounts that the total of all on-balance-sheet debt obligations, including Pfandbriefe, does not exceed fifty times its equity capital (Art. 10 PfG). The responsible bodies must ensure and certify that the statutory minimum coverage is available before Pfandbriefe are issued (Art. 9 PfG). The wording and external design of the Pfandbriefe are subject to the approval of the Swiss Federal Department of Finance (Art. 7 PfV).

### **Issuance of loans**

Pfandbriefbank grants its members and other credit institutions covered loans from the proceeds of Pfandbriefe issuances. The maturity of the loans must coincide with the maturity of the Pfandbriefe from the proceeds of which the loans were granted. (Arts. 11 and 12 PfG). In practice, the total amount of the loans granted must serially correspond to the Pfandbrief issuance, as the cover required for the Pfandbriefe pursuant to Art. 14 PfG would otherwise not be guaranteed. The interest on the loans is serially linked to the interest on the Pfandbriefe to ensure that Art. 15 PfG can be complied with.

## **Coverage of loans**

The loans to Pfandbriefbank members and the outstanding interest thereon must be covered at all times by members' mortgage pledges or collateral claims on their debtors, which are kept and administered by the members. The liens on these claims must be located in Switzerland, the pledges on domestic liens or mortgage bonds must exist (Art. 19 PfG). The member banks must enter the cover for their loan withdrawals in a pledge register (Art. 21 PfG). The loans of the Pfandbrief institutions and the outstanding interest thereon enjoy a lien on the cover entered in the members' pledge register without the need for a special pledge agreement and the transfer of the cover to the Pfandbrief institutions or their representatives, or an entry in the land register (Art. 23 PfG). Accordingly, an overall lien applies to all loans in the entire cover pool.

The legal and regulatory requirements for the cover pool place high demands on the quality of mortgage loans and customer protection. The following requirements, which have a positive impact on the social risks of the underlying credit business, are particularly noteworthy:

- The maximum cover value of a pledged mortgage loan is limited to a conservative level. For residential properties, the upper limit is two-thirds of the conservatively determined mortgage lending value or lower. In terms of the refinancing ratio, this reduces the risk of the borrower becoming (too) heavily indebted.
- The underlying properties in the cover pool must be insured against natural hazards and fire damage. This protects borrowers against the financial consequences of natural hazards.
- Mortgage loans for which the bank's own lending principles regarding affordability had to be overridden are not eligible for the cover pool in accordance with Pfandbriefbank's regulations. This maximises the probability that all borrowers will be able to meet their obligations under the mortgage loans in the long term, even in times of stress.

## **Members, shareholders, and clients**

According to Art. 26 PfG, it would also be possible to grant loans to non-members, but this would require a transfer of cover, which is not done in practice. Accordingly, the circle of member banks corresponds to the circle of clients and shareholders. This also reflects the historical background: the two Pfandbrief institutions were established as joint undertakings in the sense of self-help communities. Accordingly, pursuant to Art. 4 PfV, the Board of Directors is also to be "appointed from representatives of the member institutions" (apart from the representative of the mortgage debtors who is nominated by the Federal Council).

Zurich, 25 July 2025