Habib Bank AG Zurich

(Incorporated in Switzerland 1967)

Habib Bank AG Zurich

ESG Report 2023

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Introduction

Message from the CEO

Mohamedali R. Habib
Group CEO

As an international bank, we recognize the impact our operations can have on the environment and our stakeholders. Moreover, we believe that responsible governance and ethical business practices are essential components of success, contributing to the well-being of our clients, employees, shareholders, and the communities in which we operate.

That said, we have taken this first consolidated ESG Report as an opportunity to assess in detail our environmental, social and governance impact and activities. As an initial step in 2023, we introduced standardized Group-wide reporting on energy consumption, emissions, business travel and water consumption. We also took this opportunity to enhance our existing Group-wide collection of employee data and to set up a Group ESG Committee to assess the sustainability of our business and to oversee the preparation of this report.

Based on the outcome of our assessment, in the course of 2024 we will define our ambitions and specific targets, strategies and measures. This will include forming analysis and implementation task groups across our organization.

We will be building on these strategies and measures in the following years in order to achieve steady progress towards our sustainability goals.

Introduction

History, purpose and vision

Our purpose, vision and values are firmly rooted in the Habib family's banking history, which dates back to the establishment of their first bank by Mahomedali Habib in 1941.

Habib Bank AG Zurich was founded in Switzerland in 1967 by Mahomedali's son Hyder. To this day, our Swiss Bank is privately owned by the founder's descendants and upholds the family's values and principles of trust and integrity.

Mahomedali's vision was to build a bank of choice for his client base across generations to serve as an engine of growth for the entire community. This vision is adopted also by our current Group leadership, among whom Muhammad H. Habib is President and Mohamedali R. Habib serves as Group CEO, both being members of General Management. Other members of the family are actively involved at various levels of the Bank's operation and management, as part of the Group's organic succession plan.

With a head office and an operation in Zurich, we have branch operations in Kenya and the United Arab Emirates, and subsidiaries in Canada, Hong Kong SAR, Pakistan, South Africa, and the United Kingdom. Our operations are supported by our own service companies. As of 31 December 2023, we employed a total of 7,629 people in 559 offices. Moreover, we have representative offices in Bangladesh, China, Hong Kong SAR, Pakistan and Türkiye.

Our primary client base and target market are small and medium-sized family businesses, the families who own them, and corporate organizations in selected industries. Many of these clients are part of the South Asian diaspora. Clients in this segment have one key objective in common – to secure the continuity and growth of their family ventures across generations. We see it as our business to accompany and assist them on this journey.

We place a strong emphasis on offering our clients personalized service, with the clear vision of being the most respected financial institution based on trust, service and commitment.

Our business model is strategically designed to deliver value across diverse markets through a multi-faceted approach. Our international operations span key presence countries where we strategically focus on two core business pillars:

- **financing small and medium-sized enterprises (SME), family-owned businesses and selected corporate clients:** we foster economic growth by providing tailored financial solutions for our clients

- **local franchise / private clients:** through local franchises, we establish a strong presence by catering to the unique needs of private clients, offering personalized services to build lasting relationships within the communities we serve.

Within these pillars, our key business lines include:

- **trade finance:** we facilitate international trade through our trade finance services and support worldwide transactions for our clients with enhanced risk sharing and risk mitigation through multilateral agencies

- **Islamic banking:** we offer a range of Islamic banking products to meet the diverse needs of our clients for ethical and Sharia-compliant financial practices

- **wealth management:** operating in Switzerland and the United Arab Emirates / DIFC, our wealth management services include comprehensive financial solutions designed to preserve and optimize the wealth of our clients.

Our business model reflects our focus to be a trusted partner for businesses and individuals globally. We place a strong emphasis on personalized service, which is reflected in both our mission to be *the bank of choice for family enterprises across generations* and in our core values:

We contribute regularly to our local and regional communities for a variety of causes, including education, health, culture and alleviating poverty. Upholding the Habib family's tradition, we donate regularly to charitable causes to make a positive difference in the welfare of local communities. We strive to help local and marginalized communities overcome disadvantages by supporting initiatives through targeted funding as well as with employee commitment and volunteering.

Trust	Trust is at the heart of everything we do. We prioritize transparency and reliability in our interactions with clients and colleagues, ensuring trust remains the cornerstone of our relationships.
Integrity	Upholding high ethical standards is non-negotiable for us. With honesty and integrity as guiding principles, we ensure that our actions and decisions are always in the best interest of our clients and the organization.
Respect	We believe in treating everyone with dignity and respect, fostering a culture of inclusivity and understanding. We encourage collaboration and creativity by valuing diverse perspectives and creating a respectful environment.
Responsibility	We take responsibility for the impact of our actions on all stakeholders, from clients to the broader community. By applying responsible business practices, we strive to make a positive difference in the lives of those we serve and the world around us.
Commitment	Our dedication to excellence drives us to deliver consistent and exceptional service. We remain steadfast in our commitment to meeting clients' needs and exceeding their expectations with unwavering dedication.
Teamwork	Collaboration is the key to our success. We promote a strong sense of teamwork, where each individual's unique strengths and expertise contribute to collective achievements, enabling us to overcome challenges together.

Philanthropy

Philanthropy promotes the welfare of others and has the power to bring about lasting positive social change. With our long history and tradition of philanthropy, to us at Habib Bank AG Zurich, it is both a conviction and part of our identity that has existed long before it became a general focus of corporate awareness. Our principal areas of focus are health, education, and local communities.

Thar education alliance
installation of solar panels to provide electricity to 35 households

The philanthropic projects we supported in 2023 included:

Health and education

Country	Recipient	Description
Canada	AS Sadiq Islamic School	charity for achieving excellence in education
	Princess Margaret Cancer Foundation	charity for funding cancer research
	Max Scholarship Fund	scholarship fund for high school and post-secondary students who have contributed to their communities and the country
	The Scarborough Hospital Foundation	charity for integrated cancer care
	SickKids Foundation	charity for specialized care for sick children
	Habib University Foundation Canada	financial assistance through scholarships and bursaries, to undergraduate and graduate students for post-secondary education
Hong Kong SAR	City University of Hong Kong	sponsorship of academic tuition fees for students to volunteer in underdeveloped countries
Kenya	Sukuma Twende Trust	fundraiser for environment, education and welfare projects
Pakistan	Memon Health & Education Foundation	funding for a surgical wing for a hospital
	Parents Aid Foundation	support for the underprivileged to provide quality healthcare for free
	Indus Hospital	funding for construction of a Family Medicine Clinic
	Habib University Foundation	funding for scholarships and financial aid for students of Habib University; approximately 85% of students of Habib University benefit from this funding
	Family Educational Services Foundation	annual financial support for students and deaf children
	Layton Rehmatullah Benevolent Trust	support for the blind underprivileged
	SIUT Trust	funding for underprivileged patients
	Habib Girls School Trust	funding for underprivileged female students
South Africa	Sunfield Home School	funding for school computer room
	Mashaka Primary School	funding for school computer room
	Sinakelele School	funding to build classrooms
	Dalmeny Primary School	funding for school desks and chairs
	Hillside School	funding for laptops and IT programs
	Zeeko Valley School	funding for school desks, chairs, and chalkboards
	Islamic Medical Association	funding of cataract operations for underprivileged patients
Switzerland	Friends of Indus Hospital, Switzerland	funding to support the Indus Hospital & Health Network in Pakistan
United Arab Emirates	Pakistan Association Dubai (PAD)	funding for the Pakistan Medical Centre Ophthalmology Department
United Kingdom	Adab Festival / Pakistan Literature Festival London	sponsorship to showcase the cultural and literary scene of Pakistan in the United Kingdom

Community welfare

Country	Recipient	Description
Canada	International Development and Relief Fund (IDRF)	sponsorship for international development and relief programs based on Islamic principles
	Islamic Shia Ithna-Asheri Jamaat (ISIJ) of Toronto	charity for Muslim community centers and programs
	Mississauga Food Bank	charity for local food bank to fight hunger
	Dixie Bloor Neighborhood Centre	support for neighborhood families in need
Hong Kong SAR	THE ONE Humanitarian Award	sponsorship of awards for outstanding individuals who have achieved humanitarian excellence both internationally and in Hong Kong SAR
	The Boys Brigade, Hong Kong (Anchor Run)	charity runs and walks to raise awareness for the developmental needs of children and teenagers
Kenya	Bihar & Jarkland (World Water Day)	donation of water tanks for the residents of the Mother Teresa Home
	UN Refugee Agency (UNHCR)	fundraising to provide water, health, and safety for refugees in the Dadaad refugee camp, including prevention measures against sexual exploitation and abuse
Pakistan	Thar Education Alliance	installation of solar panels to provide electricity to 35 households
	Dawat-e-Islamic Trust	support for underprivileged individuals
	Embassy of Türkiye Administration	fundraising for Türkiye earthquake victims
South Africa	Open Eye Foundation	funding for a foundation to educate communities on acute / chronic illnesses and provide support to those afflicted with such illnesses
Switzerland	Swiss Red Cross	fundraising for Türkiye earthquake victims
	Turkish Red Crescent Society	fundraising for Türkiye earthquake victims
	Citizens Foundation	fundraising for Pakistan flood victims
United Arab Emirates	Pakistan Association Dubai (PAD)	humanitarian help to support distressed families

Volunteering

Country	Recipient	Description
Canada	Multicultural Inclusion for Community Growth (MIAG) -Centre for Diverse Women & Families (in partnership with United Way Greater Toronto)	food drive to create food kits for those in need within the community
Hong Kong SAR	Heep Hong Society	volunteering events for special educational needs children
Kenya	Sukuma Twende Trust	volunteering that included donation of water harvesting tanks to schools, school lunch feeding program, and planting of trees
Pakistan	World Wildlife Fund (WWF)	donation and employee engagement in tree planting and beach cleaning activities
	Salami Welfare International	employee engagement for Iftar, meat distribution and Hajj drives
South Africa	Ihsaan Girls College & Phoenix Muslim Girls School	volunteering to distribute sanitary aid to underprivileged girls, and spreading awareness
United Arab Emirates	Ramadan drive	distribution of food parcels, care packs and Iftaar meals

Hillside School
funding for laptops and IT programs

Materiality assessment

Topics

Environmental, social and governance (ESG) materiality is the process of identifying and assessing potential ESG topics that impact our stakeholders and us. For our first ESG report, we have taken a multidimensional approach to determining the material topics in order to cover the interests of our key stakeholders.

We have identified the following topics as being material in the context of how our business affects the environment and the communities around us:

Material topic		Page(s)
Governance, compliance, and ethics	why robust corporate governance and a clear governance structure are essential for the long-term success of our organization	14-16
Anti-corruption	how we contribute to the fight against corruption, money laundering, and terrorist financing	16-18
Client privacy	how we protect personal data, maintain confidentiality and safeguard privacy, and the mechanism in place to sanction non-compliance with respective laws and regulations	18-20
Digitalization and innovation	what we do to provide offerings across our digital channels, optimize the efficiency of our core banking solutions, and enhance the safety and overall user experience of our digital banking services	20-22
Operational resilience and continuity	how we identify and manage disruption risks that could impact our business and what we do to ensure reliable and resilient functioning of our critical operations under such stress conditions	22-23
Procurement practices and supplier environment	how we monitor and manage environmental responsibility, human rights, labor practices, child labor, ethics, and corruption risks within our organization's supply chain	23-24
Products, services, and financial investments	how we embed ESG considerations in the characteristics of our products / services and in our financial investments to limit risk exposures and to make positive contributions	27-29
Talent management, compensation, and performance management	how we engage and motivate employees, attract new talent, train, and upgrade their skills, and what do we do to ensure that our compensation and performance management approach is fair, consistent, and competitive	31
Diversity, equal opportunity, and inclusion	what we do to promote a culture of equity and fairness, prevent discrimination, and embrace every individual irrespective of their personal characteristics, such as gender or ethnic origin	32
Climate change and decarbonization	how we can minimize our environmental impact and counteract the effects that our business operations have on the environment	32-33

Assessment
We identified the topics that are relevant for the non-financial reporting requirements set forth in the Swiss Code of Obligations as well as the Global Reporting Initiative (GRI) Standards and Sustainability Accounting Standards Board Standards. Then, we analyzed topics that are generally relevant for financial institutions similar to our organization and identified additional topics based on our core values, as well as our strategic plan, business model and stakeholders. As a final step, we categorized and grouped all the potential topics.

This list of potential topics was evaluated against two criteria: relevance of our business activities' impacts on sustainable development and on the long-term success of our organization. This "double materiality" is the basis for our ESG Report 2023. The evaluation process involved not only Group support functions, but also all Country Managers and General Management, as well as representatives of our shareholders and the Habib family. The outcome was a list of 10 material topics in these areas:

– governance and business practices

– products, services, and financial investments

– people and planet.

The material topics were subsequently reviewed and approved by our Board of Directors (Board).

Stakeholder engagement
We sought to define the key stakeholder groups who are either contributing to the success of our organization or are influenced by it. In a next step, we assessed their relevance to our business and the nature of our engagement with them.

Stakeholder group	Example of engagement
Clients	clients are served by dedicated relationship managers. They have regular personal contact with our client relationship officers and key account managers. We have a comprehensive client complaint process to ensure that good relationships are maintained and that errors are handled appropriately to avoid any detrimental impact on clients
Shareholders	representatives of our shareholders and executive management exchange views regularly. Such dialogs are welcome avenues for sharing thoughts, experiences and to agree on planned actions. When necessary, external experts or consultants may be invited to join these discussions
Employees	employees receive regular updates on business developments and changes through several channels, including (digital) events such as town halls, e-mail announcements, newsletters, and intranet
Regulators	we engage regularly with our regulators in the course of business, to provide updates and to meet our notification and reporting obligations to the regulatory bodies in our jurisdictions
Internal and external audit	the Audit Committee of the Board of Directors works closely with our internal and external auditors to ensure the adequacy and effectiveness of the internal control system. The Chairman of the Board Audit Committee and the lead partner of the external auditor convene at least once a year. The external auditor has direct access to the Board Audit Committee at all times

Governance and business practices

Governance, compliance, and ethics

We understand that good governance protects the interests of all our stakeholders – i.e., our clients, business partners, employees, and shareholders. Good governance and ethical conduct are enshrined in our code of conduct and necessitate compliance with applicable laws and regulations and transparent relationships with supervisory authorities.

Board of Directors

Good corporate governance, facilitated by an effective Board, is essential in order to provide shareholder value and protection of shareholder rights. It provides clear objectives, strategies, and sense of purpose for our employees, and promotes fair treatment and fosters a positive working environment, thereby enhancing work satisfaction and loyalty. Transparent practices build trust among clients and enhance reputation, foster stable relationships with suppliers, and promote fair and ethical business practices. An effective Board considers the impact of decisions on communities and strives to meet our social responsibilities, such as environmental sustainability, philanthropy, and community development. Boards that adhere to good governance principles comply with legal and regulatory requirements, reducing the risk of litigation and fines. Furthermore, they help build community trust in the organization and maintain good relations with public agencies.

Poor governance and unethical Board conduct present significant risks. Reputational damage is a critical concern, as a lack of ethical practices erodes trust among clients, investors, and the broader community. Regulatory scrutiny and penalties may follow, exposing our organization to legal action and financial losses. Shareholder value is at risk due to the potential for financial mismanagement and fraud associated with weak governance structures. The impact extends to employees, making disengagement and talent drain likely, and stifling competitiveness and adaptability. Addressing these governance challenges is imperative to safeguard our reputation, regulatory compliance, and overall stakeholder trust.

An overview of the members of our Board and their profiles is provided in our Annual Report 2023.

The Board consists of five Directors who oversee operations, protect the interests of stakeholders, approve our goals, strategies, and policies, monitor the performance of business units, and provide guidance to General Management.

The composition of the Board is reviewed every three years. The requirements for the selection, nomination, and re-election of Directors are stipulated in our internal policy. Any candidate for nomination or election as a Director must be acknowledged by FINMA. All five members of the Board are non-executive Directors of which none has an employment contract or significant business connection with our organization or any of its subsidiaries or affiliated legal entities. Our Articles of Association require at least one-third of the Board members to be independent. In 2023, our Board fulfilled the standards of independence defined by FINMA.

Our Board is competent in the areas of strategic planning, corporate governance, finance, audit, accounting, risk management, compliance, and information technology. Directors take training to ensure that their knowledge and qualifications are aligned with the needs of our organization. Board members also engage regularly with subject matter experts and senior management on specialist topics. They also seek advice from independent external professionals when required.

The Board is informed of any external engagements of its Directors and members of General Management to ensure that any such engagements do not conflict with their duties, or that appropriate measures are taken to minimize the risks. Details of transactions in which a Director or other related parties might have an interest are submitted to the Board for review and approval. A Director who is an interested party is barred from participating in discussions or voting on such matters.

Our Board remuneration is structured in a manner to avoid incentivizing unethical behavior. Directors are not eligible for any additional allowances, salaries, fees, bonuses, long-term or other incentive schemes and are not entitled to any pension benefits above and beyond the customary pension schemes. Remuneration for Directors is approved at the General Meeting of Shareholders.

The Board oversees and approves the remuneration of General Management.

In 2023, the Board had two permanent committees:
- Risk & Control Committee
- Audit Committee.

Membership in the Board committees is based on suitability to ensure that each committee has an adequate combination of skills, experience, and knowledge to be able to discharge its duties effectively. The Board regularly receives detailed information regarding the activities of its committees and about business developments. The composition of the Board committees is reviewed simultaneously with the composition of the Board. The Board and its committees met 12 times in 2023.

The Board and its committees complete formal annual self-assessment questionnaires with a view to constructively identifying achievements and areas of improvement. Board committees are evaluated on the effectiveness in discharging their responsibilities, diligence, and responsiveness. Effectiveness is assessed by evaluating performance against the duties and responsibilities stipulated in the Articles of Association, organizational regulations, Board responsibility charter, and against special focus points for the year ahead. The evaluation is based on a self-assessment questionnaire that is approved by the Board.

ESG governance
Good ESG governance not only complies with regulatory expectations, but also positions our organization as a responsible and sustainable financial institution. Without strong ESG governance, we would face a range of adverse consequences, including higher risks related to sustainability issues, loss of reputation which might lead to erosion of client loyalty, legal and financial penalties, and diminished ability to meet evolving ESG expectations.

Our main bodies responsible for maintaining ESG governance throughout our operations are set forth below.

Board of Directors	has ultimate responsibility for the strategy and the success of our organization and for delivering sustainable shareholder value. It oversees the overall direction, supervision, and control of our organization and its management and supervises regulatory and legal compliance. It approves and monitors ESG strategy and approves and submits our ESG Report to the General Meeting of Shareholders.
Risk & Control Committee and Audit Committee	support the Board in fulfilling its duty through the respective responsibilities and authorities assigned to them. Both have specific responsibilities pertaining to ESG matters. The Board Risk & Control Committee oversees risk management in the context of ESG. The Board Audit Committee oversees the control framework underpinning ESG metrics and reviews ESG disclosures.
General Management	develops the strategy for our organization and supports the Board in fulfilling its oversight duties with respect to ESG strategy, ambitions, and effectiveness and is responsible for day-to-day operational management in the context of ESG. It manages our full risk profile and is responsible overall for establishing and implementing risk management and control across our organization. Progress against strategy and the associated targets is reviewed at least annually.
Group ESG Committee	defines our sustainability and impact strategy and develops objectives in agreement with General Management. It meets on a quarterly basis and is chaired by the Head of Shared Services, with the Group Chief Risk Officer as Deputy Chairman. Other members include the Group CEO, Head of Asian Markets, Head of Group Financial Control, and Head of Group Governance and Communication. It supervises and supports all ESG-related matters such as strategy, risk assessments, and disclosures. Its primary tasks are to assess the sustainability of our business and to oversee the preparation of the ESG Report. The terms of reference for the executive Group ESG Committee are set out in an internal policy that details its composition, roles, and responsibilities.

Our Group ESG governance structure was established in 2023. Over time, we intend to further develop our ESG governance principles and embed them throughout the organization. These bodies will ensure the integration of sustainability practices into our core operations. This will help us manage our risks, as it allows us to – proactively – address challenges and adapt to evolving industry standards. With transparent communication and good reporting, we will provide clear insights into our ESG initiatives and performance, thus building and strengthening our stakeholders' confidence.

Workplace conduct
In our corporate culture, employees are expected to maintain a professional, civil, and respectful demeanor at all times. We provide a safe workplace and a conducive working environment that is free from bias, discrimination, harassment, and violence and where all employees treat each other in accordance with our core values. We have a comprehensive framework of human resources policies in place that govern workplace conduct and promote a wholesome working environment. Strong workplace governance supports productivity, morale, team spirit and collaboration, and our reputation as an employer. On the other hand, poor governance can negatively impact all of these things as well as exposing our employees, Directors and organization to legal and financial liabilities.

We assess the effectiveness of various aspects of our workplace governance annually in all jurisdictions through our automated internal control system. The assessment includes controls for workplace conduct, compliance with local health and safety regulations, and confidentiality of employee information.

Code of conduct
Our code of conduct is derived from and founded on our core values of trust, integrity, commitment, respect, responsibility, and teamwork. It defines the principles and practices that are binding on all employees. It requires compliance with laws and regulations, fairness in business dealings, managing conflicts of interest, fighting financial crime, prohibiting all forms of bribery and insider trading, maintaining confidentiality and good client relationships, fairness in dealings, good teamwork, collaboration and communication, and social and environmental responsibility. These requirements are further supported in our framework of policies. All new employees who joined in 2023 formally acknowledged in writing their intent to comply with our code of conduct and internal policies.

Conflicts of interest
We take necessary precautions to preclude conflicts of interest in our business and manage those that cannot be avoided. We oblige our employees to ensure that their personal interests do not conflict with their responsibilities toward the organization and its clients. In particular, they must fully disclose and seek executive management approval before entering into a work-related transaction, negotiation, or contract that involves an entity in which they or persons closely associated with them have an interest. This is regulated in our internal policies, including our code of conduct and anti-bribery and corruption policy. Conflicts of interest are identified in the recruitment process, selection of service providers, in the process of providing advice to clients and in market conduct. In 2023, there were no unresolved conflicts of interest on record within the Group.

Grievance management
We maintain a safe work environment that is free from discrimination and harassment. Employees are encouraged to report instances of misconduct and are supported by human resources officers who are trained to treat such matters with sensitivity and discretion. We have a formal grievance management procedure in all countries of operation and employees are encouraged to bring material grievances to the attention of the human resources officer in charge and their Country Manager, where appropriate.

Whistleblowing program
Employees are encouraged to report immediately and without fear of retaliation, any conduct which they reasonably believe may involve a violation of regulations or ethical and professional standards. The identity of the reporting employee is kept strictly confidential. Confidentiality is guaranteed for all legitimate whistleblowers throughout the inquiry period and afterward (if further actions need to be taken).

Our whistleblowing framework is designed for employees to feel free to speak up and draw management attention to their concerns. This allows us to detect any patterns, make improvements and address any conduct issues to prevent future problems. It also helps management identify where additional resources need to be deployed to mitigate risks. Our whistleblowing framework – which includes a clearly defined reporting process and channels, and consists of policies at both Group and regional level – enshrines this governance and is built on the principle of protecting employees who state their concerns in good faith.

Anti-corruption

Anti-bribery and corruption
Our anti-bribery and corruption policy promotes integrity, transparency, and compliance with legal and ethical standards. Bribery and corruption can have serious impacts on the social and economic development of countries, as well as for other businesses that do not engage in such crimes. Bribery and corruption affect the perception of our business, which would erode stakeholder trust, and can result in large fines and reputational damage to our organization. The positive impacts of a strong anti-bribery framework include sound reputation and trust, lower legal and financial risks, stronger business relationships with our clients and business partners, mitigation of risks associated with financial crimes, protection of client interests by managing their assets with fairness and integrity, and employee engagement and productivity amid a sound organizational culture. Moreover, anti-bribery and corruption initiatives can indirectly contribute to favorable social and economic developments by fostering a transparent and ethical banking environment.

We strive to operate with fairness, respect, and integrity. In this vein, we do not tolerate any form of bribery or corruption and are committed to being a trusted financial institution in the markets we serve. The reputational and financial risks of being involved in bribery and corruption are risks that we take very seriously and make efforts to mitigate. There were no confirmed incidents of corruption or unethical practices in any of our operations in 2023.

We have implemented various policies to support this approach, such as our code of conduct and anti-bribery and corruption and whistleblowing policies. Our employees are prohibited from offering or paying bribes, accepting, or soliciting bribes from others, authorizing, or instructing other parties to engage in any of these practices. As such, we expect our employees to be mindful of their integrity and due diligence in the course of their professional duties.

We have identified specific areas of higher corruption risks – namely, jurisdictions which have weak anti-corruption governance, certain types of trade finance transactions where employees may feel induced to accept bribes to carry them out, third-party providers or intermediaries who make payments in return for business mandates, service providers who offer gifts, entertainment and hospitality in exchange for business, and recruiting candidates that bear the risk of favoritism and discrimination against more capable talents. We specifically abstain from any political donations due to high corruption risk.

Every year, our employees are required to complete an anti-bribery and corruption e-learning module. In 2023, 93% of employees completed this training – the remaining 7% are attributable to employee departures, retirements, maternity leaves, and other legitimate reasons.

Internal controls in each of our jurisdictions help to significantly reduce the risk of corruption throughout our organization. These controls include approvals for accepting gifts, four-eye principle when signing contracts with suppliers, assessment of legal contracts by independent specialists, or the centralization of critical processes. Sanctions for employees liable for bribery include reporting to local authorities and severe disciplinary actions.

In 2023, we launched a Group-wide bribery and corruption risk assessment, based on data provided by our entities. In this process, we focus on the above-mentioned significant risk areas as well as other areas with less exposure, such as public officials or changes in business activities that may increase corruption risk. We assess our bribery and corruption risk annually, and we regularly monitor and review the effectiveness of the anti-corruption measures we have in place. In doing so, we take guidance from standards established by independent organizations, such as the Wolfsberg Group, OECD, and Transparency International. Given the nature of our business activities and internal governance, the residual risk of bribery and corruption is low.

Anti-money laundering and counter-terrorism financing

The governance of anti-money laundering (AML) and combatting the financing of terrorism (CFT) involves the establishment and implementation of policies, procedures, and controls aimed at preventing illicit activities – such as money laundering and terrorist financing – within the financial system.

Positive impacts of a strong AML / CFT framework include that it promotes compliance with regulatory requirements, facilitates risk management and enhanced transparency and accountability, and helps protect the integrity of the financial system in general. Whereas engaging in money laundering and terrorist financing can have far-reaching negative impacts that extend beyond the financial sector to encompass broader societal, economic, and general safety challenges. Weak governance in this realm can undermine the integrity of the financial system, facilitate organized crime and acts of terrorism, erode tax revenues, exacerbate social inequality, compromise national security, and foster corruption and political instability. It can also distort economic activity by channeling illicit funds into legitimate sectors of the economy and artificially inflate asset prices, distort market competition, and create unfair advantages for individuals and businesses who engage in criminal activities.

While governance of AML / CFT plays a crucial role in safeguarding the integrity and stability of the financial system, we must carefully balance regulatory compliance with operational efficiency and cost considerations. By adopting a risk-based approach and investing in robust governance frameworks, we can effectively mitigate the risks associated with money laundering and terrorist financing while maintaining the trust and confidence of our stakeholders.

Our low risk tolerance related to money laundering and terrorist financing reflects our unwavering dedication to preventing financial crime, ensuring strict regulatory compliance, and safeguarding the integrity of the financial system. We recognize that a sound AML / CFT framework is critical to maintaining the trust of our clients, employees, shareholders and regulators.

We maintain a framework of AML / CFT policies at Group and regional level that define the minimal requirements for our organization. As part of our AML / CFT risk management framework, we have policies in place to define client due diligence requirements, criteria for higher risk clients and higher risk transactions, and controls for transaction monitoring and adherence to global financial sanctions.

We are legally required to detect and report any suspicious transactions and any cases of money laundering to regulatory authorities and failure to report suspicions of money laundering is a criminal offense in all jurisdictions where we operate. We identify, monitor, and seek to mitigate the legal and reputational risks associated with money laundering and terrorist financing in all of our operations. Using our internal control system, we have implemented a set of risk-based controls targeting money laundering and sanctions-related topics. By continually running these controls, our compliance units ensure that we meet the global requirements defined in our AML / CFT policy framework. Examples of some of our quarterly AML-related internal controls include: client due diligence sample checks, monthly turnover limits for professional banknote dealers, compliance monitor threshold adequacy review, review of compliance monitor configuration, trade finance AML quality checks, and review of outstanding transactional monitoring alerts. Other assessments of effectiveness include half-yearly reviews of new correspondent and network banking relationships and annual reviews of relationships with enhanced due diligence clients and politically exposed persons.

All control results are reported to Group Legal & Compliance for assessment, challenge, and approval. In addition, all subsidiaries and branches are inspected by Group Legal & Compliance on an annual basis to review AML / CFT controls, including on-site sample checks of individual client relationships.

Our employees are required to complete an AML / CFT e-learning module once every year. In 2023, 91% of employees completed this training – the remaining 9% are attributable to employee departures, retirements, maternity leaves, and other legitimate reasons.

Client privacy

Our client privacy governance framework encompasses elements such as banking secrecy, data protection, and cybersecurity, and is designed to protect sensitive information and ensure the privacy rights of our stakeholders. The positive impacts of this framework include the protection of sensitive information (including personal as well as financial information), compliance with regulations, enhanced client trust and loyalty, reduced risk of data breaches, and improved risk management by conducting risk assessments, implementing controls, and monitoring compliance. Privacy protection fosters our clients' trust in us as a financial institution, and helps preserve the integrity and good reputation of the banking sector.

Inadequate banking secrecy, data protection, and cybersecurity measures can have significant negative impacts on our clients, employees, shareholders, business partners, operations, society, and reputation. These impacts include data breaches, loss of trust and reputation, financial fraud and identity theft, regulatory fines and penalties, legal and compliance risks, loss of intellectual property and trade secrets and social and psychological impacts. It is therefore essential for us to prioritize privacy and cybersecurity measures to protect sensitive information, preserve trust and confidence, and mitigate the negative impacts of privacy breaches and security incidents.

Banking secrecy
Our organization has its head office in Switzerland and is subject to the banking secrecy requirements set forth in the Swiss Federal Act on Banks and Savings Banks. The banking secrecy requirements have been a pillar of the Swiss financial sector for many decades. Recent international legislative developments such as the Foreign Account Tax Compliance Act and the Common Reporting Standard and their adaptation in Switzerland and in many other countries around the globe have put into perspective the implications of banking secrecy requirements in the wider context of tax evasion and illegitimate tax avoidance. As a result of these developments, it is now a fundamental principle of the Swiss banking sector to combat tax evasion and improve tax compliance.

Nevertheless, the core elements of the banking secrecy requirements remain valid and relevant. Our employees are bound by a contractual and legal duty of confidentiality and accordingly keep confidential all information entrusted to them by clients, except when disclosure is authorized by the latter or legally required. We uphold client confidentiality and to protect client information in accordance with specific data security standards and procedures in order to prevent any unauthorized access, use, modification or destruction. Internally, client information is shared with appropriate discretion and on a need-to-know basis.

The assessment of effectiveness of banking secrecy is contained in sections "Personal data protection" and "Information security".

Personal data protection
The impact of a data breach can have severe consequences for our clients, employees, shareholders, and business partners. Data breaches can disrupt our operations, damage our reputation, and may be very costly to rectify. Ensuring and maintaining the security and confidentiality of personal data are therefore among our top priorities. Accordingly, we have procedures and controls in place to ensure we meet all regulatory and legal data protection requirements. The aim of these measures is to uphold the protection of personal data and to minimize the risk of personal data breaches.

Overall, our personal data protection program is subject to continuous review and annual upgrades.

We have adequate policies in place that govern data protection, including a personal data framework policy and a data breach incident policy. In 2023, a new policy was issued for our operations in Switzerland to address the new regulatory requirements of the revised Federal Data Protection Act. We review these policies at least every three years.

In 2023, our Group data transfer agreement, of which all our legal entities are parties, was updated based on the revised EU Standard Contractual Clauses and a consolidated data transfer impact assessment was performed for all jurisdictions.

We have separate personal data inventories for each jurisdiction which maps the lifecycle of all personal data under their authority. These are prepared by data protection working groups consisting of key organizational unit representatives.

Our employees complete an e-learning module in data protection every year. In 2023, 97% of employees completed data protection training – the remaining 3% are attributable to employee departures, retirements, maternity leaves, and other legitimate reasons.

Data privacy notices for clients are available from our websites. Employee privacy notices are available for employees on our intranet. Privacy notices set forth data subject rights, accountability requirements, international data transfers and contact information for data privacy matters.

We have appointed data protection officers in all of our jurisdictions that have data protection laws. In addition, we have a Group Data Protection Officer who is IAPP certified (CIPP / E, CIPP / C, CIPT, CIPM and FIP).

We have implemented an electronic data deletion program for structured data in our proprietary core banking system (hPLUS).

We have reviewed and updated our third-party data processing agreements to ensure they meet the regulatory data protection requirements in all jurisdictions. We require all third-party service providers by contract to take adequate technical security measures, meet data breach notification requirements and to ensure that the same data protection standards are applied to any potential sub-processing.

All potential agreements that involve processing of personal data are subject to privacy impact assessments (PIA).

Some of these measures are supported by our internal control system to assess effectiveness, including annual controls for PIAs, data subject access requests and third-party data processing agreements, and bi-annual reviews and updates of all personal data inventories.

In 2023, we experienced no material incidents of personal data breaches, loss, or theft and no such incidents had to be reported to a data protection authority and none of our Group entities were subject to inquiry or investigation by a data protection authority.

By focusing on awareness, education, and engagement early and regularly, we aim to foster a data privacy culture where data protection becomes a natural part of our employees' mindset.

Information security

Information security threats may originate from various sources, such as computer-assisted fraud, industrial espionage, sabotage, vandalism, and cyber-attacks. When communicating through a digital network, we face threats such as computer viruses, unethical hacking, and distributed denial of service (DDoS), all of which can adversely affect our clients, employees, business partners, and our reputation. Additionally, there are significant financial risks associated with these threats, including ransom, loss of business and legal penalties.

From an organizational perspective, Group Information & Technology Risk is responsible for overseeing our information security program. We are subject to numerous information security and privacy laws and regulations in various jurisdictions where we operate, such as FINMA Circular 2023 / 1 "Operational risks and resilience – banks". We prioritize information security as a critical measure for mitigating operational risks, aiming to safeguard information assets from various security threats. All personal and other sensitive data we hold is protected by a multi-level security system. The core objective of these controls is to identify, assess and mitigate threat vectors within the digital architecture.

We have adopted a combination of effective measures targeted at mitigating information security risk against specific threat vectors.

ISO 27001 is a certification for information security management systems that includes governance, technical, physical, and legal controls involved in our organization's information risk management processes (i.e., information security, cybersecurity, and privacy protection). In 2023, Group Information Technology and Group Information & Technology Risk were ISO 27001 certified.

Payment card industry data security standard (PCI DSS) is a certification required by banks issuing and processing credit cards. This certification is renewed annually, and it provides assurance that data related to such cards is processed securely in our environment. In 2023, all jurisdictions having card operations were PCI DSS certified.

DDoS protection services are subscribed in order to identify and mitigate DDoS attacks. The core function of these services is to analyze and assess any suspicious inbound traffic. Web application and next-generation firewalls are deployed in order to provide comprehensive protection for web applications against DDoS attacks.

Security assessment of infrastructure is performed which involves vulnerability assessments, penetration testing and red teaming for critical infrastructure (i.e., testing our security by mimicking the tools and techniques used by real-world hackers).

We have ongoing security monitoring for malicious attacks breaching our security controls for online banking. In 2023, there were no successful attacks on our online banking.

Social media and phishing websites are monitored through a service that conducts scanning over the surface web and deep web for any unauthorized data presence. Reported sites are immediately eliminated. In 2023, all reported phishing websites were removed within our KPI limits.

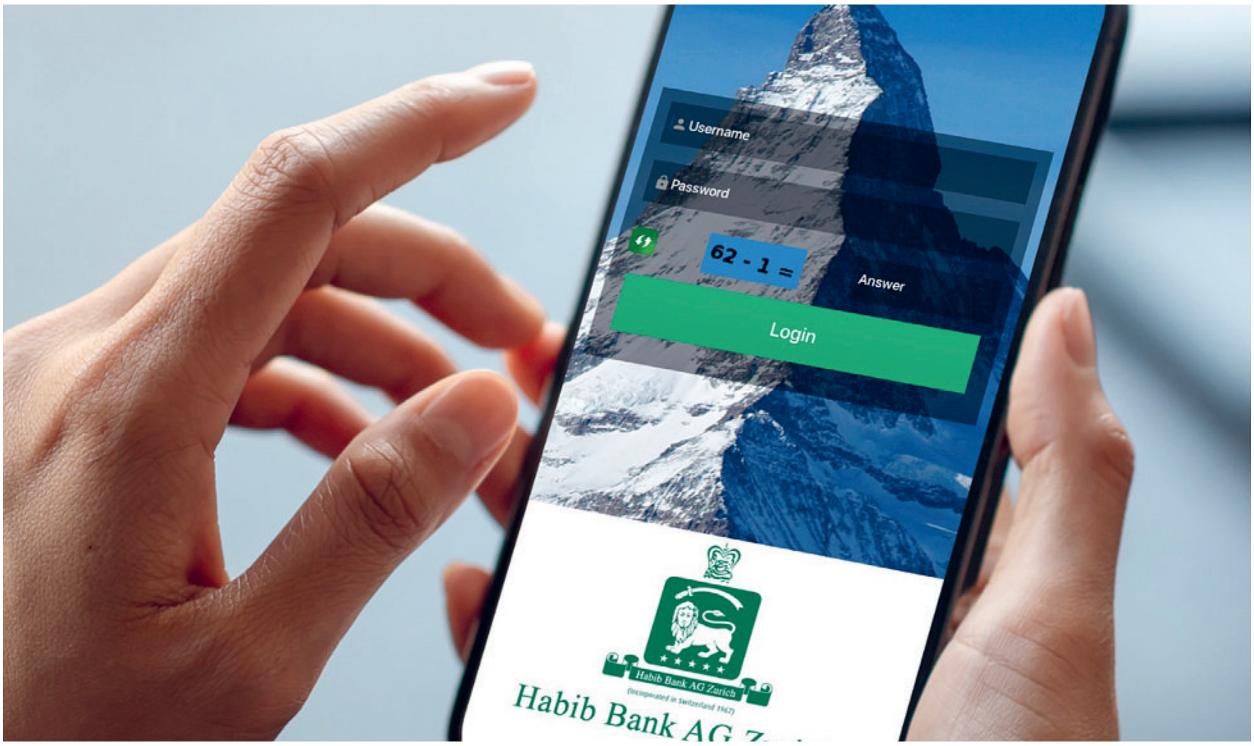
Our data protection infrastructure is updated on a regular basis to keep our databases safe from external or internal cyberattacks.

All of our premises are protected by personal access controls. System access is authorized on a need-to-know basis. We have 24 / 7 security operations centers and security operations teams that proactively identify and confronts potential threats.

We foster a culture of vigilance and accountability in order to strengthen our defenses against cyber threats and uphold the trust placed in us by our clients. Employee cybersecurity awareness is provided through our e-learning modules related to information and cybersecurity. Our emphasis on training underscores our belief that safeguarding our systems and data is a collective responsibility shared by all employees. Employees are required to complete this e-learning module annually. In 2023, 95% of all employees completed this training (the remaining 5% are attributable to employee departures, retirements, maternity leaves, and other legitimate reasons). In addition, we regularly run awareness campaigns on social engineering, phishing, etc.

Digitalization and innovation

Digitalization and innovation have brought about significant changes in the financial industry, transforming how financial institutions operate, deliver services, and interact with



Embracing digital transformation and fostering a culture of innovation clients. The positive impacts include enhanced client experience, cost efficiency and operational effectiveness, wider market reach and accessibility, advanced product development, and improved risk management and compliance.

A lack of progress in digitalization and innovation can have far-reaching negative impacts on a wide range of stakeholders, including clients, employees, shareholders, regulators, business partners, and society at large. For our clients, this can include limited access to digital channels for account management, transactions and client support, resulting in inconvenience and reduced satisfaction, and missed opportunities to benefit from innovative financial products and services tailored to their needs and preferences. For our employees, this could mean increased workload, lower productivity and limited opportunities for professional growth and skill development. For shareholders, this can result in lower profitability and growth prospects, a decrease in shareholder value and returns on investment, and questions arising about the long-term viability and competitiveness of our organization. Regulators may have increased concerns about systemic risks and vulnerabilities associated with an outdated technology infrastructure and resulting regulatory scrutiny and enforcement actions due to compliance deficiencies. This may also limit our opportunities with our business partners on innovative projects, or pose challenges in meeting the evolving needs and expectations of our stakeholders and adapting to changing market dynamics.

Embracing digital transformation and fostering a culture of innovation is therefore essential for our organization to remain competitive, drive growth, and deliver value to stakeholders in today's digital economy.

In every digitalization project, we seek to identify the key stakeholders, determine their needs, and take them into account at an early stage. Our digitalization and innovation initiatives are primarily aimed at providing our clients with all the functionality, convenience and safety of modern-day banking technology, as well as meeting our regulatory obligations in all our jurisdictions. As part of our digitalization strategy, we have delivered numerous projects aimed at enhancing the capabilities that we are providing to our clients. These requirements are based on client needs, standard banking products being offered, and our own needs for enhancing our efficiency and streamlining internal processes.

Our organization relies on hPLUS for the entire Group and we outsource only what is not essential to our core system. Therefore, we primarily focus on the ongoing development and improvement of our core banking system in order to best serve all stakeholders. Our work is primarily based on three pillars:

- enhancing client experience by providing required functionality and convenience: this included redesigning our websites, enhancing our online banking and app, and automating internal tasks and processes to enable straight-through processing
- improving our core system's ability to provide timely and easy connectivity to external systems: this included connectivity to payment gateways, third-party service providers, and integration with client systems for smooth digital interaction
- enhancing our systems to support new regulatory and compliance requirements within our technical solutions: our approach is to build in controls and checks within our system and to minimize manual efforts to ensure adherence and accuracy.

In 2023, we implemented key solutions and made significant progress with some major digitalization initiatives.

Universal Messaging Service: we employed this tool to provide connectivity solutions to third-party systems in a rapid, agile, and secure manner.

Islamic banking implementation (Switzerland): we introduced this new service in Switzerland in response to growing client demand – similar to what we have seen in other countries and with potential for significant further growth.

National Payment Systems Strategy (United Arab Emirates): we implemented this solution in order to offer our clients an instant payment platform for online payment transactions with other banks in compliance with United Arab Emirates regulation.

iAM Smart integration (Hong Kong): we integrated this universal local ID-linked user verification in our system, offering our Hong Kong-based clients a more convenient and even safer way to log into our online services environment.

PesaLink (Kenya): we added this service in Kenya to provide our clients with an instant online payment capability.

Website redesign: we worked extensively on redesigning our websites with current design and technology. The aim is to boost brand image, enhance user experience, and improve visibility. The new and improved websites will go live in 2024.

Intranet upgrade: we upgraded our existing intranet to improve communication, enhance collaboration, increase employee engagement, and centralize resource access. The redesign implements the latest tools for enabling the content owners to easily add, update and remove information on a user-friendly platform and will be launched in 2024.

hPLUS Gen II: our core banking system provides services to our clients through various channels including online banking, transaction gateways, ATMs, branches, and system connectivity. As part of our 5-year plan, an evolution of the platform has been approved in order to upgrade the underlying technology and architecture of the system. The approach is based on risk minimization, platform evolution, minimal business disruption, and agile, efficient, and cost-effective means.

Operational resilience and continuity

Our operational resilience and continuity framework is designed to help us anticipate, prevent, and recover from disruptive events that may affect our operations. These events could include cyberattacks, natural disasters, technological failures, or other unforeseen incidents. An operational resilience framework offers numerous benefits for our stakeholders, including enhanced business continuity, improved risk management, stronger stakeholder confidence, and better regulatory compliance. Poor operational resilience can have far-reaching negative impacts for our organization as well as our stakeholders, including financial losses, reputational damage, legal issues, client attrition, employee dissatisfaction, and supply chain disruptions.

We prioritize building and strengthening operational resilience to mitigate risks, enhancing our business continuity, and safeguarding stakeholder interests in an increasingly complex and volatile operating environment. Business continuity and operational resilience is expected by our clients and forms an essential part of our business model. Our business continuity management (BCM) is based on ISO 22301 and is designed to ensure continuity of critical operations during disruptions, protect stakeholder interests, minimize risk exposure, and comply with regulatory obligations on an international level. Our framework aims to identify, assess, mitigate, and respond to potential disruptions by applying the requirements set forth in our BCM policy.

This includes conducting risk assessments to identify potential threats, such as IT vulnerabilities, natural disasters, climate change impacts, and geopolitical tensions. Our technology recovery plans are tested and documented annually to ensure resilience of critical applications and services. In addition, we maintain detailed business continuity plans across our organization, which also involve annual testing of the different scenarios that we feel are applicable Group-wide, through desktop reviews and simulations to ensure effectiveness.

Selected employees with specific roles within the BCM program receive annual training and participate in general awareness sessions. These measures are aimed to ensure these employees understand their responsibilities in the event of a disruption. We also ensure that our third-party suppliers are familiar and comply with our business continuity standards, including annual testing.

For 2023, our BCM readiness was measured at 96% overall across the Group. This metric takes various elements into consideration, including scenarios, recovery strategies, plans, testing and awareness. More specifically, our evaluation of effectiveness included:

– 24 defined BCM areas for which we have 31 business continuity plans, including local technology recovery plans that focus on local critical services

– 27 disruption scenarios related to climate change, natural disasters, supply chain, cyber threats, data privacy issues, etc. that are assessed on a Group-wide basis. The residual risk remained between low and moderate with adequate mitigation controls in place

– 15 critical applications and services were successfully tested from Group data centers, which involved testing of network connectivity, core banking applications, telecommunications, power supply outage and critical third-party applications, and similar tests by local technology teams for their areas of responsibility. This testing is repeated annually

– critical business processes spread over approximately 100 organizational units within the Group (i.e., branches, subsidiaries and operational units) were successfully tested via designated alternate work locations / remote working. This also included testing of critical third-party dependencies, power supply, evacuation drills, call trees, data recovery, etc.

In 2023, our Board's responsibility charter was revised to include explicit approval of strategies for information and communication technology risk, cyber risk, critical data, and BCM, along with setting tolerances for disruptions in critical functions and the terms of references for the executive Group Risk & Control Committee were refined to ensure effective oversight of operational risk management. Updates were provided to the Board and executive management. Areas of improvement were identified during the 2023 testing program regarding the alignment of our critical third-parties with our BCM requirements.

In 2024, we plan to enhance our testing approach by introducing extreme but plausible scenarios to undergo stress testing and by evaluating recovery dependencies (including both internal and external parties). These efforts will be complemented by our engagement with regulatory developments, such as the FINMA Circular 2023/1 "Operational risks and resilience – banks".

Procurement practices and supplier environment

Our governance of procurement practices and the supplier environment are designed to ensure transparency, fairness, and accountability throughout. Positive impacts on stakeholders include enhanced risk management of supplier relationships, cost savings and efficiency, compliance with regulations and industry standards, and enhanced transparency and accountability. Good governance of procurement practices can also support sustainable sourcing and social responsibility initiatives within the supply chain by prioritizing suppliers with strong environmental and social performance, while mitigating the reputational risks of being associated with a third-party's unethical practices.

The principal supply chain risks for us are related to our business relationships and encompass economic, environmental, political, ethical and cyber threats. These include supplier bankruptcies, economic downturns, natural disasters, political instability, child labor, human rights and cyber threats. These risks can directly impact not only our operations and reputation but also the quality of the lives of workers in our supply chain. We have therefore put into place a process to reduce risks in our supply chain. This due diligence review of our supplier relationships is subject to continual evaluation and improvement.

Risk assessment

We assess the risks associated with our suppliers in proportion to their degree of criticality[1], as required by FINMA. Accordingly, we have processes and oversight in place to ensure proper handling of these third-party relationships. In this vein, we make sure that appropriate selection and due diligence are completed before we engage a supplier. We also have defined processes in place to identify, assess and manage any risks, have the agreed service standards adhered to, and control the costs. Moreover, we carefully manage and monitor our suppliers to keep disruptions at a minimum throughout the lifecycle of the relationship.

We review our business relationships every one to three years, depending on criticality. These reviews are intended to ensure that the products or services are being delivered as agreed, the supplier remains in a sound financial state, and to capture any material changes from the time of onboarding. In addition, we run internal controls on a half-yearly basis to assess the effectiveness of our software vendors.

Privacy assessment

The processing of personal data by third-party service providers can – depending on the nature of the service – present risks to our clients, employees, shareholders and business partners. Any mishandling of personal data and data breaches could also impact our operations, reputation, and result in sanctions and fines.

Before entrusting a third-party service provider with handling any significant amount of personal data on our behalf, we perform a thorough PIA to be able to detect and resolve any potential issues risks at the source. The PIA evaluates the categories and amount of data in scope, frequency of collection, number of data subjects in scope, purpose of processing, nature of processing, internal data transfers, role of subcontractors, location of data centers, access controls, technical security measures and audit reports, breach notification requirements, and safeguards. The PIA identifies key risks and actions to the proposed data processing to assess potential impacts prior to processing personal data. The PIA outcome is integrated into the supplier contract negotiation in order to ensure that their data handling practices and other processes adhere to the requirements of privacy laws, regulations, and our policies. Privacy and security risks are monitored throughout the lifecycle of the business relationship.

In 2023, we performed 20 PIAs for new supplier contracts, which involved processing personal data. Our internal control system has a control to assess effectiveness of PIAs annually.

Code of conduct for suppliers

We conduct our business in an ethically sound manner and in line with regulatory requirements. In our code of conduct

[1] Elements of our risk assessment include the evaluation of: experience, technical competency and capacity; financial strength to deliver successfully; AML controls and sanctions review; compliance with applicable laws, rules, regulations; potential associated reputation risks; strength of risk management programs, processes and internal controls; capacity to manage technology and cyber risks; strength of information security programs and alignment with our policies; capacity to provide critical products or services during periods of business disruption; reliance on and capacity to manage subcontractors, impact on concentration risk; geographic location and potential political and legal risks; availability and impact of substitutes; insurance coverage; business objectives; human resources policies, business culture, and corporate responsibility; commitment and sustainability efforts.

for suppliers, we lay out our expectation that they adhere to these same standards. Our suppliers must also require their subcontractors to meet these standards. More specifically, the key principles of this code of conduct include:

- responsible treatment of workers, notably with regard to workplace safety, security and health, employment standards, diversity and inclusion, avoidance of discrimination and harassment, and whistleblowing
- human rights and fair labor practices
- sustainability and local development
- responsible business practices, including risk management, monitoring, downstream monitoring, supplier diversity, protection information and assets, and publicity
- business ethics and compliance, including compliance with laws and regulations, conflicts of interest, anti-corruption, AML and sanctions, and insider trading.

We ask of our suppliers to have in place written policies, governance and oversight mechanisms to ensure that they and those within their supply chains operate in accordance with these principles. Moreover, we want to be notified immediately of any actual or suspected child labor-related issues. When code violations occur, we expect a specific improvement plan to be submitted and implemented promptly. If a supplier is unable to implement a remedy within a reasonable time frame, we can specify the necessary measures, responsibilities and milestones to minimize potential risks. It is also within our rights to immediately terminate our relationship with business partners who repeatedly and knowingly violate our code of conduct for suppliers.

We conduct due diligence on our suppliers prior to entering into a business relationship with them, followed by reviews every one to three years, depending on criticality. We may also, at any time, carry out due diligence assessments to verify compliance using self-assessments or questionnaires. In 2023, we had no instances of misconduct by our suppliers.

Child labor
Child labor deprives children of their childhood and is harmful to their physical and mental development. When a company's goods or services can be linked to child labor, this means that its own activities involve child labor or that it is directly linked to processes involving child labor through its business relationships.

We enforce a strict prohibition against the employment of child labor across our entire network in all our jurisdictions.

The key factors that lead to child labor include: poor enforcement of labor laws, inadequate social protections, lack of quality education for the poor, endemic poverty, weak rule of law, absence of systems for workplace collaboration, large informal economy, and rural areas with inadequate infrastructure. Whether or not a supplier is linked to child labor must be examined on a case-by-case basis and depends on the characteristics of the product / service as well as the operating context in which it is provided.

In 2023, we set up a child labor due diligence process and reporting for suppliers based on the Swiss Code of Obligations art. 964a–964c & art. 964j–964l and the Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour. We thus comply with the respective statutory obligation and are able to detect and report any products or services in our supply chain that may have given rise to reasonable suspicion that they may have involved child labor.

The child labor due diligence process consists of a tiered evaluation of a prospective or existing business relationship. It is performed during the initial review process for new suppliers and during the periodic review process for existing suppliers. The general purpose of this evaluation is to determine if there is a reasonable suspicion of child labor and whether such suspicion can be mitigated. This evaluation includes an acknowledgement to adhere to our code of conduct for suppliers (or a supplier's similar code of conduct), use of public information searches and review of supplier certifications, consultations with external experts and specialist literature or performing on-site checks. We will assess the effectiveness of our child labor due diligence process based on the data to be collected in 2024 as part of our continuing commitment to avoid any association with businesses involving child labor.

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Products, services, and financial investments

In recent years, market trends and client behavior have changed to focus on more sustainable practices. Individuals and organizations increasingly look to recycle, minimize waste and make choices on sustainable products and to reward businesses that act responsibly. In sustainable finance, those goals also influence decisions on investment choices, whereby both individual and institutional investors who consider ESG issues wish to make investments to support organizations that align with their own values on environmental sustainability and social responsibility. This balances traditional investment priorities, focused on financial returns, with the consideration of ESG insights. It seeks to deliver value by attempting to move beyond purely financial considerations towards a more holistic perception of value, incorporating risks associated with ESG factors, which could also lead to financial risks.

Products, services, and financial investments can generate positive impacts, aligning with the principles of sustainable development and responsible investing. More specifically, ESG investments prioritize organizations with sustainable practices, leading to reduced greenhouse gas emissions, conservation of natural resources, and support for initiatives aimed at mitigating climate change. They also prioritize organizations that uphold human rights, diversity and fair labor practices and pay attention to the health and safety of their employees and communities. Such products encourage enhanced transparency, accountability and mitigation of ESG-related risks. ESG products, services and financial investments have the potential to generate sustainable long-term returns for shareholders by identifying organizations with strong ESG performance who, in turn, may gain access to capital easier and at more favorable terms. There can, however, be potential negative impacts for ESG investment and lending stakeholders, such as limited investment options which could lead to lower portfolio diversification and potentially reduced returns, investment options that yield lower financial returns compared to traditional investments, greenwashing due to exaggerated sustainability practices, higher management fees premiums on ESG investment criteria and higher due diligence costs, risk of speculation, lack of standardization of ESG products, services and financial investments, market distortion as a result of prioritizing ESG criteria, market volatility, and compliance risks and legal liabilities arising from closer regulatory scrutiny.

Formal ESG considerations are currently not embedded in our lending and investment practices. However, we aim to better understand the stakeholder impacts of our trade finance, credit activities, and financial investments in order to formulate a viable concept for sustainable practices. We will be taking the first steps in this direction in 2024.

Islamic banking

We conduct our Islamic banking business through Islamic banking windows in Pakistan, South Africa, Switzerland, the United Arab Emirates, and the United Kingdom. This means that in these jurisdictions we have operations dedicated exclusively to providing Shariah-compliant financial services.

We market our Islamic products and services under the SIRAT brand. Sirat is the Arabic term for path or direction. To us, Sirat signifies a path to success and expresses our view of being a trusted partner to our clients which is part of our core values and vision.

We are committed to ensure that our Islamic banking business fully complies with Shariah law. Our Group Islamic Banking Committee supervises the business and strategy of our Islamic banking window, while oversight of specific issues related to Shariah compliance are handled by local Shariah Boards and Shariah Advisors. In addition, we have specialized officers for Shariah compliance, Shariah risk control and internal Shariah audit.

The availability of Islamic banking services benefits our clients by providing them Shariah-compliant financial solutions. It aligns the personal and ethical goals of our employees with corporate objectives, provides our shareholders with meaningful business expansion and promotes progressive and inclusive financial products and services in the market space. Islamic finance is more than just a financial product – it is a commitment to conducting business for the greater good. It prohibits practices like usury and investments in unethical sectors, promotes risk sharing, and emphasizes social welfare, aligning with ESG principles that emphasize responsible business conduct.

Islamic banking principle	Relevance to ESG
Promotion of environmental protection and resource conservation	This is a key concept in Islamic banking, emphasizing intergenerational equity and the responsibility of current generations as custodians of the earth. The avoidance of harm, a core principle, promotes environmentally friendly practices and sustainable investments.
Promotion of equality, social justice and economic prosperity in society and operations	These are fundamental aspects of Islamic banking, focusing on tangible assets and real economic activity to foster financial stability and discourage speculative gains. This aligns with the sustainability goal of prioritizing long-term well-being over short-term profits. There is also an emphasis on Zakat (obligatory charity) and economic equity preventing wealth concentration. These principles echo the social aspect of ESG, advocating for financial inclusion, community development, and helping the disadvantaged.
Accountability, transparency, and legal protection for all parties	Transparency and accountability are ingrained in Islamic finance, with the prohibition of excessive uncertainty. This promotes clear terms and conditions, discouraging hidden clauses and deceitful practices, anticipating the demand for clear reporting and high accountability.

We participate in and promote this growing market segment, by serving clients in accordance with the following Islamic banking principles which reflect some essential ESG considerations: In 2023, our ESG-relevant Islamic banking initiatives included:

– implementing a consumer banking solar panel financing scheme

– participating in a governmental financing scheme to enable low and middle-income first-time home buyers to access affordable housing

– launching our h360 program to provide custom-tailored banking solutions to social wellbeing organizations (such as schools, hospitals, non-profit organizations) and to support them with fundraising activities, publicity opportunities, financial literacy training, career opportunities for students and sponsorship for charitable causes[2]

– extending our Islamic banking footprint in new markets.

Community impact of credit activities

A significant portion of our clients are family-owned and -managed small and medium-sized businesses and the families who own them. These traditionally mercantile communities are known for their entrepreneurial drive and business acumen, but are nonetheless often underserved by conventional financial institutions.

Trade finance is one of our core strengths. Many of our small and medium-sized clients engage in cross-border trade in the jurisdictions we operate in, as well as other emerging markets. We provide these businesses with access to credit facilities they need in order to thrive, including working capital financing and trade finance (such as import and export letters of credit, as well as facilitating project-related finance). Given our Swiss-based organization's historical connection with South Asia, unlike many Swiss banks, we have specific experience in facilitating trade flows with emerging market countries.

Through our trade finance offering, we play a central role in enabling family-operated small and medium-sized business clients to sell across borders, while facilitating access to critical materials for developing countries. We help trading companies export critical goods to those countries, such as foodstuffs, base materials, and other key commodities. A good example is the export of grain, sugar, and other food items to countries like Pakistan, Bangladesh, and India. This has a general positive impact for their populations. Overall, such trade can stimulate economic growth in these countries, leading to higher income levels, greater infrastructure investments and a better standard of living.

[2] These initiatives included scholarships for students, student career guidance and training, internships, tree planting, wall of kindness, and clean-up drives.

We recognize that some of the trade we facilitate may have negative environmental externalities, such as the financing of oil exports to Pakistan. However, fossil fuels still play a critical role in the economies of developing countries for now and, as such, we consider our role in facilitating such trade flows as helpful.

In working with local banks to provide export letters of credit, we also help strengthen the banking sector in these countries, which can have positive effects on the business practices and corporate governance standards in the respective local financial sectors.

Group financial investments

We manage a substantial financial investment portfolio, mostly consisting of debt securities, with the primary objective of transforming liabilities into liquid assets. This investment strategy is designed to facilitate effective Group-wide liquidity contingency planning, guided by key criteria such as credit quality and market liquidity of selected securities. Our primary goal is to ensure that our depositors have liquidity available when it is contractually due with minimal risk to our capital.

Our emphasis on credit quality ensures that we invest only in financial instruments with a low probability of default, which is vital for safeguarding the Group's financial health and stability. Adequate market liquidity is an equally important aspect, as it directly affects our ability to quickly convert investments into cash if the need arises. We attach significant importance to monitoring the adequacy of liquid assets to meet expected or unexpected depositor demands, through the application of a range of liquidity management techniques such as liquidity coverage ratios, net stable funding ratios, depositor coverage ratio, etc. We also use our internal controls to assess the effectiveness of our Group financial investment operations, including quarterly, half-yearly or annual reviews of issuer exposures, maximum exposures for individual positions, investment limits for financial institutions and country limits for issuers.

The majority of our investment portfolio comprises local currency sovereign bonds, issued by governments and denominated in the local currency. While some of these investments do include Sukuk and Islamic bonds (in Pakistan), overall, they are chosen for their credit quality and liquidity attributes. Consequently, it is currently not possible to consider ESG criteria, as there is no alternative to local currency sovereign bonds, which in all our jurisdictions serve as our statutory reserve. However, integrating ESG considerations for non-local sovereign and corporate bond investments into our investment strategy will provide additional layers of risk assessment and contribute to an alignment with responsible investing practices.

People and planet

Talent management, compensation, and performance management

Good talent management, compensation, and performance management practices have many positive impacts, including attracting top talent, retaining high-performing employees, high employee engagement and morale, growing performance and productivity, aligning organizational goals and values, and driving competitiveness and innovation. On the contrary, poor talent management, compensation, and performance management practices can have significant negative impacts on stakeholders, including a decline in employee satisfaction and engagement, lower productivity and performance, loss of talent and knowledge, damage to employer brand and reputation, legal and compliance risks, and diminished stakeholder trust and confidence. By prioritizing positive practices, we can continue to build a strong brand, cultivate a high-performing workforce, and achieve sustainable growth and success in today's competitive business environment.

Our employees' talent and knowledge are the key drivers of our organization's success. Therefore, we pay particular attention to selecting our talent carefully and offering them a supportive, stimulating and inspiring work environment where they can thrive and advance. Above and beyond the technical aspects of our employees' roles, this also relates to promoting an inclusive and open-minded culture with equal opportunities for every employee, regardless of their personal characteristics.

Employment-related matters and processes – such as recruitment, code of conduct, performance management, compensation and benefits, or training and development – are governed by our human resources policy framework. This framework is complemented by respective regional policies covering specific local regulatory aspects and practices customary in our various jurisdictions. These policies are applicable to all employees and available on our intranet. In addition, we have internal controls to assess the effectiveness of our talent and performance management, including learning and development, and performance appraisal and management.

Employment terms and benefits
The financial industry is highly regulated and competitive with success in attracting talent depending to a large degree on reputation. To build and run a sustainably reliable and thriving business, it is vital that we attract and retain highly competent talent with strong principles of integrity. Therefore, depending on the nature of a role, we offer our employees a variety of contract options, such as full-time or part-time, permanent or fixed-term, and hybrid work models. In either case, our employment packages are competitive, based on regularly updated role benchmarking and alignment within our various jurisdictions.

In addition to their agreed compensation, our employees enjoy a range of benefits which may vary depending on location, role, or type of contract. For permanent employees, such benefits generally include:

- encouraging and helping our employees to develop and upgrade their skills in in-house and external courses
- offering international talent mobility among our global locations, with relocation assistance and allowances
- providing paid time off allowances – such as holidays, parental leave, etc.
- discounts on banking and insurance products, in-house and with certain of our external partners
- end-of-service grant of pensions, provident funds, and gratuities.

Talent management
We take a holistic approach to talent management, primarily aiming to give our employees the opportunity to grow and develop their careers within our organization, and secure their long-term employability. In doing so, we also ensure a consistently high service quality to our clients and reliability as a competent partner to all our external stakeholders.

All our employees undergo a structured annual review, where we assess their performance against quantitative and qualitative objectives agreed at the outset of the year. Based on the outcome of these reviews, we identify talent with high potential and invite them to join our talent management program which feeds into our succession planning for key positions and leadership roles at Group and regional level.

Targeted training and upskilling are also part of our offering to all our employees with the relevant talent and ambition. In addition to internal learning opportunities, we also support targeted external training, such as post-graduate study modules to help our employees update or upgrade their expertise. We use our internal controls to assess the effectiveness of our recruitment and selection program, learning, and key critical positions.

Diversity, equal opportunity, and inclusion

Diversity, equal opportunity, and inclusion have numerous positive impacts, including enhanced innovation and creativity, better decision-making and problem-solving outcomes, stronger employee engagement and morale, greater talent pool and recruitment opportunities, deeper client satisfaction and loyalty, increased employee retention and loyalty, compliance with legal and ethical standards, and positive impact on corporate reputation and brand image. Conversely, poor diversity, equal opportunity, and inclusion practices have numerous negative impacts, including limited talent pool and recruitment challenges, decreased employee morale and engagement, higher turnover rates and talent loss, legal and regulatory risks, negative impact on organizational culture and reputation, decreased innovation and creativity, weakened client relationships and market competitiveness, and missed business opportunities and growth potential. By fostering a culture of diversity and inclusion, we can create more equitable, productive, and sustainable workplaces that benefit employees, clients, and stakeholders alike.

In our view, best outcomes are achieved by a workforce consisting of individuals with a wide range of backgrounds and mindsets. Therefore, we abide by principles of equal opportunity with an emphasis on diversity and inclusion. These principles are enshrined in our business philosophy and captured in our codes of conduct and human resources policies at Group and regional level. It is our strategic priority to ensure that all interactions in the workplace – be it among employees or with our clients and other external stakeholders – are respectful of everyone's personal characteristics and free from any form of discrimination.

Group Human Resources actively tracks our hiring methodologies to ensure that diversity criteria are given due consideration alongside talent, skills, and qualification merits in our recruiting practices. Additionally, we promote equal opportunities in all aspects of our employment relationships – from talent management to career planning and compensation. In doing so, we foster a collaborative atmosphere of mutual respect, trust, and support among our employees.

In all our jurisdictions, we have a framework of human resource policies in place that allows employees to report any incidents of discrimination they may have experienced or witnessed. In 2023, no incidents of discrimination were reported.

The number of female employees in our organization has been on a steady rise over the past years, and women made up 22% of our total workforce at the end of 2023. While we are pleased with this progress and looking to continue on this path, we are also still striving to even out the gender imbalance in executive management roles.

The age distribution in our workforce highlights our deliberate endeavor to provide career opportunities across all generations. By having all working age groups represented evenly across our workforce, we are able to combine new ideas with experience and thus achieve a more balanced approach throughout our operations and processes.

In 2023, more than 40 different nationalities were represented among our workforce across the globe, reflecting a vibrant diversity of cultures, mindsets, and execution approaches. This underscores our dedication to fostering an open-minded work environment where such diversity is not only tolerated, but valued and actively empowered.

As an equal-opportunities employer, we are open to offering employment to individuals whose physical abilities differ from the general mainstream, and we believe that a mutually beneficial relationship can be established. In 2023, we were employing 34 persons with disabilities.

For 2023, we focused on assessing the diversity and equal opportunity aspects within our workforce. Based on the outcome of this assessment, we will be formulating our ESG ambitions and strategy in 2024, which will enable us to provide more concrete targets for the years ahead.

Climate change and decarbonization

Greenhouse gas (GHG) emissions contribute to climate change, leading to various environmental risks such as extreme weather events, rising sea levels, wildfires, and disruptions to ecosystems. We may face increased exposure to climate-related risks, affecting property values, livelihoods, and overall economic stability. Increasing awareness of the environmental impacts of emissions has led to stricter regulations. Businesses involved in industries with high emissions may face legal and regulatory risks, including fines and penalties, impacting their financial stability. Climate change and emissions can also result in social and community disruptions, including displacement of populations and conflicts over scarce resources. Vulnerable geographical regions may face social and economic challenges due to these disruptions.

Every business can help address climate change by reducing GHG emissions and waste. We believe that climate-related risks can be mitigated by reducing the environmental impact of economic activity. Consequently, reducing the environmental impact of our operations will be part of our goal, as we aim to reduce our ecological footprint and improve energy efficiency in the longer term.

The management of our environmental impact starts with more efficient use of resources, such as energy consumption and emissions. An increase in energy efficiency benefits our business, as it helps us reduce our costs. The implementation of our ESG strategy will be governed and driven by our Group ESG Committee, consisting of General Management and subject matter experts. One of the committee's key objectives is to embed operational environmental management across operations and to promote environmental policy awareness, compliance, and implementation.

In 2023 we introduced standardized Group-wide reporting on energy consumption, emissions, business travel and water consumption. As a next step, we will define our ambitions, targets, strategies, concepts and measures in these areas in 2024.

Energy consumption and emissions
The release of GHG emissions and the use of energy from non-renewable sources are a growing concern in view of their impact on the climate and environment. GHG emissions increase global warming with serious, irreversible consequences for humanity and the environment.

We track and report our energy consumption in order to establish suitable control mechanisms that will help us cut consumption and reduce our contribution to global warming. We aim to reduce energy consumption from heating, cooling, and lighting in our offices, through both energy efficiency measures and responsible management practices.

The operation of our Group entities (including travel and transportation) generate GHG emissions. As of 2023, we have commenced tracking GHG emissions from our operations in order to evaluate results, identify areas for improvement and implement corrective actions going forward. We recognize that our efforts to reduce our organization's GHG emissions will help slow down climate change, and we are developing a comprehensive environmental reporting framework to better understand our current impacts and where and how we can define reduction targets and develop new measures accordingly.

We have major operations in countries where energy production is not as environment-friendly as in Switzerland. Moreover, the climate in some of those jurisdictions – specifically, Hong Kong SAR, Pakistan, the United Arab Emirates, Kenya and South Africa – is considerably warmer than in Switzerland, which leads to higher energy consumption, e.g., for cooling offices.

We generally prefer audio and video conferences over physical travel. However, since we have a business presence on four continents, travel by air is sometimes inevitable – notably for our semi-annual summits, leadership offsites and client interactions.

For the 2023 energy and emissions data, we have calculated the actual figures from January to September 2023, and extrapolated those for the full year. It therefore stands to reason that the values are subject to a certain degree of uncertainty due to the data collection method. However, for the next reporting cycle, we will calculate our footprint from October 2023 to September 2024.

Paper
Initiatives to reduce office printing are intended to promote responsible paper use, tree preservation and carbon footprint reduction. In addition to reducing paper consumption, this also helps decrease the carbon footprint associated with archive storage and document sending and destruction, as well as improving the general efficiency of internal processes. With enhanced digital capabilities and platforms, we have reduced our paper consumption through many initiatives such as e-statements, mobile apps, and by making more digital channels available.

About this report

General information

The scope of this ESG Report includes Habib Bank AG Zurich with the branches, subsidiaries, service companies and representative offices identified in our Annual Report 2023 and on our website www.habibbank.com.

The following subsidiaries of Habib Metropolitan Bank Ltd. are outside the scope of this report:
– Habib Metropolitan Financial Services Ltd., Karachi, Pakistan
– Habib Metropolitan Modaraba Management Company (Private) Ltd., Karachi, Pakistan
– First Habib Modaraba, Karachi, Pakistan

The reporting period is from 1 January to 31 December 2023 and is the same as the Annual Report of Habib Bank AG Zurich. Both reports are available on our website as of 30 April 2024.

This report has been produced in accordance with the principles set out by the Global Reporting Initiative and will be issued annually henceforth.

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This is our initial ESG Report and we have therefore not made any restatements or corrections to any prior-year disclosures.

We have not obtained any external assurances regarding this ESG Report.

Enquiries about this ESG Report: esg@habibbank.com

The Group, its foreign branches and subsidiaries are members of several industry associations.

Country	Industry association
Switzerland	Swiss Bankers Association
	Association of Foreign Banks in Switzerland
	Swiss Risk Association
Canada	Canadian Bankers Association
Hong Kong SAR	Hong Kong Association of Restricted License Banks and Deposit-taking Companies
Kenya	Kenya Bankers Association
Pakistan	Pakistan Banks Association
South Africa	Banking Association of South Africa
United Arab Emirates	UAE Banks Federation
United Kingdom	Association of Foreign Banks in the United Kingdom

100% of Swiss employees (representing 1.5% of our total number of employees) up to and including middle management are covered by the Agreement on Conditions of Employment for Bank Employees (Banken VAB) issued by the Employers Association of Banks in Switzerland (AGV Banken).

37% of our employees in Kenya (representing 0.5% of our total number of employees) are members of a Collective Agreement.

We have no collective bargaining agreements in any other jurisdiction.

Swiss reporting context

Our organization is subject to the consolidated supervision by FINMA. It has a strong capital base and its liquidity ratios are above industry standards. Moreover, we cooperate closely with the relevant regulatory bodies and central banks in the countries in which it operates.

According to art. 2 lit. c of the Swiss Auditor Oversight Act, financial institutions that are supervised by FINMA and required to be audited by an approved external audit firm must also publish a report on non-financial matters annually. As our organization fulfills the regulatory financial institution size requirement, our report on non-financial matters must also include any subsidiaries to the extent that this information is needed to understand our business operations, financial performance, and the effects of our business activities on non-financial matters. These are mandatory requirements in accordance with art. 964a ff. and art. 964b paras. 1 and 4 of the Swiss Code of Obligations.

Consequently, this report on non-financial matters is a consolidated Group report.

This ESG Report is intended to provide transparency on how our organization contributes or aims to contribute to sustainable developments and report in accordance with the GRI Standards (adopted on a voluntary basis) for the 2023 reporting year onwards.

In addition, the Swiss Federal Council enacted the Ordinance on Climate Disclosures (OCD) regarding the implementation of non-financial reporting (art. 964a-964c CO) with respect to climate. The core provision of the OCD is art. 2 para 1, which establishes the presumption that the obligation to report on climate matters is fulfilled if the report is based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). We will follow the climate-related financial disclosure recommendations issued by the TCFD and TCFD-based reporting on climate matters that will become mandatory for our organization starting as of the 2024 reporting year.

Habib Bank AG Zurich
Head Office

ESG KPIs – disclosure metrics

Scope of reporting

Unless stated otherwise, information and data in this section relate to Habib Bank AG Zurich and its subsidiaries, branches, representative offices and service companies as listed in the table below:

Head Office and Operation:	
Switzerland	Habib Bank AG Zurich
Branches:	
Kenya	Habib Bank AG Zurich
United Arab Emirates	Habib Bank AG Zurich
United Arab Emirates / DIFC	Habib Bank AG Zurich
Banking subsidiaries:	
Canada	Habib Canadian Bank
Hong Kong SAR	Habib Bank Zurich (Hong Kong) Ltd.
Pakistan	Habib Metropolitan Bank Ltd.
South Africa	HBZ Bank Ltd.
United Kingdom	Habib Bank Zurich Plc
Service companies:	
Switzerland	HBZ Services AG
Pakistan	HBZ Services (Private) Limited
United Arab Emirates	HBZ Services FZ-LLC
Representatives offices:	
Bangladesh	Habib Bank AG Zurich
China	Habib Bank AG Zurich
Hong Kong SAR	Habib Bank AG Zurich
Pakistan	Habib Bank AG Zurich
Türkiye	Habib Bank AG Zurich

The KPIs in this consolidated ESG Report relate to our activities during the fiscal year from 1 January to 31 December 2023. The full-year KPIs for energy consumption and greenhouse gas (GHG) emissions were extrapolated on the basis of data recorded for the period from 1 January to 30 September 2023. Energy consumption and GHG emissions of our representative offices are excluded.

Basis of reporting for employee data

The employee head count is reported as of 31 December 2023. All tables reflect the number of permanent and temporary employees together unless stated otherwise. Employee training data comprises internal and external training programs.

Basis of reporting for consumption and GHG emissions

For 2023, our reporting covers the complete operations of Habib Bank AG Zurich, including all our branches, subsidiaries, and service companies worldwide. Due to operational limitations, the reported KPIs exclude our representative offices with a total of 13 employees. The measurement and reporting of GHG emissions data involve a degree of estimation due to a variability in the data and because some of our operations are based in multiple jurisdictions.

We report emissions arising from activities for which we are responsible under category scopes 1 and 2. Under scope 3, we report data related to business travel including travel by air and road, and hotel accommodation. All energy is from non-renewable resources.

Consumption and emission methodology

Category	Scope	Method
Transportation fuel	Consumption and emissions from company-owned or rented vehicles used for business. If data was unavailable for a particular instance, relative estimations are calculated.	Fuel consumption– separated by petrol and diesel – for the company-owned or rented vehicles was recorded in liters using billed invoices. Where fuel quantity data was unavailable, the cost was converted into volume of fuel in liters based on the price per liter in local currency, or by converting the mileage into liters of fuel based on data provided by Foundation myclimate[3]. The emissions from the use of fuel (in liters) were calculated using the emission data provided by Foundation myclimate.
Energy fuel	Consumption and emissions from the use of backup generators for electricity and heating in our premises.	Fuel consumption for our backup generators for electricity in Pakistan and South Africa, and for heating at one location in Switzerland was recorded in liters using billed invoices. The emissions from the use of this fuel in liters were calculated using the emission data provided by the UK Government's GHG Conversion Factors for Company Reporting[4].
Energy gas	Consumption and emissions for the use of heating in our premises. If data was unavailable for a particular building, appropriate estimations were calculated.	Gas consumption for heating was recorded in kWh using billed invoices. In Canada, gas was invoiced in cubic meters and has been converted to kWh for consolidation purposes. The emissions from the use of this gas in kWh were calculated using the emission data provided by the UK Government GHG Conversion Factors for Company Reporting. In Switzerland, the emission factor was determined by the local service provider.
Electricity	Consumption and missions from electricity consumed in our owned or rented properties. If data was unavailable for a particular building, appropriate estimations were calculated.	Electricity consumption was recorded in kWh using billed invoices from local utility providers. HBZ Services (Private) Limited (55 employees) has received no electricity invoice for the entire reporting period for one of its locations, and for another location, the electricity costs were included in the rental. The consumption for any months with missing invoices was estimated based on the months for which consumption data was available. The electricity emission factors in Switzerland, Hong Kong SAR and the United Arab Emirates were defined by the local service providers. For the remaining locations, emission factors were used as per the IFI Dataset of Default Grid Factors[5].

[3] https://co2.myclimate.org/en/car_calculators/new
[4] Reference https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2023
[5] https://unfccc.int/documents/437880

Category	Scope	Method
Air travel	Business travel by air undertaken by our employees worldwide.	Flight details for business travel by air were obtained from employee expense records in our systems for each jurisdiction. These details include cities of departure and arrival, travel class, stopovers and connecting flights. Mileage and emissions were calculated using the International Civil Aviation Organisation's Carbon Emissions Calculator[6].
Non-air travel	Business travel by land undertaken by our employees worldwide. This includes travel on taxi, tram, train, and private and rented car.	The distance in kilometers traveled for business was calculated from employee expense records in our systems for each jurisdiction. Where information on distance was unavailable, it was calculated using external sources. The mileage and emissions related to business travel by tram and train were calculated using EcoPassenger[7]. Missing mileage and complete emissions of the business travel by road were calculated using Foundation myclimate. We assumed all vehicles to be mid-sized, and differentiated between petrol and diesel consumption in most cases.
Hotel accommodation	Hotel accommodation for our employees worldwide during business travel.	Hotel accommodation for our employees during business trips was calculated based on the number of nights from our full-detail expenses records. Emissions were calculated using Hotel Footprinting Tool[8]. For simplicity of calculation, we ignored the hotel category and considered average emission factors for each of our jurisdictions.
Water	Consumption of water in the organization. Estimations were calculated where data was unavailable.	Water consumption was recorded in cubic meters using billed invoices. In some of our jurisdictions, different units were used for the calculation of the water consumption. They were all converted to cubic meters for ease of consolidation. If data was missing for any months in a jurisdiction, an estimate was extrapolated for such periods from the data that was available for other months. In some of our locations, water was included in the office rental and actual consumption data was therefore unavailable. In such cases, we used an estimation of 50 liters per employee per working day as explained by South Staff Waters[9].

[6] https://applications.icao.int/icec/Home/Index
[7] https://www.ecopassenger.org/
[8] https://www.hotelfootprints.org/
[9] https://www.south-staffs-water.co.uk/media/1509/waterusebusiness.pdf

People

Employees by jurisdiction and gender

			2023
	Female	**Male**	**Total**
Total	**1'705**	**5'924**	**7'629**
Switzerland	31	81	112
Kenya	29	68	97
United Arab Emirates	196	319	515
Canada	20	29	49
Hong Kong SAR	35	36	71
Pakistan	1'229	5'059	6'288
South Africa	86	56	142
United Kingdom	48	110	158
Service companies	29	155	184
Representative offices	2	11	13

Employees by employment type and employment contract

			2023
	Female	**Male**	**Total**
Permanent employees	1'446	5'534	6'980
Temporary employees	259	390	649
Full-time employees	1'697	5'921	7'618
Part-time employees	8	3	11
Workers who are not employees		885	885

Permanent employees by jurisdiction and gender

			2023
	Female	**Male**	**Total**
Switzerland	30	72	102
Kenya	29	57	86
United Arab Emirates	193	307	500
Canada	16	29	45
Hong Kong SAR	27	29	56
Pakistan	993	4'729	5'722
South Africa	84	52	136
United Kingdom	43	101	144
Service companies	29	151	180
Representative offices	2	7	9

Workers who are not employees – by jurisdiction and gender

			2023
	Female	**Male**	**Total**
Pakistan		885	885

Habib Bank AG Zurich used the services of third-party non-clerical staff based on various types of contractual agreement. Examples of roles in this scope include messengers, drivers, support services, receptionists, etc.

New employee hires

		2023
Total	1'628	100%
By Gender		
Female	597	36.7%
Male	1'031	63.3%
By age group		
Under 30 years	706	43.4%
30-50 years	857	52.6%
Over 50 years	65	4.0%
By region		
Switzerland	26	1.6%
Kenya	19	1.2%
United Arab Emirates	54	3.3%
Canada	6	0.4%
Hong Kong SAR	12	0.7%
Pakistan	1'372	84.3%
South Africa	28	1.7%
United Kingdom	55	3.4%
Service companies	54	3.3%
Representative offices	2	0.1%

Employee turnover

	2023	
	Leavers	**Turnover**[10]
Total	1’268	17.0%
By gender		
Female	280	18.1%
Male	988	16.7%
By age group		
Under 30 years	385	31.2%
30-50 years	792	15.0%
Over 50 years	91	9.5%
By region		
Switzerland	17	15.8%
Kenya	8	8.7%
United Arab Emirates	32	6.3%
Canada	4	8.3%
Hong Kong SAR	7	10.2%
Pakistan	1’120	18.2%
South Africa	17	12.5%
United Kingdom	27	18.8%
Service companies	35	20.1%
Representative offices	1	8.0%

Training hours

	2023	
	Total	**Average per employee**[11]
By gender		
Female	54’046	11
Male	87’249	7
By rank category		
Executive management	4’344	8
Middle management	62’900	4
Non-management	74’051	5

[10] Permanent and temporary employees (voluntary and involuntary turnover). Turnover % = number of leavers divided by average headcount in 2023.
[11] Based on the number of employees who received training in 2023.

Parental leave

	2023	
	Female	**Male**
Employees who took parental leave	68	15
Employees who returned to work in the reporting period after parental leave ended	53	15
Employees who returned to work for at least 12 more months after parental leave[12]	N/A	N/A
Rate of employees who returned to work after parental leave	78%	100%
Retention rate for employees who took parental leave	N/A	N/A

All employees who were eligible took their parental leave in 2023.

Employees by gender and by age group, rank category and service tenure

						2023
Employee structure		**Female**		**Male**		**Total**
By gender	**1'705**	**22.3%**	**5'924**	**77.7%**	**7'629**	**100.0%**
By age group						
Under 30 years	557	7.3%	836	11.0%	1'393	18.3%
30-50 years	1'018	13.3%	4'277	56.1%	5'295	69.4%
Over 50 years	130	1.7%	811	10.6%	941	12.3%
By rank category						
Executive management	4	0.1%	91	1.2%	95	1.2%
Middle management	347	4.5%	2'252	29.5%	2'599	34.1%
Non-management	1'354	17.7%	3'581	46.9%	4'935	64.7%
By service tenure						
Under 1 year	534	7.0%	837	11.0%	1'371	18.0%
1-5 years	693	9.1%	2'547	33.4%	3'240	42.5%
6-10 year	246	3.2%	1'037	13.6%	1'283	16.8%
11-20 years	183	2.4%	1'051	13.8%	1'234	16.2%
Over 20 years	49	0.6%	452	5.9%	501	6.6%

All percentages relate to the total number of employees (7'629 = 100%)

[12] 2023 is our base year. The data on retention rates will be available from 2024.

Employees by nationality

Nationalities[13]	Female	Male	Total
			2023
Pakistani	1’281	5’388	6’669
Indian	53	161	214
Emirati	131	10	141
South African	85	54	139
British	36	97	133
Kenyan	29	65	94
Swiss	23	46	69
Chinese	28	23	51
Canadian	8	27	35
Others	31	53	84

Employees with disabilities

Employees with disabilities	Female	Male	Total
			2023
Group-wide total	11	23	34

Gender pay ratio[14]

Country	Executive management	Middle management	Non-management
			2023
Switzerland	0.72	0.8	0.85
Kenya		0.72	0.97
United Arab Emirates		0.83	1.12
Canada		0.66	1.01
Hong Kong SAR		0.64	0.99
Pakistan	0.68	0.9	0.87
South Africa		0.86	0.83
United Kingdom		0.97	0.97
Service companies	0.89	0.99	1.04

[13] Primary citizenship by choice of the employee
[14] Gender pay ratio calculation is based on grade-to-grade basic salary comparison in each employment category within each of our entities.

Performance and career development review[15]

	2023	
Regular performance and career development review	**Female**	**Male**
Total	**1’348**	**5’478**
Executive management	4	84
Middle management	321	2’128
Non-management	1’023	3’266

[15] For employees whose employment started before 1 July 2023.

ESG KPIs – disclosure metrics

Planet

Energy consumption

	2023
Energy intensity (GJ/employee)	18.18
Total energy consumption (GJ)	138’430
Total electricity consumption (1’000 kWh)	19’697
Total fuel consumption	
Total fuel consumption for transportation (1’000 liters)	250
Total fuel consumption for heating/electricity (1’000 liters)[16]	1’393
Total natural gas consumption (1’000 kWh)	161

Mobility

	2023
Business travel intensity (km/employee)	3’295
Total business travel (1’000 km)	25’092
Total air travel (1’000 km)	5’786
Total non-air travel (1’000 km)	19’306
Total hotel footprint (number of nights)	3’889

Greenhouse gas emission

	2023
Total greenhouse gas (GHG) emissions (t CO_2e)	22’788
GHG emissions Scope 1 (t CO_2e)	4’782
GHG emissions Scope 2 (t CO_2e)	10’753
GHG emissions Scope 3 (t CO_2e)	7’253
Employee business travel – air (t CO_2e)	587
Employee business travel – non-air (t CO_2e)	6’560
Hotel stay (t CO_2e)	106
GHG emission intensity Scopes 1+2 (t CO_2e/employee)	2.04
GHG emission intensity Scope 3 (t CO_2e/employee)	0.95

[16] 99% of the fuel consumption was for electricity.

Water consumption

	2023
Water consumption (1’000 m^3)	207
Water intensity (m^3/employee)	27.15

Energy consumption by jurisdiction

		2023
Switzerland	Total electricity consumption (1’000 kWh)	188
	Total fuel consumption (1’000 liters)	16
Kenya	Total electricity consumption (1’000 kWh)	120
	Total fuel consumption (1’000 liters)	5
United Arab Emirates	Total electricity consumption (1’000 kWh)	3’211
	Total fuel consumption (1’000 liters)	76
Canada	Total electricity consumption (1’000 kWh)	130
	Total fuel consumption (1’000 liters)	0
Hong Kong SAR	Total electricity consumption (1’000 kWh)	114
	Total fuel consumption (1’000 liters)	0
Pakistan	Total electricity consumption (1’000 kWh)	13’259
	Total fuel consumption (1’000 liters)	1’541
South Africa	Total electricity consumption (1’000 kWh)	665
	Total fuel consumption (1’000 liters)	4
United Kingdom	Total electricity consumption (1’000 kWh)	438
	Total fuel consumption (1’000 liters)	0
Service companies	Total electricity consumption (1’000 kWh)	1’573
	Total fuel consumption (1’000 liters)	1

GHG emissions by jurisdiction

		2023
Switzerland	GHG emissions Scopes 1+2 (t CO_2e)	63
	GHG emissions Scope 3 (t CO_2e)	170
Kenya	GHG emissions Scopes 1+2 (t CO_2e)	87
	GHG emissions Scope 3 (t CO_2e)	74
United Arab Emirates	GHG emissions Scopes 1+2 (t CO_2e)	1’672
	GHG emissions Scope 3 (t CO_2e)	218
Canada	GHG emissions Scopes 1+2 (t CO_2e)	67
	GHG emissions Scope 3 (t CO_2e)	5
Hong Kong SAR	GHG emissions Scopes 1+2 (t CO_2e)	81
	GHG emissions Scope 3 (t CO_2e)	19
Pakistan	GHG emissions Scopes 1+2 (t CO_2e)	12’103
	GHG emissions Scope 3 (t CO_2e)	6’553
South Africa	GHG emissions Scopes 1+2 (t CO_2e)	754
	GHG emissions Scope 3 (t CO_2e)	84
United Kingdom	GHG emissions Scopes 1+2 (t CO_2e)	168
	GHG emissions Scope 3 (t CO_2e)	13
Service companies	GHG emissions Scopes 1+2 (t CO_2e)	540
	GHG emissions Scope 3 (t CO_2e)	117

Water consumption by jurisdiction

Water consumption (m^3)	2023
Switzerland	721
Kenya	947
United Arab Emirates	16’361
Canada	792
Hong Kong SAR	69
Pakistan	180’393
South Africa	2’644
United Kingdom	751
Service companies	4’091

Governance

Board of Directors by gender and age

					2023
Age group	**Female**		**Male**		**Total**
Under 30 years	0	0	0	0	0
30-50 years	0	0	0	0	0
Over 50 years	1	20%	4	80%	5

Code of conduct

		2023
	Female	**Male**
Employees who have formally acknowledged compliance with the code of conduct.	100%	100%

Mandatory training

			2023
	Total	**Female**	**Male**
Anti-bribery and corruption	93%	57%	36%
Anti-money laundering	91%	57%	34%
Information and cybersecurity awareness assessment	95%	60%	37%
Personal data protection	97%	60%	37%

Mandatory training ratios were largely the same across topics and regions.

Content index

GRI content index

Statement of use	Habib Bank AG Zurich has reported in accordance with the GRI Standards for the period from 1 January to 31 December 2023.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Not yet available for financial service providers.

GRI Standard	Disclosure	Page(s)
General disclosures		
GRI 2: General Disclosures 2021	2-1 Organizational details	6, 34, 39
	2-2 Entities included in the organization's sustainability reporting	34, 39-41
	2-3 Reporting period, frequency and contact point	34
	2-4 Restatements of information	34
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GRI 302: Energy 2016	302-1 Energy consumption within the organization	40, 41, 48-50
	302-3 Energy intensity	39, 48
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	40, 41, 48-50
	305-2 Energy indirect (Scope 2) GHG emissions	40, 41, 48-50
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GRI Standard	Disclosure	Omission / information
GRI 2: General Disclosures 2021	2-16 Communication of critical concerns	There were no reportable critical concerns in 2023.
	2-21 Annual total compensation ratio	Remuneration data is confidential.
	2-23 Policy commitments	All policy committments are included in this report.
	2-27 Compliance with laws and regulations	Confidentiality constraints.
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	Employees have access to all policies on the Group-wide intranet.
GRI 302: Energy 2016	302-2 Energy consumption outside of the organization	No information available.
GRI 405: Diversity and Equal Opportunity 2016	405-2 Ratio of basic salary and remuneration of women to men	Information for all types of additional remuneration not available across the Group.

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Swiss Code of Obligations content index

This ESG Report contains non-financial disclosure as required by the Swiss Code of Obligations (CO). The following CO reference table is used to allocate the material topics to non-financial disclosure in accordance with art. 964b (para. 1 and 2) CO.

Non-financial matters according to art. 964b (para. 1) CO	**Material topic(s)**	**Page(s)**
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Employee issues	ESG KPIs – disclosure metrics	32, 42-47
Respect for human rights	N/A	
Combating corruption	Anti-corruption	16-18, 51

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