



2020 Sustainability Report



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Serving our home region, the Canton of Vaud



Jacques de Watteville
and Pascal Kiener

The events of last year brought the growing importance of corporate social responsibility (CSR) into sharp focus. While the energy transition had already become a major issue, we were all faced with new economic and social challenges when our lives were upended by the global health crisis.

At BCV, we responded to this situation by stepping up our commitment to CSR in several ways, in keeping with our mission as Vaud's cantonal bank. First, we introduced a series of measures to help local companies make it through the crisis. In March 2020, we suspended two quarterly principal repayments on loans to our SME clients. That left those firms with over CHF 40m of additional cash to help them weather the impacts of the lockdown.

We also teamed up with four other Swiss banks and the federal authorities to develop and implement the Covid-19 bridge-loan program in record time, ensuring that companies had quick access to cash. We ultimately granted more than 6,000 of these loans for a total of over CHF 700m. And we worked with



the Vaud cantonal authorities on a similar program for startups, issuing 41 loans for a total of CHF 11m.

In the early days of the pandemic, we made sweeping changes to the way we operated so that we could continue serving all of our customers in line with public health regulations. We made full use of our digital banking channels but also maintained in-person services for customers who were unable to do their banking remotely. On top of that,

we published advice and information to make it easier for our customers to manage their finances in these unprecedented times.

We applied that same duty of care to our staff, putting in place rigorous measures to keep them safe. Many employees worked from home; for those who needed to work on site to help deliver the services people were counting on us for, we adopted strict protective measures and provided free face masks to

protect them as they commuted to and from work. And despite the challenging circumstances, we maintained our focus on skills development: our in-house training center delivered around 5,500 days of training, almost half of which were held remotely.

Last year was all about flexibility and lateral thinking – and that was the approach we took with the local sports, cultural, and community events we sponsor. The organizations running these events were hit hard by the crisis. To show our support, we maintained most of our financing commitment to these events even though many of them were canceled.

The pandemic notwithstanding, we maintained our focus on sustainability issues, with the climate crisis remaining at the forefront. In June 2020, the Vaud Cantonal Government published its Climate Plan, targeting a 50%–60% reduction in greenhouse gas emissions from 1990 levels by 2030. Similar action was taken at the federal level in the fall when the Swiss parliament passed the CO₂ Act, which will soon be put to a referendum.

For several years now, we have focused on cutting carbon emissions wherever we can. We continue to modernize our buildings and make them more energy-efficient and have taken further steps to reduce paper and electricity consumption. We also finance a select number of carbon reduction projects. All of these efforts have paid off – we are a certified carbon-neutral company.

Our achievements have been recognized by CDP (formerly the Carbon Disclosure Project), an organization that analyzes the environmental impact of over 9,000 companies around the world.

In 2020, CDP gave us a rating of A-, which is the second highest of eight grades and an improvement on our 2019 score. It also puts us in the leadership category and places us first among Swiss cantonal banks.

We encourage our customers to make their properties more energy-efficient through our lending solutions. In 2020, we stepped up our Green Bonus offering, which rewards our customers with a 0.25-percentage-point reduction on the interest rate applied to mortgage loans to buy or build energy-efficient properties or carry out energy-saving renovation work.

Throughout 2020, we accelerated our efforts in the area of socially responsible investing (SRI). We continued to integrate environmental, social, and governance (ESG) criteria into our full array of investment solutions, for example, by tightening our fund-selection screening criteria. We see this as a way of making our portfolios more resilient to ESG risks over the long term while at the same time fostering sustainable practices.

We also created a new range of dedicated ESG investment products – known as ESG Impact – that allow our clients to support progress toward the United Nations Sustainable Development Goals. The three products rolled out in 2020 hit

the symbolic threshold of CHF 100m in investments in less than six months – a sign that we are on the right track with our responsible investment solutions.

In addition, we trained our advisors on both general and BCV-specific approaches to SRI so they can best help our clients navigate the world of responsible investing.

Last fall, we entered into a strategic partnership with Ethos, a recognized leader in SRI in Switzerland. This partnership, which lays the groundwork for a new center of expertise in sustainable finance, will help us evolve our SRI product range and push even harder in this area going forward.

As BCV continues to press ahead, we remain focused on our mission as Vaud's cantonal bank, which is to contribute to the sustainable development of our home region. The people, companies, and organizations we serve know that they are backed by one of the world's safest banks – as shown by our ratings from Standard & Poor's and Moody's. And thanks to our long-term vision and commitment to good corporate citizenship, our customers know that they can count on us during these uncertain times.



Jacques de Watteville
Chairman of the Board
of Directors



Pascal Kiener
CEO

Who we are

BCV is the regional bank of Vaud Canton in Switzerland. Founded in 1845, we've grown into the Canton's leading bank – today, half the people and businesses in Vaud bank with us. We're also one of the five largest universal banks in Switzerland by total assets. We offer a comprehensive range of financial products and services through our Retail Banking, Private Banking, Corporate Banking, and Asset Management & Trading businesses.

As a Swiss cantonal bank, our focus is on the Canton of Vaud. We are headquartered in Lausanne and have a dense network of over 60 branches throughout the Canton, using our unrivaled local presence and deep knowledge of our home region to best meet the needs and expectations of the Vaudois. BCV is majority owned by the Canton of Vaud, so our consistently strong financial results serve to bolster our Canton's public finances. In 2020, we reported revenues of CHF 945m and net profit of CHF 331m.

Our vision is long term and holistic. In line with our corporate mandate, we integrate the principles of sustainability into the way we run our business. Our holistic vision also means that our connection with Vaud is about more than just banking – we sponsor over 650 events and associations throughout the Canton every year, earmarking the equivalent of roughly 2% of our annual net profit for community-building via support for the social, cultural, and sports scene in Vaud.

Our retail network



About this report

Our Sustainability Report details how we have embedded corporate social responsibility (CSR) into our Bank's activities. It offers a broad, transparent view of what we are doing to fulfill our commitment to promoting economically, socially, and environmentally sustainable development, and is intended for people and institutions interested in learning more about how BCV addresses sustainability issues. We published a Sustainability Report in French every two years from 2007 until 2019, when we started publishing it every year, in both French and English. This report has been prepared in accordance with the GRI Standards: Core option.¹ The Global Reporting Initiative Standards are the worldwide reference for reporting on sustainable development issues.

We have taken special care to ensure that the content of this report is complete, relevant, and accurate. Unless otherwise stated, reporting information is limited to the parent company of BCV Group for 2020. Our Sustainability Reports are available on our website at www.bcv.ch. Additional information on BCV can be found in our annual report, which is also available on our website at www.bcv.ch. It contains an overview of the Bank, including its mission, business sectors, risk management, corporate governance, and financial statements.

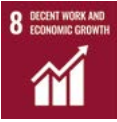
For more information about corporate social responsibility at BCV, email us at info.rse@bcv.ch.

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¹ The Core option means that the report contains the information needed to understand the nature of the organization, its material topics, and related impacts, and how these are managed.

Our main contributions to the Sustainable Development Goals



Serving the people and businesses of Vaud

BCV is the leading bank in Vaud Canton, our home region. Half of the people and businesses in the Canton bank with us. So do many Vaud public-sector entities such as municipalities. Seven of ten Vaud pension funds turn to us to manage their assets. Our universal-bank range of products and services means that we're there for our customers at all the key moments in their lives. We remain the most widely accessible bank in Vaud thanks to our dense retail network. At the same time, we continue to enhance customers' access to our products and services across a number of digital channels.

Maintaining our financial solidity over the long term

Our strategy is designed to create value sustainably over the long term. In 2020, our solid financial position was recognized once again by the two leading credit rating agencies, Standard & Poor's and Moody's, which reaffirmed our ratings of AA and Aa2, respectively.

The Canton's top employer in banking

BCV is one of Vaud's leading employers. With one in every three people in the Canton's banking sector working for us, we're the number one provider of jobs in the industry, and no other bank in Vaud can match our staff's collective breadth and depth of skills. At the heart of our human resources policy are BCV's four core values: responsibility, performance, professionalism, and close ties with our customers and the broader community.



Backing local businesses

In 2020, we provided CHF 60m in financing to get over 110 startups off the ground in Vaud Canton, supporting 170 new jobs in the process. We also financed over 50 business successions for a total of CHF 70m, thereby ensuring companies, expertise, and jobs remain in the Canton. And we granted more than 6,000 Covid-19 bridge loans for a total of over CHF 700m, as well as 41 cantonal startup loans for a total of CHF 11m. Finally, we suspended two principal repayments on loans to Vaud SMEs, freeing up over CHF 40m for local businesses.

Encouraging innovation

As we do every year, we donated CHF 500,000 to the Foundation for Technological Innovation (FIT). FIT is part of Innovaud, the Vaud Cantonal Government's innovation agency, and provides grants and loans to startups based on innovative technology.



Providing sustainable investment advice

We continue to integrate environmental, social, and governance (ESG) criteria into all our investment solutions. At end-2020, 66% of the assets managed through our discretionary agreements and strategic funds include ESG criteria. And we launched our ESG Impact range of investment solutions that allow customers to contribute to sustainable development. We promoted these solutions actively.



Reducing our carbon footprint

We offset the greenhouse gas emissions from our operations by financing carbon reduction and sequestration projects with Swiss Climate. In 2020, BCV earned an A- grade – putting us into the leadership category – on the CDP Global survey, which assesses companies' carbon footprints. This is the second highest of eight grades.

Reducing the carbon footprint of our portfolios

In our institutional asset management business, we screen out companies that generate more than 30% of their income from thermal coal. In 2020, we took part in the PACTA climate compatibility test, which showed that the portfolios managed by BCV are generally less exposed to carbon-intensive sectors than those managed by our peers.



Remaining committed to sustainable real-estate investing

In 2008, we introduced a Green Bonus for energy-efficient properties and environmentally oriented renovations, rewarding customers with a 0.25-percentage-point reduction on the interest rate of their loan. In 2020, we adjusted our eligibility criteria in keeping with the energy standards and subsidies in place in the Canton.

Gearing our investment products towards the energy transition

Our new range of ESG Impact investment products includes a Climate Impact certificate, which focuses on companies that develop products and services in solar and wind energy, mobility, electricity storage, and energy efficiency. This range also includes an asset allocation fund where 30% of the portfolio consists of thematic investments geared towards the UN Sustainable Development Goals – with a particular focus on the energy transition.



Providing unique training opportunities in the banking industry

We encourage our employees to further develop their skills through an array of continuing education opportunities. Our training center – the only one of its kind in Vaud Canton – delivered the equivalent of 5,500 employee training days in 2020, nearly half of which were distance learning. We also provided job training for 85 trainees, including apprentices and high school graduates.



Fostering equal opportunity

Women account for 41% of our workforce and 37% of staff in management and other senior positions. This figure has risen by 65% over the past 15 years as a result of several in-house measures. These include our “Rejoignez-nous” program, which helps people transition back to the working world after taking a break in their career, and a daycare center that can take in up to 35 children. In addition, a group of female staff members launched the PLURI'elles network within the Bank in 2020. The aim of this initiative, which is sponsored by our CEO, is to promote women's personal and professional development at BCV.



Making it about more than just banking: BCV in the Vaud community

Every year, we support over 650 sports, cultural, community, and environmental organizations and events across the Canton. In 2020, we maintained our financial support to the events we sponsor, even though most of them were canceled as a result of the Covid-19 pandemic.

Prioritizing our employees' work-life balance

We are aware that as our employees' lives change, they may need to adjust how they work. That's why we make it possible for staff, including those in management and other senior positions, to work part time if they need to at some point in their career. In response to the Covid-19 pandemic, we implemented measures to keep our employees and customers safe. And as a responsible employer, we seek to identify and prevent potential harassment and bullying situations as early as possible, as well as provide a dedicated counseling service to employees with personal issues.



Delivering on our commitment to socially responsible investing (SRI)

In 2020, we entered into a partnership with Swiss SRI specialist Ethos. BCV and Ethos are working together closely in order to create a new center of expertise in sustainable finance in Switzerland. BCV is a member of Swiss Sustainable Finance and a signatory to the United Nations Principles for Responsible Investment (UNPRI).

CSR at BCV







The dimensions of corporate social responsibility

Corporate social responsibility (CSR) refers to how companies carry over the notion of sustainable development into their operations. The concept of sustainable development was first defined in the 1987 United Nations Report of the World Commission on Environment and Development, also known as the Brundtland Report, as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

And this is the definition that is still used today.

The United Nations cites three interdependent dimensions of sustainable development that are all equally crucial for the well-being of individuals and societies: economic growth, social inclusion, and environmental protection.

With the Paris Climate Agreement and UN Member States’ commitment to achieving 17 United Nations Sustainable Development Goals (SDGs) by 2030, the issue of climate change has continued to gain importance over the last several years. While not legally binding, the 2030 Agenda serves as a call to action and roadmap for all stakeholders to address the global challenges we face. The SDGs are interconnected, together forming a holistic approach to creating a sustainable future, and must therefore be worked on as a group rather than individually.

To be socially responsible, companies must consider the impacts they have on their community, environment, and economy, and whether their actions are aligned with the expectations of their stakeholders.

For banks, there are two types of CSR-related impacts. The first are direct impacts from their day-to-day operations – such as the amount of energy they use – and from the work carried out by their employees. The second are indirect impacts that result from their banking products and services as well as from the companies and projects they finance.

The Paris Agreement

The Paris Agreement has been signed by 173 UN Member States, including Switzerland, that have committed to:

- holding the increase in global average temperature to well below 2°C above pre-industrial levels;
- increasing the ability to adapt to the adverse impacts of climate change; and
- making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

Sustainable Development Goals (SDGs)



www.un.org/sustainabledevelopment/sustainable-development-goals

Our mission

As part of our mission as a cantonal bank, we aim to maintain our position as the bank of choice for the people and businesses of Vaud Canton and as a key player in the Swiss banking sector. As such, we are committed to working for the sustainable development of society.

Corporate social responsibility at BCV goes all the way back to our founding, in 1845, when the people of Vaud petitioned the Cantonal Parliament to create a cantonal bank to serve the local economy and contribute to its development.

The Cantonal Act Governing BCV (LBCV) states that our corporate mandate is to offer a comprehensive range of banking services to the local community, to contribute to the development of all sectors of the Vaud economy and to the financing of the Canton's public-sector institutions and entities, and to provide mortgage financing in Vaud.

Since 2007, the LBCV has also specified that our Bank is to be guided by the principles of economically, environmentally, and socially sustainable development.

The economic dimension of sustainable development is at the core of BCV's role in the Canton, given that half of Vaud's residents and businesses bank with us. Our business model focuses on the local economy, with prudent risk management and long-term growth in order to deliver steady profitability. Although the economic dimension is central at BCV, the social and environmental dimensions of sustainable development are also a major focus for us. The numerous measures and initiatives we have implemented in these areas are outlined in our Sustainability Reports, which we first started publishing in 2007.

The evolving local and international context

The S in CSR

While climate issues had already been at the forefront of public attention, Covid-19 brought the social dimension of CSR back into the spotlight.

The pandemic had very serious consequences, which governments in many countries, including Switzerland, sought to mitigate through financial support measures that include partial unemployment, Covid-19 bridge loans, and assistance for the hardest-hit businesses. Despite those efforts, however, a study by the Swiss Economic Institute (KOF) at ETH Zurich² found that Switzerland's lowest-income households (earning less than CHF 4,000 per month) have borne the brunt of the impact, reporting a 20% drop in income on average since the onset of the pandemic compared with 8% for the highest-income households (earning over CHF 16,000 per month).

In 2020, questions of economic insecurity, inequality, and social cohesion emerged as key factors in sustainable development.

At the same time, solidarity with individuals whose health or livelihood was placed in jeopardy, as well as with businesses that have had to close their doors, has emerged as a strong common value.

During these times, people are keeping a close eye on the actions companies are taking, expecting them to fulfill their role as responsible and useful corporate citizens towards:

- their employees, which includes safeguarding them from Covid-19 risks;
- their customers, by continuing to deliver essential services; and
- society in general, such as by donating to charities and cultural organizations or, for some businesses, by modifying production lines to provide essential goods.

Companies that have met these expectations as they navigate the crisis have been able to preserve and even improve their reputation. And the best-prepared companies – particularly those with the highest ESG ratings – have proven to be more resilient overall.³

Environmental issues at the heart of sustainability

On 25 September, the Swiss Parliament approved the revised CO₂ Act, which will be put to a referendum in 2021. The Act sets out both the targets and measures underpinning Switzerland's climate policy through 2030, which is the deadline for cutting greenhouse gas emissions to half of 1990 levels; at least three-quarters of the reduction will have to be achieved in Switzerland.

To reach this goal, measures will be applied in the construction, transportation, and aviation industries, and the tax on fossil fuels is set to increase.

Under the Act, the Swiss Financial Market Supervisory Authority (FINMA) and Swiss National Bank (SNB) will regularly reassess institutional and macroprudential climate risks, thus formalizing the need to monitor climate-related financial risks.⁴

The Vaud Cantonal Parliament published its Climate Plan at end-June 2020. This plan lays out the Canton's climate strategy, including its targets in terms of reducing CO₂ emissions (i.e., by 50%–60% from 1990 levels by 2030 so as to become carbon neutral by 2050) and adapting to climate change. It covers all climate-related issues that fall within the Canton's scope of governance and adopts a holistic, 360° approach in order to mobilize all economic stakeholders.

² Swiss Economic Institute, ETHZ <https://kof.ethz.ch/en/news-and-events/media/press-releases/2021/02/Coronavirus-crisis-is-exacerbating-inequality-in-Switzerland.html>

³ <https://www.morningstar.com/articles/976361/sustainable-funds-weather-the-first-quarter-better-than-conventional-funds>

⁴ FINMA addresses climate risks in the financial sector, press release, 26 June 2020

The Swiss financial sector steps up its efforts

Sustainability was a headline issue in the financial sector in 2020.

In June, the Federal Council published a report⁵ stating its intention to position Switzerland as a leading hub for sustainable financial services and setting out guiding principles for achieving that goal. The Swiss Bankers Association (SBA) has aligned itself with this approach⁶ and published a guide for banks to integrate private clients' environmental, social, and governance (ESG) expectations into the advisory process.⁷

In line with this goal, at its meeting on 11 December 2020, the Federal Council adopted measures to improve transparency (and thereby prevent greenwashing), strengthen risk analysis, and expand Switzerland's action on sustainability themes internationally. In addition, it's expected that all companies in Switzerland will soon be required to comply with the recommendations of the Task Force on Climate-related Financial Disclosures.⁸

Following up on its 2017 efforts, the Federal Office for the Environment (FOEN) once again invited Swiss financial institutions to take a climate compatibility test in the area of asset management and mortgage loans.

At the same time, the European Union continued implementing its action plan for financing sustainable growth, notably by adopting the EU Taxonomy Regulation on 22 June 2020.⁹ Also last year, all EU financial institutions prepared for the Sustainable Finance Disclosure Regulation, which took effect on 10 March 2021 and requires asset managers to make sustainability disclosures about their products.

“ In June, the Federal Council published a report declaring its intention to position Switzerland as a leading hub for sustainable financial services. ”

⁵ Sustainability in Switzerland's financial sector, Federal Council report, 24 June 2020

⁶ Sustainable Finance in Switzerland: from pioneer to a premier international hub, SBA report, June 2020

⁷ Guideline for the integration of ESG considerations into the advisory process for private clients, SBA publication, June 2020

⁸ These recommendations cover how companies take climate risks into account in their governance, strategy, and risk management, and require them to set metrics and targets.

⁹ <https://ec.europa.eu/transparency/regdoc/rep/1/2018/EN/COM-2018-97-F1-EN-MAIN-PART-1.PDF>

Stakeholder expectations

BCV's actions impact all our stakeholders, whether directly or indirectly. In order to adapt our CSR approach accordingly, we must first identify what these impacts are and discern our stakeholders' expectations.

In accordance with the GRI Standards, this chapter lists the stakeholder groups that have a significant influence on BCV's activities.

Our stakeholder groups and how we engage with them

Vaud Cantonal Government and Cantonal Parliament

- Regular contact with the Vaud Cantonal Government as part of our information-exchange agreement
- Responsiveness by the Bank towards BCV-related questions that Vaud's Cantonal Parliament submits to the Cantonal Government (e.g., motions that ask or require the government to legislate)

Shareholders (apart from the Canton of Vaud)

- Annual Shareholders' Meeting
- Regular meetings with professional investors

Supervisory and federal authorities

- Regular meetings with the Swiss Financial Market Supervisory Authority (FINMA) and the Swiss National Bank (SNB)

Employees

- Employee engagement surveys

Customers

- Market research and satisfaction surveys
- Systematic analysis of customer complaints

Sustainable development interest groups

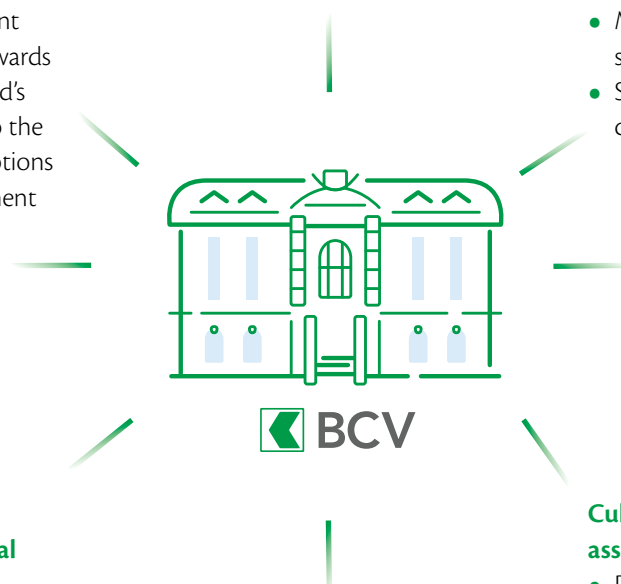
- Responding to questions, requests, and comments

Cultural and sports associations

- Responding to questions, requests, and comments
- Numerous exchanges about sponsoring and donations

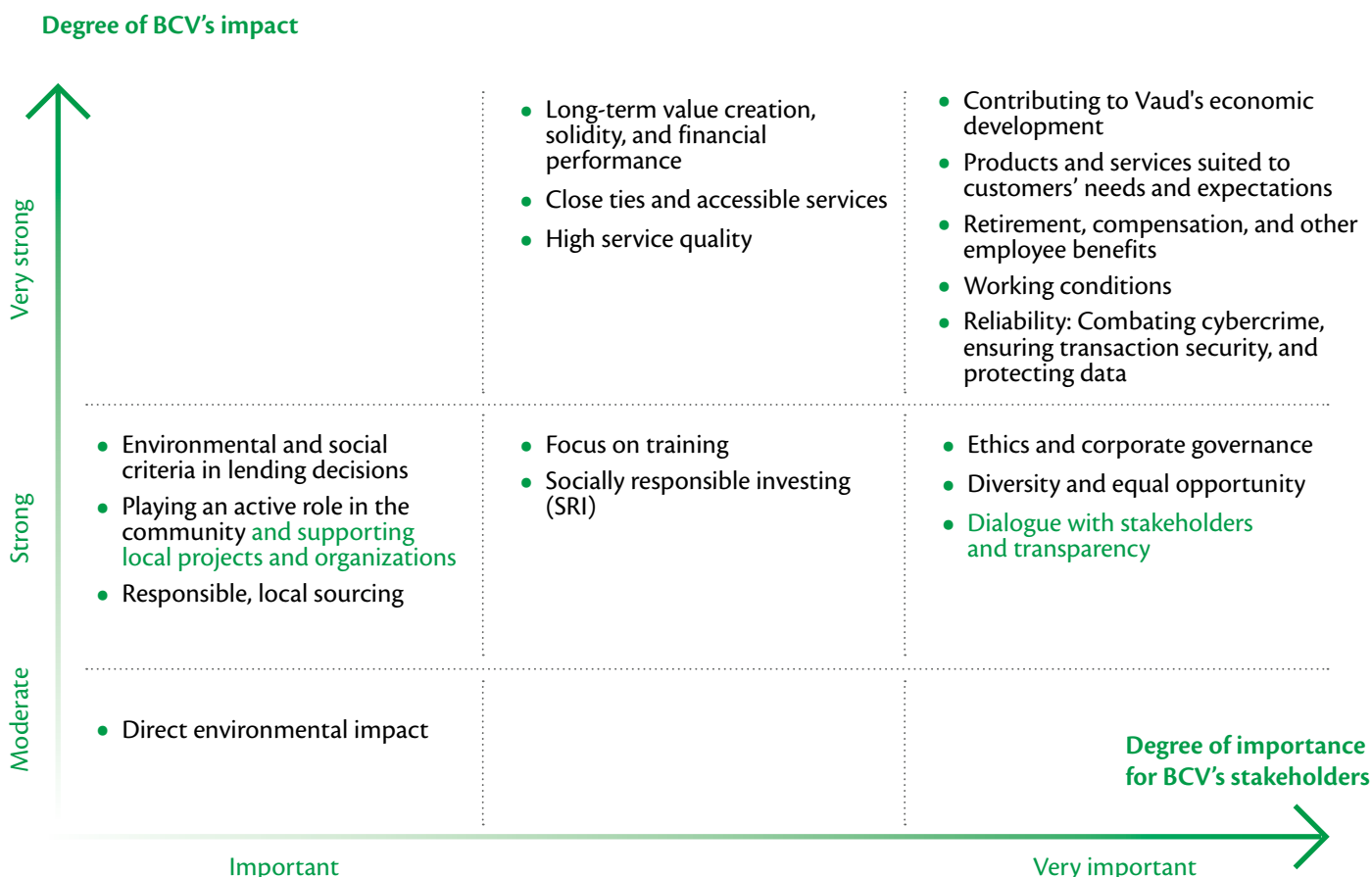
Suppliers and partners

- Formalized processes for managing relationships with main suppliers



BCV's materiality matrix in 2020

* What's changed from 2019



In the matrix above, we have mapped BCV's priority issues based on how important they are to our stakeholders and how big of an impact we can have on each issue.

The matrix is in line with the GRI Standards, which call for weighting sustainability issues based on the following two dimensions:

- the issue's importance to stakeholders, or the extent to which it will influence their decisions; and
- the significance, or scope, of the Bank's economic, environmental, and social impacts in that area.

In 2019, we put together a working group, led by BCV's Head of Corporate Social Responsibility, to identify and prioritize the issues that matter most to our stakeholders. This group speaks with the employees who have daily contact with various stakeholders, using the channels described on the previous page, and who are therefore most aware of what our stakeholders need from us.

The findings are then reviewed by the Bank's Executive Board and Compensation, Promotions, and Appointments Committee.

Regardless of their weighting according to the GRI dimensions, all of these issues are important to us, and we will continue to re-evaluate them annually. Each priority issue is discussed in its own section in this report. There, we present the issue, explain the Bank's stance, and describe what we are doing to meet stakeholder expectations in that area. These issues are also listed in the GRI Index beginning on page 84.

The materiality matrix has been updated since the 2019 Sustainability Report to reflect our stakeholders' evolving expectations, specifically the growing importance placed on BCV's community involvement as well as dialogue and transparency.

Playing an active role in the community

This issue is gaining importance with certain stakeholder groups, as shown by a BCV-commissioned survey on Vaud residents' main expectations of our Bank in the area of sustainable development.

According to respondents, BCV should help support local projects that have a positive social or environmental impact.¹⁰

Dialogue and transparency

As banks come under greater scrutiny for their sustainability policies, this issue has also become more important. We have therefore shifted it towards the right in the materiality matrix.

We make every effort to explain our sustainability approach and engage in dialogue with our various stakeholders. In 2020, for example, we met with representatives of the EPFL Student Association (AGEPoly). We also spoke with participants of the Climate Strike and wrote a detailed letter replying to their questions.¹¹

Last year, we took part in the PACTA climate compatibility test¹² sponsored by the Federal Office for the Environment (FOEN); the results

of the PACTA test are discussed on pages 46 and 57–59 of this report. We also participated in the World Wildlife Fund's study on Swiss retail banks, the results of which will be published later this year.

In addition, we analyzed the reports prepared by ESG rating agencies on our Bank to determine which issues these agencies considered most important. And we closely monitor FINMA publications on climate-related issues as well as the expectations of the Federal Council and investors in this area, paying particular attention to the recommendations of the Task Force on Climate-related Financial Disclosures.

In an effort to continually improve our transparency, our 2020 Annual Report and Sustainability Report contain additional information on the following topics:

- Governance
- Data protection
- Human resources
- Socially responsible investing
- Responsible lending

Finally, the Covid-19 pandemic has highlighted – and sometimes increased – the expectations of our customers and the broader public in certain areas. These include remote services, protective measures, supporting local businesses, and explaining the economic and financial environment. To respond to these changing expectations, BCV has implemented a number of measures that are described in this report.

Our CSR ambitions and strategy

Our ambitions and strategy when it comes to corporate social responsibility are a direct product of the Bank's mission to contribute to the sustainable development of Vaud Canton. They are set by our Executive Board, approved by the Board of Directors, and together form BCV's sustainability roadmap through 2025.

Over the next five years, we aim to help achieve the UN Sustainable Development Goals by:

- proactively offering our customers a wide range of sustainable investment solutions in line with market best practices;
- playing a major role in financing the energy transition in Vaud Canton;
- committing to preserve the environment and continuing to reduce the environmental footprint of our operations; and
- fulfilling our social responsibility by playing an active role in the community and, as a benchmark employer, by fostering diversity and equal opportunity.

¹⁰ Image study by Qualinsight, October 2020

¹¹ <https://climastrike.ch/fr/how-green-is-your-financial-institution> (in French only)

¹² <https://www.bafu.admin.ch/bafu/en/home/topics/climate/info-specialists/climate-and-financial-markets.html>

To achieve our ambitions, we have built our stakeholders' expectations into our CSR strategy. We are continuing to implement concrete processes and measures to manage the direct impacts of our operations. We are also working to incorporate more sustainability criteria across our range of investment products and financing solutions. Also, we publish our Sustainability Report annually in both French and English, with a format and content that meet GRI reporting standards. This gives stakeholders a structured view of the measures we've been taking, with metrics that can be compared from one year to the next.

CSR governance and organizational structures at BCV

BCV's policy on matters of corporate social responsibility covers the economic, social, and environmental dimensions of sustainability. That policy is overseen by our Compensation, Promotions, and Appointments Committee, which submits its recommendations to BCV's Board of Directors.

For more information about the members of that Committee, see page 85 of our 2020 Annual Report.

In 2019, the Executive Board, which is responsible for economic, social, and environmental matters, decided to put in place a new, dedicated CSR organizational structure to enhance CSR governance and management and drive sustainability across BCV. We have made the following specific organizational enhancements, effective as of 1 January 2020:

- We created a CSR Committee to submit recommendations to the Executive Board on the objectives and approaches the Bank should adopt on all CSR-related topics. The committee is chaired by the CEO and includes the heads of our Credit Management and Asset Management & Trading Divisions, as well as the head of Corporate Social Responsibility, along with representatives from our business lines.
- We appointed a new Head of Corporate Social Responsibility, who reports directly to the CEO.
- Each of the Bank's divisions designated a CSR representative in charge of coordinating projects and tasks within their division.

Ways our Board of Directors and Executive Board were involved in 2020

- Our Board of Directors and Executive Board approved a new policy on incorporating environmental and social criteria into our Trade Finance business (see page 47).
- Our Board of Directors, Compensation, Promotions and Appointments Committee, Executive Board, and CSR Committee held a number of discussions on the Bank's approach to SRI and gender equality.
- Our CSR ambitions and strategy (see pages 11 and 16), as set out by the CSR Committee and Executive Board, were approved by the Compensation, Promotions and Appointments Committee and the Board of Directors.
- The 2020 Sustainability Report was reviewed and approved by the CSR Committee and – on behalf of the Board of Directors – the Compensation, Promotions and Appointments Committee.

Managing sustainability-related risks and opportunities

The CSR Committee is responsible for identifying and assessing sustainability-related opportunities and working with BCV's different divisions to determine the measures we will adopt in each business line. It helps identify ESG risks, particularly those that may impact our reputation or that arise from our customers' evolving needs and expectations, and ensures that appropriate measures in this regard are taken. Additionally, the committee monitors regulatory and market developments in the area of sustainability.

In line with financial supervisory authority recommendations, we consider ESG risks, particularly climate-related risks, as factors that influence traditional types of risk. BCV monitors four categories of risk in all of its activities:

- Strategic and business risk
- Credit risk
- Market risk
- Operational risk

All risks – including ESG risks – in all areas of the Bank are managed according to the same principles, using methods adapted to each risk category.

Governance and the main responsibilities in the area of risk management may be summarized as follows:

- The Board of Directors establishes BCV's fundamental risk-management principles and decides the strategy it will pursue in taking on risk.
- The Audit and Risk Committee ensures that risk management at BCV is implemented and operational, as decided by the Board of Directors.
- The Executive Board is responsible for ensuring that risk-management procedures are implemented and operational, and for monitoring the Bank's risk profile. It monitors strategic and business risk and supervises the Executive Board Risk Management Committee in monitoring and reporting these risks. The committee is chaired by the CFO and includes the CEO, other division heads, and the head of the Risk Management Department.

- Division heads are responsible for conducting and monitoring the activities of their divisions, regardless of whether the division has a front-line, steering, or business-support role. They have initial responsibility for overseeing, identifying and managing the strategic, business, credit, market, and operational risks arising from the activities of their divisions.
- The Risk Management Department is responsible for setting up, implementing, monitoring, and adapting the Bank's oversight principles and methods for credit, market, and operational risk.

We continuously monitor ESG risks as they evolve, in line with the responsibilities mentioned above. In 2021, the Bank will focus particularly on climate-risk analysis.

In this connection, we have already begun to study the documents issued by the main banking regulators, particularly the ongoing revision of FINMA Circular 2016/1 "Disclosure – banks" on reporting climate-related financial risks.

In addition, we survey methods and tools for analyzing climate risk, such as scenario analysis, and will consider using them as they develop further.

International initiatives and local partnerships

Signatory of:



BCV signed the United Nations Principles for Responsible Investment (UNPRI), which seek to promote a sustainable financial system. The UNPRI are the most comprehensive and widely recognized standards for responsible investment.



BCV is a member of Swiss Sustainable Finance, which aims to strengthen Switzerland's position as a hub for sustainable finance by raising awareness, providing training, and encouraging a forward-thinking approach to growth.



BCV participates in the annual CDP Global survey, which collects data on companies' greenhouse gas emissions to incentivize them to reduce their carbon footprint.



In 2020, BCV entered into a long-term strategic partnership with Ethos, which specializes in socially responsible investing (SRI), in order to offer sustainable investment products.



BCV commissions Swiss Climate to measure the Bank's carbon footprint using the methodology set out in ISO 14064-1 and in the GHG Protocol Corporate Standard.



This label is awarded to businesses with a climate policy that includes reducing and offsetting greenhouse gas emissions.



BCV was recognized by Swiss Olympic as a training institution that promotes elite sports for the 2020–2021 season.

A positive, long-term economic impact





“The Covid-19 loan we got in the spring proved a lifeline in the fall”

“In spring last year, we found ourselves in a bind: sales suddenly slumped by 70% and unpaid invoices were stacking up, especially from customers in the hotels and restaurants sector.

We applied for a Covid-19 bridge loan because while our business volumes were lower, some costs just couldn't be cut. Fortunately many of our customers did the same, so they were able to pay their outstanding bills relatively quickly. We put the cash aside and used it to get through the second wave in the fall.

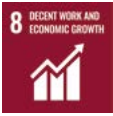
We had to reinvent ourselves right from the start of the crisis, such as by launching a new takeout business. I'm pretty sure that some of those changes are here to stay.”

David Lizzola

Founder and CEO, Léguriviera Groupe



For the full story, watch our video at bcv.ch/en/rse



Long-term value creation, solidity, and financial performance

Our business strategy is guided by our ultimate goal of creating value for shareholders, clients, and employees. Our business model is that of a universal bank with solid local roots.

To fulfill our mission as Vaud's cantonal bank, we must ensure that our foundation is solid and that our vision for BCV leads to robust, steady profitability going forward. Our strategy therefore targets sustainable growth coupled with a moderate risk profile that is aligned with our mission. That means we do most of our business within Vaud Canton and take a selective approach to volume growth.

Our operations focus on our four core businesses: Retail Banking, Private Banking, Corporate Banking, and Asset Management & Trading. At the same time, we are active in selected areas where we have proven expertise – specific markets that offer strong potential in terms of both growth and profitability. We do not engage in proprietary trading.

Our solid financial position, which has been recognized by Standard & Poor's and Moody's – the two leading credit rating agencies – means we can take a long-term approach, running the Bank with a calm sense of purpose.

Standard & Poor's
rating



One of the many ways we create value is through the strength of our share, which is one of the best performing in the Swiss banking industry. The BCV share generated a 26.5% total return for our shareholders in 2020, bringing our total return over the past five years to 89%, which far exceeds the –28% posted by the SP Banks index for Swiss banks. The bulk of this value flows to the Canton of Vaud, our majority shareholder, with 66.95% of our share capital.

In 2020, we distributed CHF 310m to shareholders, and the amount we paid out in taxes and dividends to the Canton of Vaud and Vaud municipalities works out to CHF 645 for every household in Vaud. Our risk management practices comply with the very highest standards, and our total capital ratio of 17.8% is well above the regulatory requirement.

Contributing to Vaud's economic development

We are the leading bank in Vaud. Half of the Canton's people bank with us, and we are a key provider of banking services to businesses and public-sector entities in our home region.

As part of our role to meet demand for mortgage lending, our loan book covers all areas of the Canton. We are the lender of choice for real-estate professionals and help ensure that the supply of housing in Vaud is aligned with demand over the long term. We take a responsible approach, seeking to prevent the emergence of a housing bubble in this naturally cyclical market.



We provide **1 of 3**
mortgage loans in Vaud

Half of the Canton's SMEs turn to BCV for their banking needs, with one in three companies in Vaud – over 25,000 in total – banking mainly or exclusively with us. We welcomed more than 2,000 new corporate clients in 2020, including over 1,000 businesses that had been operating for less than 18 months.

More local businesses come to us for financial services – current accounts, loans, trading, and investment products – than to any other bank. And our corporate loan book stands at CHF 11.7bn, which equates to a market share of around 40%.

We provide financing to every sector of the Vaud economy, with a loan book that reflects the economic structure of the Canton and the financing needs of the various sectors of its economy. Real-estate professionals and construction firms account for 43% of our lending. For every loan we grant, we assess the application on its merits and do not apply sector-specific pricing or lending policies.

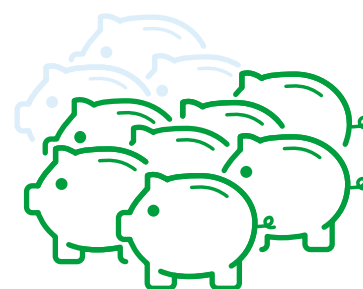
BCV offers loans starting as low as CHF 20,000 to small businesses that would otherwise struggle to access financing because the amounts involved are likely too small to interest other banks. Some 350 local SMEs took out loans of this sort last year for a total of CHF 14m. We also granted 98 loans guaranteed by the regional cooperative or Vaud's Cantonal Office for Economic Affairs and Innovation in 2020, totaling CHF 13m.

When the Covid-19 pandemic hit in 2020, here is what we did to help local businesses:

- We teamed up with other Swiss banks and the federal and cantonal authorities to develop the Covid-19 bridge-loan program and its equivalent for startups.
- We hit the ground running, pulling together a team of 80 people in just a few days to get those bridge loans to the businesses that needed them. We ultimately granted more than 6,000 loans for a total of over CHF 700m, fulfilling our role as the Canton's largest lender.
- We disbursed 41 loans worth CHF 11m to young firms in our region under Vaud Canton's startup program.
- We suspended the 31 March and 30 June principal repayments on loans to Vaud SMEs, leaving local businesses with over CHF 40m of additional cash to see them through the crisis. We've decided to repeat this much-appreciated measure in 2021.
- We worked to keep our customers informed and connected throughout the period, with a special Covid-19 bridge-loan webpage, informational newsletters on the situation, and a full array of remote-banking services and touchpoints.

Serving the region's pension funds

We are the partner of choice for our region's pension funds. Seven out of ten pension funds in Vaud are clients of our Asset Management Department. AVENA Fondation BCV Deuxième Pilier, the Bank's collective occupational pension fund, manages pension assets for 15,200 members from 1,033 companies. And we handle all administrative, accounting, and technical tasks for 16 independent occupational funds, representing 14,800 members.



7 out of **10** pension funds in Vaud are clients of BCV

The Bank also offers two training courses for pension board members: a full-day introductory course and a half-day refresher course. Some 49 people attended one of these sessions in 2020. This was fewer than the 65 attendees we welcomed in 2019 primarily because the second refresher session, scheduled for 29 October 2020, was unable to go ahead owing to Covid-19 restrictions.

Our Asset Management Department provides a valuable advice and support service for our pension fund clients. That includes advice and support on socially responsible investing (SRI) strategies. Since 2018, we have integrated environmental, social, and governance (ESG) criteria into portfolios without this negatively impacting expected risks or returns – as our institutional clients expect.

In 2020, we entered into a partnership with Swiss SRI specialist Ethos. BCV and Ethos will work together closely in order to strengthen this partnership over the coming years and create a new center of expertise in sustainable finance in Switzerland. This move is part of our plans to expand our range of investment solutions for our institutional clients in this increasingly important area.

We announced the partnership (described in more detail on pages 51 and 52 of this report) through our newsletters and other channels. Our advisors now explain Ethos' analyses and criteria as well as BCV's portfolio management practices when meeting with and reporting to clients. News of the partnership was received favorably by the Bank's clients and by institutional investment consultants.

On 19 November, we took our first step together with the launch of the Ethos Swiss Sustainable Equities fund, which is now included in the balanced portfolios that we manage for clients such as pension funds. All clients were informed of this change.

As the events of last year played out, our experts kept a close eye on the global health crisis, actions taken by central banks and governments, and key economic data. And as in previous crises, we shared our analyses and the evolving financial market outlook with our clients. To take one example, we released three videos in March and April where our experts shared their insights on how to get equity markets moving again, how to prepare for a period of volatility, and how bonds have done their job.

Helping stakeholders better understand the Canton's economy

We regularly publish reports and hold events to help our clients and the wider public make sense of the local economy and business conditions in the Canton.

- Twice a year we release *BCV Immobilier*, an overview of the real-estate sector in Vaud. Last year's focused on second homes and environmentally friendly construction and renovations.
- We contribute to economic updates and indicators of business conditions prepared by the Commission Conjoncture Vaudoise (CCV), including a quarterly report on Vaud's GDP and an annual report on the GDP of French-speaking Switzerland. Throughout last year, these publications kept readers abreast of the state of the Canton's economy and the impact of the Covid-19 pandemic.

- We hold various events covering key business and market trends, including *Conjoncture & Perspectives*, *Les Rendez-vous de la Finance*, *Professionnels de l'Immobilier*, *5 à 7 de la Finance*, and *Les Rendez-vous des Entrepreneurs*. A number of these events were canceled in 2020 because of the pandemic, while others went ahead virtually. Also last year, over 1,000 people attended six business-focused webinars on topics ranging from business successions and trends in real estate, to the Bank's e-SME solutions and the repercussions of the pandemic on the economy.



- In addition to providing products and services for our corporate banking clients, we hold regular workshops for the business community. In 2020, we ran 11 sessions about forex alone, with a total of 130 participants.
- We send out newsletters to our clients and local businesses, including:
 - BCV Finance, our quarterly financial market newsletter
 - Weekly, monthly, and quarterly newsletters
- Our experts write articles for the Swiss daily newspaper *24 heures* three times a month and make twice-monthly guest appearances on the “Votre argent” segments broadcast on *La Télé Vaud Fribourg*, where they share information and practical advice for people looking to make sense of the business environment and manage their finances.
- We publish financial analyses from our experts, business advice, and the latest developments in the Vaud economy at pointsforts.ch – including over 150 articles last year alone.
- Throughout 2020, we published a steady stream of information and guidance to help our clients navigate the Covid-19 crisis. Subjects included day-to-day financial management, bridge loans, and the latest federal and cantonal support programs.
- In spring last year, we released the findings of a post-lockdown confidence survey among Vaud-based SMEs. The report was picked up by various media outlets, including Keystone-ATS and the daily newspapers *24 heures* and *Le Temps*.



Les Rendez-vous de la Finance was held as a virtual event.

Promoting innovation and sustainability in Vaud

BCV is a member of Innovaud, the Vaud Cantonal Government's agency for promoting innovation and investment, which provides support to pioneering businesses of all sizes – startups, scaleups, SMEs, and large corporates – based in the Canton or looking to set up here. Last year, Innovaud merged with Vaud's economic development agency (DEV), to which we make an annual contribution of CHF 50,000.

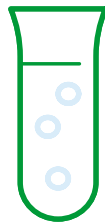
The Foundation for Technological Innovation (FIT) is also part of the Innovaud network. This non-profit provides grants and loans to startups in Vaud and the rest of French-speaking Switzerland in order to stimulate the local economy and encourage innovation. Because the program is only open to companies less than three years old, FIT is often one of the first sources of external capital for early-stage ventures. Its experience and expertise also lend credibility to fledgling businesses, opening the door to a larger pool of potential investors.

The Bank has supported FIT since its inception in 1994, including a later commitment in 2012 of CHF 5m over 10 years. We also have a representative serving as vice chairman of the FIT board and on the FIT selection committees.

FIT has helped create over 2,200 jobs by providing financing to hundreds of startups across a wide range of industries – from life sciences, digital health, food and nutrition, and clean technology, to ITC, manufacturing, aerospace, and cybersecurity. Almost 200 of these businesses are still active. In 2020 alone, FIT disbursed CHF 6.25m in grants and loans: a record figure achieved in a crisis-hit year.

Recent recipients of FIT support include the following startups:

- **DePoly** which has developed an innovative method for breaking down PET plastic waste into its base compounds, which can then be used to make new PET products or in other industrial processes.
- **ClearSpace** which specializes in removing disused satellites from low Earth orbit and has recently been selected by the European Space Agency (ESA) to lead the first-ever mission to remove debris from orbit, scheduled for 2025.



CHF **500,000**

in financing committed to the Foundation for Technological Innovation (FIT) every year to support Vaud startups

Another way we promote innovation and sustainability is through the Silicon Valley Startup Camp (SVSC). The program, which ran between 2012 and 2019, gives students from local higher-education institutions an immersive experience in Silicon Valley. Although the program couldn't take place in 2020 because of the pandemic, we intend to continue promoting innovation and sustainability through initiatives like the SVSC. Also last year, we supported the #VersusVirus hackathon, an online collaboration to develop solutions to tackle the crisis. BCV employees were encouraged to take part in this 24-hour event.

Partnership with the University of Lausanne

In October 2019, BCV and the University of Lausanne (UNIL) announced a jointly funded two-year research position. The researcher, based at the university's Center for Risk Management at Lausanne, is exploring ways to integrate ESG criteria into portfolio-management processes, especially for real-estate investments. The project is also looking at how to incorporate environmental, climate, and social risks into those same processes. The research, which draws on UNIL's strong theoretical base and the Bank's practical insights, is expected to produce useful tools for private and institutional asset managers.

Vaud innove

In spring 2020, BCV's Observatoire économique published *Vaud innove – Un écosystème aux multiples visages*, a joint study by BCV, the Vaud Chamber of Commerce and Industry (CVCI) and Innovaud. The report provides a full overview of the region's innovation ecosystem, covering its strengths and supporting factors, along with areas requiring attention and improvement to ensure that it continues to develop. The study's content was first published online at vaudinnove.ch and then compiled by BCV into a single document, which clearly demonstrates the Canton's status as a hub for deep tech companies. The density and quality of academic research that takes place in French-speaking Switzerland, despite the limitations inherent in the region's small size, set our innovation ecosystem apart from others and enhance its appeal.



Ethics and corporate governance





“Data protection is an ethical obligation”

“In 2018, the Bank put together a team to review the upcoming changes to the Swiss Federal Act on Data Protection. I headed up the project until the end of last year, and there are still around 50 people working on it.

The revised act, which was passed by the Swiss Parliament in 2020 and will take effect in summer 2022, enshrines data subjects’ rights and sets out a series of requirements for businesses. We’re reviewing and updating our internal systems and processes to make sure we’re compliant.

Our priority is to safeguard privacy for everyone – our clients, our suppliers, and our employees. That’s because we believe that conducting ourselves to the highest ethical standards is vital to maintaining trust.”

Cécile Carrié

Data Protection Project Manager, BCV



Living our values

We believe that one of the keys to our long-term success is having a common culture shared by all employees and built around four core values – close ties, professionalism, performance, and responsibility. At BCV, we live these values every day. They're what set us apart from our peers. And they underpin everything we do, as well as how our employees interact with customers and colleagues.

Given how important these values are to us, we have set up a long-term training program designed specifically to reinforce them across our organization. Our values are also an integral part of employee performance reviews.

All new hires receive a copy of our Code of Professional Conduct, setting out the behavior that is expected of our company as a whole, its governing bodies, and each and every staff member.

The principles contained in the Code are applicable to any action or decision taken by BCV employees in a professional context.

Close ties

As a Swiss cantonal bank, BCV maintains a deep connection with the local community that goes back a century and a half. Our employees use their on-the-ground presence in Vaud Canton and knowledge of the local community to fully appreciate and understand the needs and expectations of BCV's customers.

Performance

At BCV, we set ourselves ambitious goals across the board. Our people are results-oriented. They systematically seek pragmatic and effective solutions to the challenges that arise every day.

Professionalism

Every employee is committed to delivering the best possible service to customers. To achieve this, our people draw on the best practices in their respective fields of expertise and constantly seek to expand their skills and knowledge.

Responsibility

BCV employees demonstrate responsible professional behavior. This includes taking responsibility for their actions, being conscientious in their work, and being loyal to the company.

Corporate governance

BCV applies corporate governance standards and best practices, clearly setting out the responsibilities of the governing bodies and various committees. The responsibilities of our seven divisions are also formally documented, as are the powers and duties of the Bank's committees.

Likewise, we have a strict separation of functions policy. The legal, regulatory, and internal-policy requirements that apply to our activities are set out in in-house directives and procedures.

Our three-level internal control system (ICS), which falls under the responsibility of the Executive Board and the Board of Directors, ensures that these requirements are properly implemented.

A detailed description of our ICS can be found on page 71 of our 2020 Annual Report.

We follow the latest developments in corporate governance and, where necessary, review our practices in line with regulatory requirements and recommendations from specialized firms.

No political contributions

The Bank has a policy to not provide any type of formal support to any political party or organization. We do, however, support our employees' involvement in the community, including in organizations of a political nature, and we make work-time arrangements for the roughly 100 staff members who hold public office.

We do not take positions on political issues, except for matters that concern the banking industry or that could have a material impact on our business environment.

BCV is a member of the Swiss Bankers Association (SBA) and the Association of Swiss Cantonal Banks (ASCB), two umbrella organizations that represent the interests of the Swiss banking industry and Swiss cantonal banks, respectively.

Compliance with laws and regulations

We constantly analyze our strategic decisions, internal operating framework, and day-to-day business activities to ensure that they comply with the law, external and internal regulations, and the ethical standards set out in our Code of Professional Conduct.

Members of the Board of Directors

The BCV Board of Directors comprises seven non-executive members. None of the members performs any other functions within BCV Group, and all are independent members within the meaning of FINMA Circular 2017/1 "Corporate governance – banks."

- Three members are elected by shareholders.
- Four members are appointed by the Vaud Cantonal Government (VCG). Although they are given appointment letters, they are deemed independent, as they receive compensation for BCV board-related activities from the Bank alone and do not receive any specific instructions from the VCG.

Due diligence and tax compliance

At BCV, we have invested considerable resources to combat money laundering and the financing of terrorism. We have suitable processes and systems in place for ensuring compliance with economic sanctions and monitoring market abuse, and we only do business with clients who are tax compliant.

Money laundering and terrorist financing

By accepting funds and executing payment and financing transactions, BCV is exposed to the inherent risk that one or several of its clients may be directly or indirectly involved in money laundering or the financing of terrorism. Banking supervision rules therefore require banks to have systems in place to detect signs of these activities. Determining the economic background of client funds and the purpose of transactions is a central component of the due diligence process, which consists of monitoring client relationships and transactions made through the Bank.

Our front-line businesses take initial responsibility for identifying money-laundering and terrorist-financing risks relating to both client relationships and transactions. The Compliance Department sets out the framework to be followed within the Bank, provides tools for implementing that framework, and supports and monitors the work of the front-line businesses.

We systematically identify all parties involved in each client relationship, which we then categorize based on money-laundering and terrorist-financing risk factors, in alignment with the regulatory requirements set out in the Swiss Anti-Money Laundering Act (AMLA). These categories are then used to determine the extent of monitoring and the appropriate escalation process for each relationship. Client relationships showing signs of an increased risk of money laundering or terrorist financing must go through an approval process. This involves various levels of management, and approval by the Compliance Department is required in each case.

We likewise categorize client transactions based on their size and in accordance with regulatory requirements. Dedicated software, configured for each of the Bank's business lines, is used to detect transactions that are at a high risk of money laundering or terrorist financing. High-risk client relationships and transactions go through an internal review process, which includes strict rules on supporting documentation, while transactions representing the highest level of risk are approved by the Compliance Department.

More details about our policies and processes for managing compliance risk can be found on pages 67–69 of our 2020 Annual Report.

Tax compliance

Our policy is designed to prevent undeclared funds from entering our bank. We require wealthy individuals and non-residents to supply a certificate of tax compliance issued by the authorities in their tax jurisdiction(s).

Clients can request a tax statement from the Bank to complete their tax returns. In 2019, we updated these documents to help clients fill out their Swiss tax returns, and we've made further improvements since then to make it easier to obtain documents digitally. And from 2022, our aim is to issue electronic tax statements to our clients in a standardized file format that will make it possible for the Bank, clients, and the cantonal tax authorities to quickly and securely send information for e-filing purposes.

Data protection

At BCV, we take every precaution to protect the personal data of our customers and employees. And we know our customers' trust depends on our ability to keep their personal data secure and use it appropriately.

The following principles underpin our data protection strategy, which is guided by the Swiss Federal Act on Data Protection (FADP):

- Any entity that processes data must adhere to certain protection and security standards, and must only process data lawfully.
- Individuals have the right to access personal data held about them, to be informed about how their data are used, and to object to the processing of their data in certain circumstances.
- Any entity processing data must have justification for doing so (as set out in the FADP).

If we are required to collect personal data about our customers or employees, whether by law or by circumstances, we handle such data in compliance with the FADP. And whenever we share customers' data with authorized third parties, we adhere to the law and BCV's General Conditions.

The Bank has a range of organizational and technical measures in place to prevent personal data from being viewed, used, modified, or destroyed by unauthorized persons.

On 25 September 2020, the Swiss Parliament passed an amended version of the FADP, marking the end of a nearly three-year legislative process that brings Swiss data protection law more closely in line with the EU's General Data Protection Regulation (GDPR). Under the revised act, which is set to enter into force in 2022, companies must:

- delete or anonymize personal data when they are no longer needed (i.e., when the data are no longer required to perform a contract or to comply with a legal or regulatory obligation);
- keep a register of personal data processing activities;
- immediately report serious data security breaches to the Federal Data Protection and Information Commissioner; and
- give data subjects the option to request an electronic copy of their data or to have it forwarded to a third party.

We put together a multidisciplinary team to review and update our data protection policy well before the FADP was revised. That team will continue its work ahead of the entry into force of the revised law.

In 2020, no legal action was taken against BCV for breach of confidentiality or customer data loss.

Responsible selling

We recognize that our clients rely on us to provide reliable financial advice and to be open and transparent with them. This section describes some of the ways we fulfill that duty.

Competitively priced day-to-day banking with no hidden extras

For several years now, we've published a brochure summarizing the fees that apply to our current accounts, credit and debit cards, and other personal and business banking products and services. And we always give clients at least 30 days' notice, in writing, of any changes to our fees and conditions.

BCV was named the most competitively priced traditional bank for retail customers¹³ by *À Bon Entendeur* – a consumer affairs show that airs on Swiss French-language broadcaster RTS – in its latest report on this topic, which came out in early February 2021. This result is testament to our longstanding commitment to make banking with us an affordable and attractive option for the people of Vaud.

Meanwhile, our all-in-one banking packs give small businesses everything they need to manage their day-to-day finances for a competitive monthly fee – that's waived for the first year – without compromising on service quality.

Investment advice

Before recommending an investment product, our wealth managers sit down with clients to determine their investor profile. Our approach to investment advice meets the investor protection requirements of the new Swiss Federal Act on Financial Services (FinSA), which took effect on 1 January 2020.

Our policy, which is inspired by the EU's Markets in Financial Instruments Directive (MiFID), actually predates FinSA by a few years. Three key principles underpin our approach:

- We always check that our investment recommendation is appropriate, given the client's knowledge and experience.
- We always check that our investment recommendation is in line with the client's investor profile, taking into account their financial circumstances, investment horizon, and risk appetite.
- We are up-front about costs, including fees and retrocessions, which are set out in the contract between us and the client.

This approach allows us to tailor our advice, and the products and services we offer, to the client's unique situation.

Through our asset allocation funds and discretionary management agreements, we research and select the best investment solutions for our clients. And for the investment funds in our discretionary portfolios, we always select the cheapest share classes.

For clients who opt for our advisory services, we offer a broad range of products from BCV and from third parties that meet strict financial and non-financial (i.e., ESG) criteria, including performance, risk, financial and non-financial risk control, as well as the fund management company's track record on both financial and non-financial metrics.

Our aim is to continue integrating ESG criteria into all our investment solutions, as a way to protect our clients' portfolios against non-financial risks. We have also created a range of professionally managed ESG Impact products that allow our clients to support sustainable development without paying higher fees.

More details of our selection process and our ESG Impact range can be found in the "Socially responsible investing" section of this report (starting on page 49).

¹³ Based on a couple with CHF 25,000 in assets held at the bank in question, and making 730 debit-card purchases, 120 online and offline payments, 78 withdrawals from the bank's ATMs, and 26 withdrawals from other ATMs per year. The calculation also includes other charges, including fees for payment cards, card blocking, receiving payments in the account, and postage.

Similarly, our new BCV Conseil range of investment advisory services features an approach to pricing and fees that puts the client's best interests first. For the BCV Conseil Classique service, we have introduced a new advisory fee that allowed us to reduce per-transaction fees by 20%, and our pricing for the BCV Conseil Premium and BCV Conseil Plus services is based on a fixed fee per transaction rather than on transaction volumes.

Overall, this approach to pricing means our revenue streams are less correlated with the number and volume of client transactions and helps to further hardwire truly independent advice for our clients into our business processes. And because our advisors have no financial incentive to sell one product over another, their advice is always guided by the client's best interests.

Risk management support for corporate clients

Our business lines work together to help businesses and institutional clients – SMEs, large corporates, real-estate professionals, and public-sector entities – understand and manage interest-rate and exchange-rate risks.

In 2020, our experts and corporate banking advisors overcame the challenges of the Covid-19 pandemic, safely holding over 300 client meetings.

Also last year, we held 11 workshops on interest-rate risk. Attendees learned what interest-rate risk is and how it can affect their business, as well as how interest-rate hedging products work and when and how to use them. A total of 130 people attended across the 11 sessions.

“ **At BCV, we're committed to make banking with us an affordable and attractive option for the people of Vaud.** ”

Meeting our customers' needs





“Having a single point of contact made all the difference”

“With the Covid situation last spring, we really moved over to doing all our banking remotely. We were trying to take out a second mortgage then. Our advisor knew our whole backstory...having a single point of contact made all the difference. Everything was done quickly online, by email, and over the phone. I didn't have to visit a branch and nearly everything was paperless. It was all very flexible.

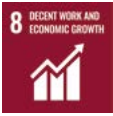
I was also impressed by how well the team worked together: if my advisor didn't have the information on hand, she asked her colleagues and got back to me in next to no time.

I can't recommend the videoconference appointment system highly enough. I hope more people will use it. It's incredibly convenient.”

Steven Gonzalez

BCV client

Assistant Service Manager



Close ties with our customers

Building and sustaining close ties is at the heart of our business model. This is underpinned by our physical presence throughout Vaud. Our branch network aligns closely with the needs of the community and economy that we serve.

But we know that being close to our customers also means being increasingly accessible and in step with changing lifestyles. As well as coming into a branch for day-to-day banking and financial advice, customers can access a wide range of services remotely. For instance, they can speak with an advisor from the comfort of their own home or take advantage of our ever-growing digital offering.

An extensive branch footprint

We are the most widely accessible bank in Vaud thanks to our dense retail network, which includes nine decision-making centers, 63 branch offices, and over 220 ATMs in more than 120 locations. Last year, 61 of our 63 branches met accessibility standards for people with reduced mobility. We completed accessibility work at our Blonay branch office in 2020, and we will be bringing the remaining two up to standard in the near future.



Over **60** branch offices throughout Vaud

Also last year, we continued to meet our customers' needs throughout the Covid-19 pandemic. Even at the height of the crisis, most of our branch offices stayed open for people who couldn't use our digital services, with protective measures such as plexiglass barriers, masks, and social distancing in force to keep customers and employees safe. We even set up a cash delivery service for customers who couldn't come into a branch.

A multichannel bank

At BCV, we believe that customers should be able to choose how they interact with us – whether they want to work with an advisor in person or remotely, or manage their affairs by themselves online. We are putting that choice in customers' hands by:

- maintaining our physical presence throughout the Canton, while keeping pace with advancements in technology and ever-changing customer needs;
- making banking with us a seamless, effortless experience across all our channels; and
- rolling out new digital banking services and features.

We have made it easy and convenient for customers to speak with an advisor remotely. Our Customer Service Center, which is open every weekday from 7:30am to 7:30pm, handled over 700,000 calls in 2020. In addition to getting day-to-day banking advice by telephone, customers can make a videoconference appointment with an advisor to discuss their loan or investment needs. Last year, we expanded our dedicated team with additional advisors specially trained in videoconferencing, who ran over 1,300 of these sessions.

We also have a business banking hotline specifically for companies to ask our advisors day-to-day banking questions. This service, which is open weekdays between 8:00am and 6:00pm, handled over 110,000 inquiries in 2020, up from 90,000 in 2019.

Our customers are increasingly taking advantage of the 24/7 access provided by our online banking platform, which is accessible via BCV-net on a computer and BCV Mobile on a smartphone or tablet. Some 245,000 customers banked online with us in 2020 – 109% more than in 2019 – and BCV Mobile is among the top-three-rated banking apps in Switzerland.

We added a number of new features to our digital-banking proposition last year. More details can be found on page 19 of our 2020 Annual Report.

The products and services customers need

Our products and services are designed to meet the banking and financial needs of Vaud residents and businesses.

A full range of personal banking products

We offer a full range of banking products – including current, savings, and retirement accounts, mortgage loans, and wealth-management services – that are designed with the needs of our customer base in mind. We also offer insurance products through our partner, Retraites Populaires.

And to help our customers during the pandemic, we have temporarily increased the limit for contactless payments with all BCV cards.



Over **110**
new businesses
financed



Over **50**
business
successions
financed

Support for businesses

We work with companies through every stage of their development: from startup and growth to maturity and succession. For budding entrepreneurs and new business owners, we run a regular series of seminars in collaboration with GENILEM, an organization that helps firms hit the ground running. The sessions, which cover feasibility analysis and financing, drew 138 attendees last year.

BCV provided CHF 70m in financing to help make over 50 business successions happen in 2020, thereby ensuring companies, expertise, and jobs remain in the Canton. Our business succession team is backed by in-house specialists in financing, asset management, and pensions. And our deep connection with the local community means that for every succession that we're involved in, we can bring to bear unique insights into the businesses of our home region and the people that run them.

In 2020, we also provided around CHF 60m in financing to get over 110 businesses off the ground in Vaud Canton. That means that, in the past three years, we have financed over 250 new businesses for a total amount of CHF 170m, supporting nearly 500 jobs in the process. Also last year, around 500 businesses took advantage of our free services for companies less than two years old.

We suspended the 31 March and 30 June principal repayments on loans to Vaud SMEs, freeing up over CHF 40m for local businesses amid the Covid-19 crisis.

Our SME clients have maintained a positive image of us, as highlighted by the increase in our Net Promoter Score last year.

Our special focus on service quality

Market research has shown that service quality is one of the first things that customers look for when choosing a bank.

Putting customers first

Continually improving customer satisfaction is a strategic priority at BCV, with the goal of differentiating ourselves from the competition through operational excellence and impeccable customer service delivered with a smile. These efforts have been recognized by the people of Vaud: BCV was the most recommended bank in the Canton, according to surveys published in 2019 and 2020 by LINK Institut based on a representative sample of Vaud residents.

Steps we've taken

The Bank has set up a cross-functional team dedicated to service quality. We have also taken various steps as part of our Smile program, which we launched in 2015. All BCV employees have completed training at the École hôtelière de Lausanne (EHL), the world's top-rated hospitality management school.

Our far-reaching service-quality management system includes customer surveys, operational performance measures, and observations. Last year, we expanded the system to our non-customer-facing teams, as part of our focus on hardwiring service quality into the Bank's DNA.

We also went the extra mile to maintain a high standard of service during the Covid-19 pandemic. We had to temporarily close some of our branches at the height of the crisis. But at those branches that stayed open, we worked hard to manage footfall and keep wait times to a minimum: on average, customers waited just 5.6 minutes to speak to an advisor and 4.1 minutes to see a teller.

As more customers chose to contact us by phone during the crisis, we took various steps to handle the surge in demand. And we'll be introducing further measures this year as we aim to consistently answer 90% of all inbound calls.

Our online and mobile banking platform continues to grow in popularity, with over 36 million logins last year alone. Customers also withdrew almost CHF 4.5m from BCV ATMs. In 2020, service uptime across our digital services and ATMs exceeded 99%.

At BCV, we see customer feedback as a key element to improving our products, services, and processes. To make it easier for customers to share their experience with us, we created a customer feedback center that can be accessed across all our channels. We also carry out customer satisfaction surveys and systematically follow up on complaints. Of the 530 customer complaints we received last year that couldn't be handled on the spot, 90% were processed within the target deadlines. Thanks to the feedback we received, we were quickly able to make concrete improvements. Some were relatively simple, such as making hand sanitizer available in all our branches. Others, like giving corporate clients faster access to BCV-net, were more complex.

Net Promoter Score

At BCV, we regularly check in with customers to gauge their satisfaction. One metric we track is our Net Promoter Score (NPS), which tells us how likely our customers are to recommend our Bank. In 2020, our average NPS across our main business lines was +30. This three-point increase on our 2019 score shows that our longstanding efforts to raise the bar for service quality are paying off. Our ambition is to achieve a score of +31 by 2022 while retaining our position as the most recommended bank in Vaud.

Security practices

Tackling cybercrime

The growth of digital banking services means that cybercrime is an increasingly pressing concern, especially for a bank the size of BCV. We have assessed potential threats to our businesses – including cyberattacks and other security risks – and taken appropriate measures to protect our IT systems, data, and operations. We monitor these threats around the clock. And because the methods used by cybercriminals are changing constantly, we regularly upgrade our practices and test our capacity to withstand cyberattacks. We work closely with specialized local and international partner firms and with Swiss government agencies in charge of combating cybercrime, such as the National Cyber Security Center (NCSC). The Bank's business continuity plans are also tested at regular intervals.

In 2020, the shift to remote working left more of the Bank's systems exposed to cyberattacks. In addition, we held most customer appointments via videoconference, which increased the risk of data breaches.

The Bank took a series of steps to counter these threats:

- We ran a series of security tests on our new systems to ensure they are reliable.
- We chose Webex as our only authorized solution for videoconference appointments with customers. The system is configured in a way that maximizes security and prevents data breaches without compromising on usability.
- We compiled a best practice guide for our employees.
- We updated our in-house security procedures in line with the new situation.
- We included awareness messages in our communications on crisis management.

The measures we took proved successful, helping to prevent any of the heightened cybersecurity threats we had identified from materializing.

We have built up valuable experience, which we share with the general public and our customers – especially our business clients, who had to rethink their working practices last year and were consequently left more open to attacks. In 2020, our experts continued to write informative articles for the Swiss daily newspaper *24 heures* and make guest appearances on the “Votre argent” segments broadcast on *La Télé Vaud Fribourg*. Our Corporate Banking Division also held five *Les Rendez-vous des Entrepreneurs* events focusing on cybercrime, drawing attendees from 242 businesses.



242

businesses attended BCV's cybersecurity awareness events

Priority cybersecurity threats for BCV

At BCV, we have a security system in place to protect against cyber and other threats, with regular tests and checks to make sure our safeguards and measures remain effective and adequate over time.

We have identified a number of priority threats, grouped into five categories:

- Identity theft, whereby a fraudster steals a customer's identity or poses as their bank
- Malware attacks, in which malicious software infects a bank's, customer's or supplier's systems
- Denial-of-service attacks, which seek to prevent authorized users from accessing a bank's systems
- Penetration attacks, which exploit weaknesses in system configuration
- Customer data breaches, including breaches by someone inside the bank concerned

Of these, phishing attacks – whereby cybercriminals target our employees with fake emails – are among the most widespread. We are responding to this threat with an ongoing employee awareness campaign. Measures include:

- social engineering tests, where we check how alert employees are to phishing attacks by sending them fake emails; and
- additional training for staff who fall victim to these simulated attacks.

Responsible lending and investing





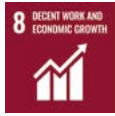
“Our research will help real-estate investors better understand the ESG impact of their investments”

“Last year, BCV and the University of Lausanne launched a joint research project into sustainable investment practices in real estate. The work builds on an initial study that looked at the incorporation of environmental, social, and governance (ESG) factors into equity investment strategies.

We already know that investing responsibly in real estate can have an immediate impact on CO₂ emissions, but sector-specific ESG data aren't readily available. And while there's no shortage of certification programs out there, their sheer number and design make them unsuited to the needs of real-estate fund managers. What investors interested in this asset class really want are standardized, interpreted data. The aim of this research is to encourage the development of a rating system – similar to those used in equities – for real-estate investing.”

Fabio Alessandrini

Titular professor, HEC Business School, University of Lausanne, and CIO Alternative and Quantitative Investments, BCV



Responsible lending

Contributing to the economic development of our Canton while being guided by the principles of economically, socially, and environmentally sustainable development is at the heart of our corporate mandate. Vaud-based customers, businesses, and public-sector entities (e.g., nursing homes, schools, and municipalities) account for 80% of our total lending volumes. And by keeping our lending locally focused, we help maintain a wide array of jobs, skills, and services in our home region that are aligned with the needs and expectations of the community.

Managing credit risk is a strategically essential core competency at BCV. As such, we adhere to the highest standards of good governance in processing lending transactions:

- We separate our customer-facing divisions, which are responsible for advising, selling, selecting, and pre-analyzing, from our credit management division, which is in charge of the other phases of the lending process, such as analysis, granting loans, arranging the financing, and monitoring credit limits.
- Our lending activities are underpinned by a clear policy and internal directives, as well as by credit-risk monitoring systems and processes.
- Our lending and loan-renewal procedures are based on a detailed analysis of credit risk.
- We carry out strict affordability checks to ensure our customers can keep up with loan payments in the medium to long term.
- We set credit card limits according to the applicant's financial circumstances.
- We do not provide consumer loans or other unsecured loans directly to private individuals.
- We seek to do business with clients who demonstrate financial transparency and good environmental, social, and governance (ESG) practices.
- We continuously monitor outstanding loans, not just on an individual basis but also at the level of the loan portfolio as a whole. This approach allows us to monitor the credit-risk profile to ensure that it remains consistent with strategic objectives, and makes early detection of increases in risk possible.
- We manage impaired loans, following clearly defined procedures that are designed to assist the debtor in distress as much as possible and thereby protect the interests of the Bank, as well as those of our depositors, creditors, and shareholders.

Mortgage loans

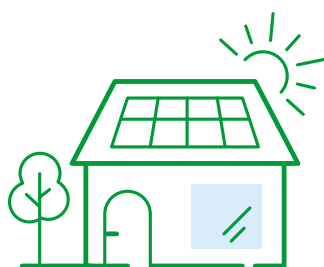
In line with our mission as Vaud's cantonal bank,¹⁴ we provide mortgage loans to homeowners across our region. In fact, mortgages accounted for two-thirds of our lending last year.

When assessing an application, we consider a range of qualitative and quantitative environmental criteria. For instance, we look at the property's condition, how it's heated, and whether or not it has solar panels; properties that turn out to be energy-inefficient are given a lower valuation.

¹⁴ Cantonal Act of 20 June 1995 Governing the Organization of Banque Cantonale Vaudoise (LBCV): <https://www.lexfind.ch/tolv/183980/fr>

In 2008, we introduced a Green Bonus¹⁵ that gives customers a 0.25 percentage-point reduction on the interest rate if their mortgage loan is used to purchase an environmentally friendly home or renovate their property to exacting energy-efficient standards. As planned, we revised the eligibility criteria in 2020. The bonus is now available to customers who:

- are buying a property with a CECB¹⁶ eco-rating of A; or
- wish to renovate their home and intend to use at least 25% of the total investment (no less than CHF 20,000) to make energy-saving improvements that qualify for subsidies, such as updating the property's heating system, windows, doors, or skylights, or renovating and insulating the roof.



0.25
percentage-point reduction
on mortgage interest rates for
purchases and renovations
that meet strict green-building
standards

We actively promoted this offer last year. Following a targeted review of our mortgage loan book, our advisors reached out to 850 existing borrowers who were potentially eligible for the incentive. We also systematically spoke about the Green Bonus with clients asking to borrow more to fund renovation work on their property.

Last October, we devoted the seventh issue of *BCV Immobilier*,¹⁷ our magazine on the Vaud real-estate sector, to environmentally friendly construction and renovations. And we'll be taking practical steps throughout 2021 to help our customers make their homes more energy-efficient.

Our mortgage lending for sustainable properties and projects is summarized in the table below. A distinction is made between loans granted under the Green Bonus program and general lending on energy-efficient properties in line with regulations in Vaud Canton.

G4-FS8

Mortgage lending for sustainable properties and projects

| (in CHF millions) | 2020 | 2019 |
|---|----------------|------|
| Green Bonus: purchases | 4.5 | 1.3 |
| Green Bonus: energy-efficient renovation work | 2.4 | 1.6 |
| Mortgage lending on energy-efficient properties (built after 2014), ¹⁸ outside the Green Bonus program | 1,629.8 | |
| Total mortgage lending for sustainable properties and projects | 1,636.6 | |
| Percentage of mortgage lending for sustainable properties and projects | 7.8% | |

¹⁵ <https://www.bcv.ch/en/Personal-Banking/Produits/Mortgage-loans/Green-bonus>

¹⁶ The Cantonal Building Energy Certificate (CECB) is an eco-rating program, recognized by all Swiss cantons, that shows the energy efficiency of the building envelope.

¹⁷ <https://www.bcv.ch/en/About-us/News-and-media/BCV-Immobilier>

¹⁸ Conservative assumption: this figure does not include older properties that may meet exacting green-building standards, so the real volume may be higher.

PACTA climate compatibility test

Switzerland's new CO₂ Act, which is designed to reduce the country's carbon emissions, will take effect in 2023 if approved in a referendum planned for 2021. This legislation will introduce tighter emissions limits for new and existing buildings:

- New buildings will in principle no longer be permitted to produce CO₂ emissions from fossil fuels.
- When the heating system in an existing building is replaced, a CO₂ limit value of 20 kg per square meter of heated space per year from fossil energy sources will apply (this limit will decrease by 5 kg per square meter every five years).

To coincide with the new requirements, the Federal Office for the Environment and the State Secretariat for International Finance commissioned consulting firm Wüest Partner to assess CO₂ emissions from Swiss real-estate and mortgage portfolios as part of the Paris Agreement Capital Transition Assessment (PACTA) climate compatibility test. BCV subjected its mortgage portfolio to this test, on a voluntary basis, in June 2020.

Limitations of the test

Some of the input data for the mortgage-portfolio assessment came from the Swiss Register for Buildings and Dwellings, which is maintained by municipalities. The results have a margin of error because conservative assumptions were used to fill gaps in the available records.

The test results were returned on an aggregate basis, which limits what we can do with them at this stage. Were we to receive more granular data, we could reach out to customers, encourage them to renovate their properties, and explain the benefits of our Green Bonus offering.

BCV's results

According to the Wüest Partner model, median CO₂ emissions for BCV's mortgage portfolio were calculated at 25.4 kg per square meter per year. In view of the aforementioned data limitations, this figure is broadly in line with the Canton-wide average of 23.6 kg. That result shows that, in line with our mission as Vaud's cantonal bank, our portfolio is representative of our home region's building stock.

In 2021, we will assess climate risks in greater depth and decide how to move forward with climate compatibility testing for our mortgage portfolio. Ultimately, that decision will depend on whether and how we're able to resolve data access and data quality issues, as well as other limitations of these tests.

Lending to local businesses

In line with our mission as Vaud's cantonal bank,¹⁹ we provide financing to every sector of the local economy. The Bank's corporate loan book reflects the economic structure of the Canton, albeit with a somewhat larger exposure to real estate and construction (43%).

Each year, we include a breakdown of our corporate loan book by economic sector in our Annual Report:²⁰

On-balance-sheet corporate loan exposure, for the parent company,* at 31 December 2020



* Excluding financial investments

¹⁹ Loi organisant la Banque Cantonale Vaudoise (LBCV): <https://www.lexfind.ch/tolv/183980/fr>

²⁰ 2020 Annual Report, page 65

We also publish a breakdown of customer loans by geographical zone, as follows:

- Vaud Canton: 80%
- Rest of Switzerland: 16%
- Other: 4%

At BCV, we are mindful of the social and environmental risks and impacts of the projects we finance. We decline to lend to firms that manufacture or deal in controversial weapons and munitions, or to borrowers from the pornography industry. And as a matter of policy, we do not finance organizations associated with human rights violations or whose practices could harm our image or reputation.

Similarly, our lending policy excludes the financing of projects relating to coal mines or nuclear and coal-fired power plants, and we do not finance transactions involving crude oil, residual fuel oil, shale gas, and unsustainable fishing and logging activities.

Outlook for 2021

Last year, the Bank developed formal sustainability rules for its trade finance business (see below for more details). In 2021, we will build similar criteria into our broader corporate loan policy, as well as further educating our employees on the environmental and social risks and impacts associated with our lending activities.

We also plan to launch a new range of support services to encourage Vaud-based businesses to lower their carbon footprint, as part of our effort to put the Canton's economy on a greener footing.

Managing social and environmental risks and impacts in our trade finance business

The Lake Geneva region is a global center for commodities trading and is home to a large number of trading firms. In this area of activity, we focus on certain key markets and systematically monitor all of our trade finance transactions.

We follow, and regularly review, a set of guidelines for our trade finance business that align with the key principles of our lending activities.

We systematically analyze governance considerations and document them in annual credit files; environmental and social risks are also assessed, based on our knowledge and the information available to us. Our advisors are responsible for rigorously identifying these risks, and our credit analysts carefully analyze them during the review process. All lending decisions are made by the respective decision-making authority. Outstanding loans are continuously monitored, and we review our credit files at least once a year.

Our environmental risk-mitigation measures include the following requirements for the shipping of petroleum derivatives: ships must be double-hulled, no more than 20 years old, subject to regular maintenance, and, if owned or chartered by our client, covered by civil liability insurance. These points are clearly set out in our lending policy.

Reducing our exposure to coal at a faster pace than the Paris Agreement compatible scenario

Under the Sustainable Development Scenario,²¹ global coal use needs to be reduced by 4.2% each year in order to meet the emissions target set out in the Paris Agreement. We set a slightly more ambitious phase-out rate in 2019, as we seek to decrease our coal exposure by 4.5% per year.

As part of this process, we have changed the scope of transactions involving thermal coal used in energy production. We now focus on transactions supplying coal to countries in the developing world that are at a disadvantage in the energy transition. That's because in those countries, coal is a cheap energy source that accounts for much of the energy mix and will be particularly difficult to quickly phase out.

²¹ Source: Sustainable Development Scenario (SDS) of the International Energy Agency, updated in 2019

We reached out to the 17 clients affected by these changes, explaining our decision to reduce our exposure to coal and focus our financing on developing countries that face greater challenges making the energy transition. We also explained how that decision fit into BCV's sustainability strategy.

In 2020, we far exceeded our target, cutting our coal exposure by 13.6%. That reflected both our ambitious approach and the Covid-19 pandemic, which had a significant impact on global energy demand.

The International Energy Agency (IEA) has identified several possible scenarios²² for the next few years based on how the public health crisis plays out around the world. In any case, BCV will continue to target a phase-out rate of 4.5% per year, which remains aligned with the emissions target in the Paris Agreement. In 2021, we are committed to hitting our target for reducing our exposure to thermal coal compared to 2019 levels (2019 being the reference year for this target).

Commodities policy

In 2020, we reviewed the possible social and environmental risks and impacts of all the commodities involved in the transactions we finance.

Based on this review, we developed a policy aimed at reducing risks and indirect impacts in the area of climate change and human rights. This policy, recommended by the Executive Board and approved by the Board of Directors, introduces strict criteria to ensure soybeans, palm oil, and cobalt are sustainably sourced.

As part of our implementation process, we presented our new policy to clients that would be affected.

Outlook for 2021

Also last year, we decided to step up our monitoring of social and environmental risks and impacts in our trade finance business more broadly. In 2021, we will standardize the procedure for analyzing the environmental risks and impacts of the transactions we finance. We will also put in place a training program to help our employees identify risk situations as early as possible.

²² World Energy Outlook 2020: <https://www.iea.org/reports/world-energy-outlook-2020#executive-summary>

Socially responsible investing (SRI)

Proprietary investments

Proprietary investments are those that we make for our own account, i.e., BCV is the investor rather than the intermediary. Most of these investments are made for us to meet our regulatory requirements as a bank and a small number of them are made in connection with our historical role in Vaud Canton's economy.

We do not conduct any proprietary trading, have a portfolio of shareholdings, or acquire stakes in companies that are unrelated to our banking activities. However, we do hold:

- financial investments in companies directly related to our activities, such as SIX and TWINT; and
- financial investments in a small number of companies with a historical link to Vaud Canton or the Bank.

Asset management

When it comes to managing our clients' investments – which is what we will look at in the rest of this chapter – we take a comprehensive approach that factors in all aspects of sustainable development. We are also working towards integrating environmental, social, and governance (ESG) criteria into all of our investment solutions.

We offer our clients the opportunity to be actively involved in promoting sustainable development, primarily through our range of thematic investment solutions geared towards the United Nations Sustainable Development Goals. We are also constantly seeking to improve our approach in line with best market practices. In that regard, we are a signatory to the United Nations Principles for Responsible Investment (UNPRI) and a member of Swiss Sustainable Finance (SSF).

We believe that by taking account of the non-financial risks a company is exposed to, as well as how the company manages them, we can make our portfolios more resilient to ESG risks over the long term. This approach helps to promote sustainable development by incentivizing companies to improve their ESG practices, thereby creating a virtuous circle.

Examples of environmental, social, and governance (ESG) criteria

Environment

- Climate change
- Biodiversity
- Natural resource preservation
- Pollution and waste management
- Environmental impact of products and services (energy transition, circular economy, etc.)

Social

- Human rights
- Local communities
- Labor practices (health & safety of employees, discrimination, etc.)
- Social impact of products and services (education, health, financial services, etc.)
- Policy on charity, donations, and sponsoring

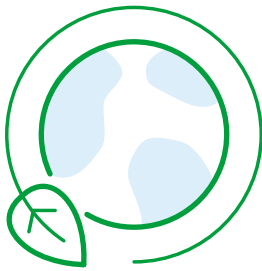
Governance

- Board independence, executive compensation, and diversity
- Dividend policy
- Compliance
- Tax transparency
- Financial sustainability & long-term focus
- Business ethics (bribery & corruption and business practices)

Four SRI measures

We use three core measures to promote responsible investing: negative screening, reweighting the companies in our portfolios based on their ESG scores, and active ownership. We also offer thematic investment solutions aimed at generating a positive impact on society and the environment.

The Covid-19 pandemic impacted both the financial markets and how we work at BCV, which had a knock-on effect on our asset management activities. We nevertheless made further progress on our SRI targets and projects in 2020.



66%

of the assets managed through our discretionary agreements and asset allocation funds include ESG criteria

| Approach | Measures/examples |
|--------------------|---|
| Negative screening | <ul style="list-style-type: none"> Controversial companies and sectors |
| ESG integration | <ul style="list-style-type: none"> Integrating ESG scores into the investment process Reweighting Best-in-class |
| Active ownership | <ul style="list-style-type: none"> ESG voting policy Dialogue with companies |
| Thematic products | <ul style="list-style-type: none"> SDG-aligned investing (see page 11): access to water, energy transition, circular economy, etc. |

“ We are also constantly seeking to improve our approach in line with best market practices. ”

Responsible investing for institutional clients and pension funds

We take a responsible approach to managing our institutional clients' assets, seeking to ensure that:

- we do not increase active risk – i.e., the risk that we take when we deviate from the benchmark – so that risk levels are in line with the expectations of our institutional clients, especially pension funds;
- there is no adverse impact on the portfolio's risk-adjusted return;
- we reduce the portfolio's exposure to ESG risks, including climate-related risks; and
- we incentivize companies to adopt more sustainable practices.

Our approach to responsible investing is in line with the commitment we made when we became a UNPRI signatory and is based on four main SRI measures, which we apply to our institutional asset management agreements, our equity and bond funds, and our BCV Pension 25, Pension 40, and Pension 70 funds.

1. We have adopted a negative screening policy based on the list of companies drawn up by the Swiss Association for Responsible Investments (SVVK-ASIR). This means that we exclude controversial business activities from all our client portfolio positions in Swiss equities, bonds, and real estate, as well as companies involved in unconventional weapons, such as cluster munitions and weapons that are not allowed under the Treaty on the Non-Proliferation of Nuclear Weapons.

2. We exclude from our non-Swiss portfolios all stocks of companies involved in serious controversies, such as corruption and child labor, based on the criteria and research provided by MSCI ESG Research.

3. We reweight the global equities in our portfolios to prioritize companies that implement ESG best practices, overweighting companies with the highest ESG scores and underweighting those with the lowest. To do this, we draw on the analyses and ratings produced by MSCI ESG Research, as well as ESG indices.

4. We systematically screen out all companies that generate 30% or more of their income from thermal coal.

With regard to active ownership, in 2020 we adopted guidelines on how to vote at the AGMs of Swiss companies whose stocks are held by our investment funds. These guidelines, which are based on the principles of good governance, set out a systematic voting process and draw on the recommendations of Ethos Services, a Swiss-based company created by Ethos Foundation, which promotes socially responsible investing.

In 2020, we voted on a total of 2,306 motions at the AGMs of 125 companies whose stocks are held by our investment funds.

In addition, we teamed up with the University of Lausanne (UNIL) on a research project into how to assign sustainability scores to indirect Swiss real-estate investments. We are involved in drawing up a questionnaire on compliance with ESG criteria that will be distributed to fund promoters, as well as to real-estate companies and foundations. Under this project, the ESG data collected will be standardized and analyzed in order to provide a framework for investors. To ensure the project's independence and good governance, the scores and reports will be drawn up by UNIL. An article on the project will be published as part of the *Swiss Sustainable Investment Market Study 2021* run by Swiss Sustainable Finance and co-sponsored by BCV.

Also last year, we entered into a partnership with Ethos under which BCV Asset Management manages six Ethos funds, with Ethos serving in an advisory role. Ethos is responsible for analyzing the companies in the funds based on ESG criteria, applying a methodology and skills developed over more than 20 years. BCV's Asset Management teams contribute their expertise in portfolio management to the partnership. The Ethos funds will be incorporated into BCV's fund range over time. We are actively promoting Ethos' funds and already include them in the asset management agreements and portfolios that we manage for our clients.

This partnership kicked off in 2020 with the rollout of the Ethos Swiss Sustainable Equities fund, which managed CHF 169m in assets by end-2020. Shortly after, Ethos' ESG criteria were applied to the BCV Swiss Franc Bonds fund, whose AuM stood at CHF 1.4bn at end-2020. These funds take a best-in-class approach to ESG integration, selecting the companies with the highest ESG scores in each sector. Applying Ethos' non-financial criteria to the BCV Swiss Franc Bonds fund significantly lowered the fund's carbon footprint²³ relative to the benchmark index, the SBI AAA-BBB Bond Fund Index; the carbon footprint of the fund's corporate class is now 20% below that of the benchmark.

The proportion of the Bank's total AuM invested in these products and through ESG integration more broadly is reported under GRI Standard G4-FS11 in the tables on page 55.

Outlook for 2021

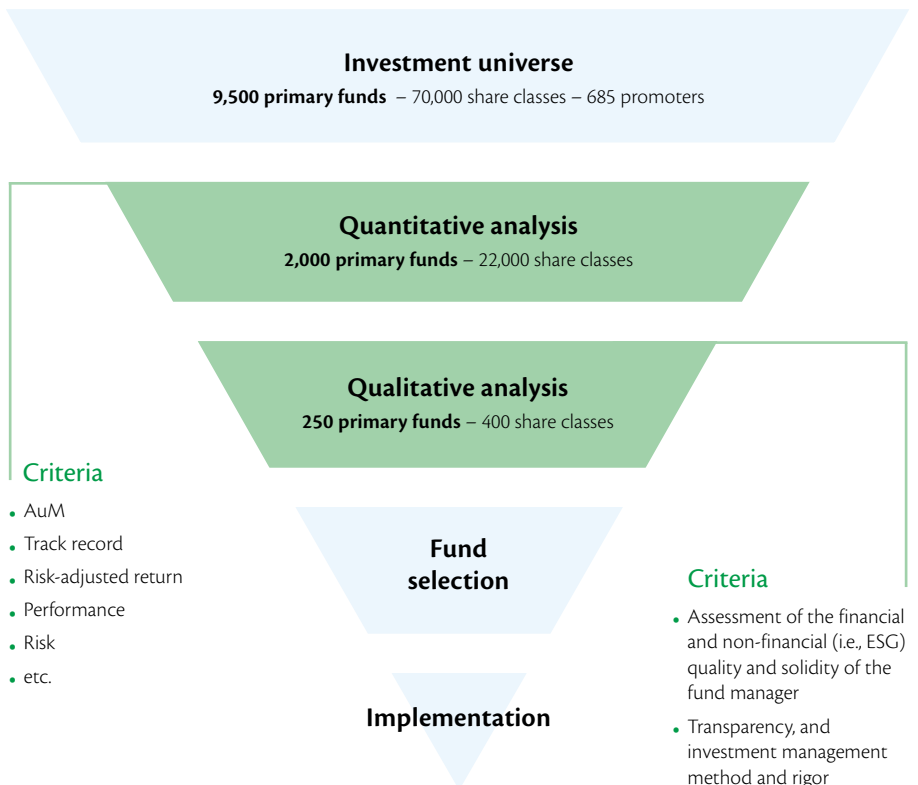
We will extend our systematic voting process for AGMs to the Ethos – Equities Sustainable World ex-CH fund, which we will begin managing in the second quarter of 2021. We are also looking at applying the guidelines on AGM voting to all non-Swiss equities held by BCV funds.

Responsible investing for our personal banking customers

We aim to integrate ESG criteria into all of our discretionary management agreements and advisory services.

Since we have an open-architecture approach at BCV, the investment solutions available to our personal banking customers include both BCV's own and third-party products. We have been systematically applying ESG criteria since 2019, and as the chart below shows, these criteria are now a key component of our product-selection process. To facilitate that process, we developed standardized ESG questionnaires for fund promoters so that we can classify their products based on the degree to which they factor in ESG considerations.

The qualitative data we collect from fund managers and fund management companies through these questionnaires are combined with quantitative ESG data from independent providers such as MSCI ESG Research. Our asset managers then select products for our discretionary management agreements and asset allocation funds from the resulting investment universe. We also use that investment universe when building portfolios for customers with an advisory agreement. At end-2020, 46% of the funds within the universe of 250 funds integrated ESG criteria or were geared towards a specific sustainable development theme.



²³ Based on scope 1 and 2 emissions under the Greenhouse Gas Protocol, using Trucost data.

In 2020, we continued to develop our SRI approach for personal banking customers. As a key part of this process, we created two product ranges:

- **Our ESG range**
These products aim to make portfolios more resilient to ESG risks over the long term. They also contribute to sustainable development by incentivizing companies to improve their ESG practices, thereby creating a virtuous circle. This product range is available to all of our customers and is set to replace our standard range of investment products.
- **Our ESG Impact range**
This range includes thematic and specific investment solutions that enable our customers to contribute actively to sustainable development while providing them with broad diversification. Clients can keep financial risks under control and make their portfolios significantly more resilient to ESG risks.

In 2020, we rolled out three ESG Impact products, including our Climate Impact certificate, and launched a communications campaign entitled "Invest for the future" to inform our clients and the broader community about this product range. The products it contains are available to all BCV customers and provide thematic investment solutions that are geared towards sustainable development. For instance, the BCV Stratégie Équipondéré ESG Impact asset allocation fund²⁴ – a professionally managed discretionary investment solution for personal banking customers with a balanced risk profile – invests around 30% of its

assets in thematic products that focus on the Sustainable Development Goals. The remaining 70% is invested in line with ESG criteria through an approach that combines negative screening, ESG integration (including best-in-class selection), and active ownership. The ESG Impact asset allocation fund applies the same fee schedule as the equivalent ESG fund. The three ESG Impact products were launched in September 2020 and had more than CHF 100m in assets by end-2020 – demonstrating just how high demand for SRI-oriented solutions is.

| G4-FS8 Monetary value of ESG Impact products | At 31 December 2020 (in CHF thousands) |
|---|---|
| ESG Stratégie Equipondéré ESG Impact fund | 67,780 |
| BCV Climate Impact certificate | 24,961 |
| BCV Actions ESG Impact certificate | 7,888 |
| Total | 100,629 |



CHF 100 m
invested in the ESG Impact range
in the second half of 2020

²⁴ <https://www.bcv.ch/en/Personal-Banking/Produits/Investing-with-BCV/Asset-allocation-funds2>

Last year we also published a brochure²⁵ and a glossary²⁶ to help our clients incorporate SRI into their decision-making. In addition, all of our client advisors have taken an online training course to inform them about SRI and BCV's approach to this issue, and to familiarize them with BCV's product lines – especially the differences between the ESG and ESG Impact ranges.

The investment products available to clients are listed on the Bank's intranet based on their sustainability score, which makes it easier for advisors to distinguish between our ESG and ESG Impact product lines. Advisors also have access to product factsheets containing details on ESG integration at BCV.

Our advisors therefore have all the information they need to inform their clients about our investment solutions and guide them towards the option best suited to their level of interest in SRI.

Outlook for 2021

As recommended by the Swiss Bankers Association (SBA),²⁷ our aim in 2021 is to adopt the SBA's guidelines for the integration of ESG considerations into the advisory process for private clients. We will adjust our clients' investor profiles so that they reflect clients' SRI expectations, as well as their more conventional financial objectives (for more details, see the "Responsible selling" section on page 34). As part of this, we will provide advisors with a set of questions to ask clients about their SRI expectations during advisory meetings.

We will also expand our ESG Impact offering by adding thematic products and discretionary management agreements.

Figures and comments

By year-end 2020, 66% of the assets managed through our discretionary agreements and asset allocation funds included ESG criteria (versus 19% at the end of 2019). Those numbers are in line with the objective we set in 2019.

We apply the product-selection criteria described on page 52 to the discretionary agreements and asset allocation funds for personal banking customers shown in the tables on the following page.

The targeted funds and discretionary asset management agreements for institutional clients, together with the BCV Pension funds, comply with the ESG integration rules described on page 51.

²⁵ <https://www.bcv.ch/en/About-us/Corporate-Social-Responsibility/SRI>

²⁶ <https://www.bcv.ch/La-BCV/Responsabilite-d-entreprise/RSE/Glossaire-ISR> (glossary available in French only)

²⁷ Guideline for the integration of ESG considerations into the advisory process for private clients, SBA, June 2020

G4-FS11**Investment offering: breakdown of non-ESG and ESG products included in BCV's discretionary investment solutions²⁸**

| At 31 December 2020 (in CHF millions) | Non-ESG | ESG | Proportion of ESG products |
|---|---------------|--------------|-------------------------------|
| Asset allocation funds | 499 | 2,022 | 80% |
| BCV Pension funds | 554 | 421 | 43% |
| Targeted funds | 4,674 | 3,197 | 41% |
| Discretionary agreements for institutional clients | 10,026 | 1,885 | 16% |
| Discretionary agreements for personal banking customers | 1,228 | 1,342 | 52% |
| Total | 16,982 | 8,867 | 34% |

G4-FS11**Investment offering: breakdown of ESG products within BCV's discretionary investment solutions (all approaches combined)**

| At 31 December 2020 (in CHF millions) | Negative screening | Best-in-class selection | ESG integration (excluding best-in-class selection) | Thematic solutions | Total |
|---|-----------------------|----------------------------|--|-----------------------|--------------|
| Asset allocation funds | 2,022 | 56 | 2,022 | 19 | 2,022 |
| BCV Pension funds | 421 | 271 | 421 | | 421 |
| Targeted funds | 3,197 | 1,542 | 3,197 | | 3,197 |
| Discretionary agreements for institutional clients | 1,885 | 516 | 1,885 | | 1,885 |
| Discretionary agreements for personal banking customers | 1,342 | 21 | 1,342 | | 1,342 |
| Total | 8,867 | 2,406 | 8,867 | 19 | 8,867 |

²⁸ Includes all discretionary investment solutions (i.e., assets invested through advisory and execution-only agreements are excluded); the investment certificates mentioned on page 53 are not included.



PACTA climate compatibility test

In June 2020, BCV took part in a study to assess the Swiss financial sector's alignment with climate benchmarks using the Paris Agreement Capital Transition Assessment (PACTA)²⁹ methodology. For this test, we selected a number of portfolios that are representative of our management approach (see page 46 for details on the mortgage portfolio test).

The test was developed in response to the growing focus in Switzerland and internationally on risks relating to climate change. It is sponsored by the Swiss Federal Office for the Environment (FOEN) and supported by the SBA and the Union of Swiss Cantonal Banks. The test is an assessment tool to give banks and institutional investors in Switzerland insight into their indirect impact on climate change and their exposure to climate-related risks through peer comparisons and benchmarks.

The compatibility test covers corporate bond and equity portfolios in nine key climate-relevant sectors: power, oil & gas, coal mining, automotive, shipping, aviation, cement, steel, and heavy-duty vehicles.

Limitations of the test

When analyzing the test results, we identified the following limitations:

- The test focuses on exposure to high-carbon companies, but the quantitative section does not factor in active ownership (i.e., AGM voting and shareholder engagement), even though the positive impact of this approach is widely recognized.
- The analysis excludes key segments such as government bonds, commodities, and private equity (probably because not enough data are available).
- A lack of consistency in the methodologies used by participants makes the results hard to compare. For instance, the participants themselves select the portfolios to be included in the test, and not all participants are fully transparent about their funds' underlying securities.

“ **The test is an assessment tool to give banks and institutional investors in Switzerland insight into their indirect impact on climate change and their exposure to climate-related risks through peer comparison and benchmarks.** ”

²⁹ <https://2degrees-investing.org/resource/pacta/>

BCV's results

We submitted 24 representative portfolios, amounting to CHF 8.6bn in AuM and accounting for 35.6% of the assets we manage through discretionary agreements. We provided details of the composition of 94.2% of the assets submitted for the test.

Despite the methodological limitations listed before, the results showed that:

1. As a whole, BCV's portfolios are less exposed than those of our peers to the carbon-intensive sectors included in the test. Only 5.62% of the equities and 6.75% of the corporate bonds in our portfolios are exposed to these sectors, versus an average of 7.62% for equities and 7.98% for corporate bonds. This result, which is illustrated in figure 1, is in part attributable to the climate-related initiatives we have undertaken, such as using ESG benchmark indices and excluding from our equity funds companies that generate 30% or more of their revenues from thermal coal. Initiatives like these helped to reduce the portfolios' exposure to these sectors.
2. Within these key climate relevant sectors, BCV's exposure to carbon-intensive companies is close to the median (see figures 2 and 3).
3. Finally, under the climate stress-test scenario, the portfolios' losses would be limited (0.91% for equities and 0.22% for bonds) in the event of a late and sudden policy shock aimed at limiting global warming to below 2°C by 2030.³⁰ We are therefore also less exposed to transition risk than our peers. This is the result of points 1 and 2 above.

Several of our SRI initiatives will help us improve these results. Our partnership with Ethos is pressing ahead, and we are extending the SRI measures that we have been applying to our equity portfolios since 2019 to our bond portfolios.

Going forward, our use of negative screening for institutional portfolios will remain limited, in order to avoid a sharp, uncontrollable rise in active risk. We are, however, looking at incorporating other core measures, such as the best-in-class approach and shareholder engagement. And for our personal banking clients, we are developing our line of thematic products within the ESG Impact range.

³⁰ Inevitable Policy Response: Forecast Policy Scenario (IRP FPS)

The portfolios managed by BCV are less exposed to carbon-intensive sectors than those managed by our peers.

BCV ranked 14th out of 27 Swiss financial institutions, putting us close to the median.

BCV ranked 12th out of 28 Swiss financial institutions, putting us close to the median.

Excerpts from BCV's PACTA report

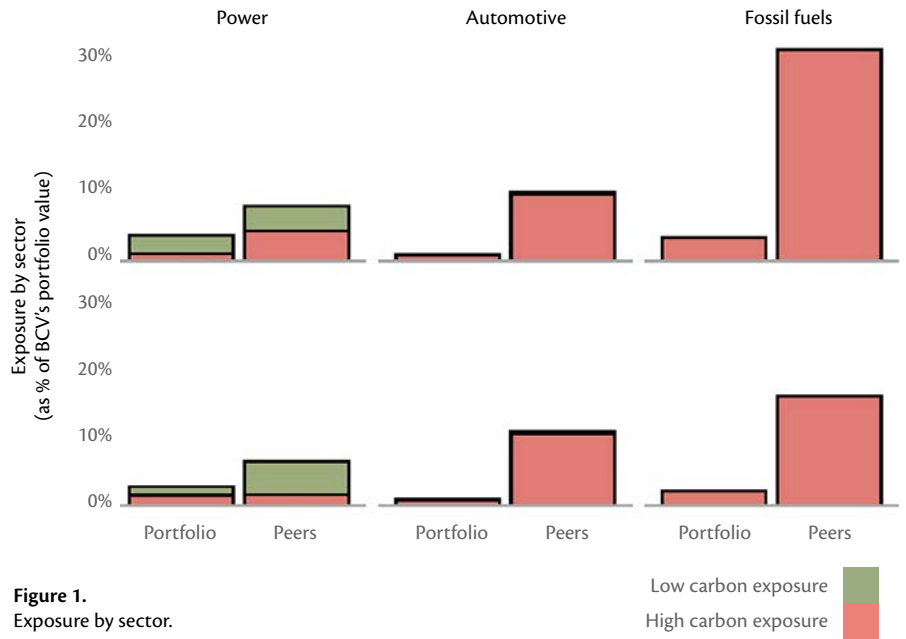


Figure 1. Exposure by sector.

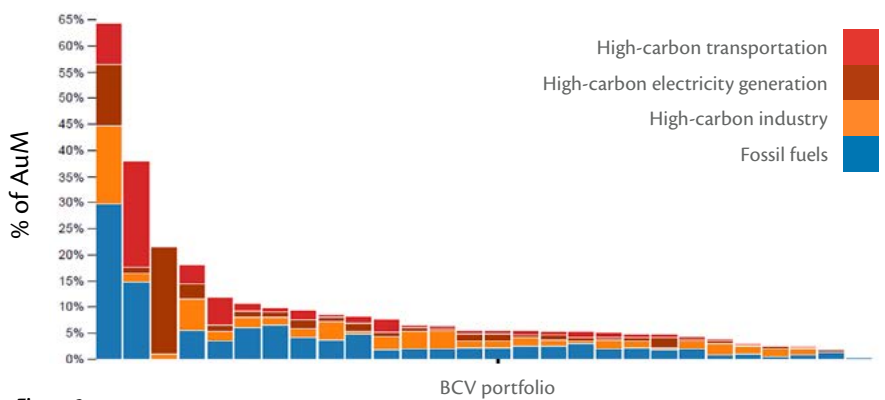


Figure 2. Exposure to the stocks of carbon-intensive companies in the sectors included in the study.

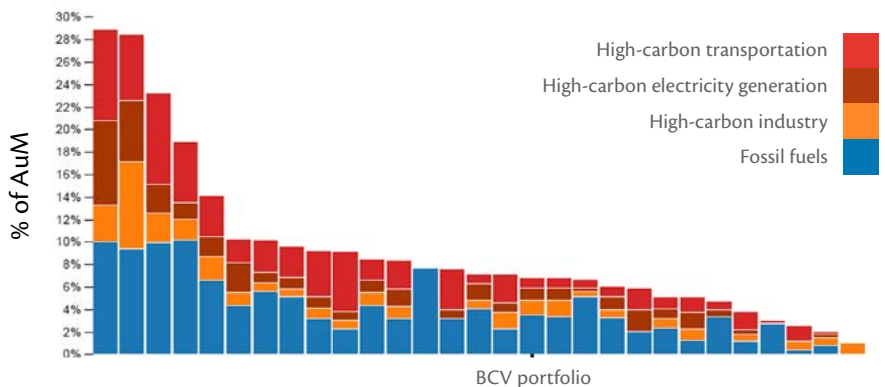


Figure 3. Exposure to the bonds of carbon-intensive companies in the sectors included in the study.

Being a benchmark employer





“The PLURI’elles network is about supporting women’s development at BCV”

“The PLURI’elles network, which all of BCV’s female employees can join, was set up following discussions among colleagues. The idea is to promote women’s personal and professional development at the Bank in an informal setting where they can share experiences and success stories.

All our 2020 events were held online. Highlights included a webinar on the theme of courage – which was also open to male colleagues – and a women-only workshop where attendees worked on their negotiating skills. We aim to invite experienced speakers with inspiring stories to tell. It’s great to see momentum building for this initiative across BCV.”

The PLURI’elles committee

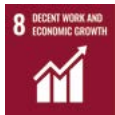
Top row, left to right:

Marianne Visser Reymond,
Charlotte Gentilhomme, Valérie Chleq,
and Ana Maria Sixto

Bottom row, left to right:

Annabel Morellec
and Xiaohong Cheng Leyvraz

(all BCV employees)



Our employer philosophy

BCV is one of Vaud's leading employers. With one in every three people in the Canton's banking sector working for us, we're the number one provider of jobs in the industry, and no other bank in Vaud can match our staff's collective breadth and depth of skills. Our dynamic human resources policy is crucial to both our mission and our strategy, and we encourage training both to help our people grow their skill sets and to help prepare our future managers. The health and well-being of our people is our highest priority. And we're dedicated to fostering workplace equality, promoting diversity, and offering the same opportunities to all staff.

At the heart of our human resources policy are BCV's four core values: responsibility, performance, professionalism, and close ties with our customers and the broader community. These same values, which are outlined on page 30 of this report, are also integral to our ethical principles and our Code of Professional Conduct.

Focus on training

BCV is one of the Canton's main providers of professional training. In 2020, our employees received three days of training on average. We have our own training center, which focuses on skills development for all of the Bank's employees. Customer advisors receive regular training, in particular to help them keep pace with constant changes in customer needs and the regulatory environment. We have adopted a certification system used by several other banks that is in line with the ISO 17024 standard and recognized by the Swiss Association for Quality (SAQ). Some 189 client advisors had received their certification by end-2020.

Last year, our training center delivered 5,500 days' worth of training, including 2,500 days of distance learning. We provided job training for 85 trainees (5% of our total workforce), including 34 apprentices, 34 high school graduates, 13 university interns, and 4 participants in our "Rejoignez-nous" training program (see page 64 for more details).

And in 2020, we adapted our training programs – restricting group sizes and switching to distance and blended learning – so that employees could continue or complete programs that had started before the pandemic hit.

The seventh edition of BCV's Micro MBA program – developed in conjunction with the director of the Entrepreneurial Leadership specialization within the University of Geneva's Executive MBA program – continued last year. As in previous years, the 21 members of the 2019–2020 cohort (7 women and 14 men) developed interdisciplinary and project-management skills. 17 BCV employees also received post-secondary degrees from outside institutions in 2020 with the Bank's support.

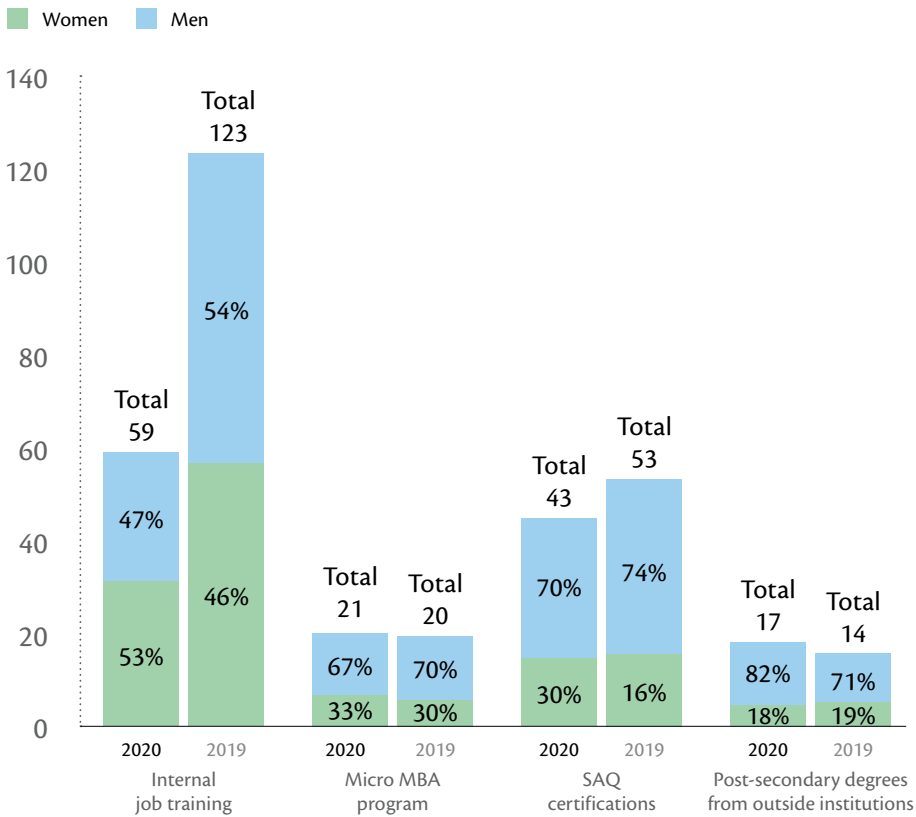
Also last year, over a third of all the young people in Vaud who chose to get training in a bank (i.e., banking apprentices and high school graduates) did their training with us.

404–1 Average days of training per employee, 2020*

| | Other employees | | Managers | |
|-------|-----------------|------|----------|------|
| | 2020 | 2019 | 2020 | 2019 |
| Women | 3.0 | 3.9 | 2.0 | 3.4 |
| Men | 3.4 | 4.5 | 2.3 | 3 |

* Average days of training per employee = Total number of training days (including distance learning) provided to employees (excluding trainees), divided by total number of employees (average over the year, excluding trainees).

404-2
Programs for upgrading employee skills (programs completed), 2020

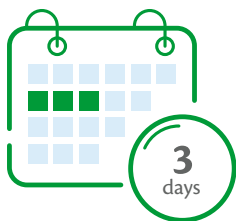


As the chart to the left shows, the number of employees who completed internal job training in 2020 was down by around 50% on the previous year, primarily because programs were either canceled or postponed between March and May on account of the pandemic.

Objectives and performance reviews

At BCV, our objective-setting and performance-review process is designed to give employees a clear picture of the Bank's expectations. At the beginning of the year, employees sit down with their line manager to discuss their performance and skills-development targets for the coming year, and to talk through how they will achieve them.

Managers review staff performance twice yearly: once at the halfway point, and again at the end of the year. Employees also complete a self-assessment, which they discuss with their line manager at the review meeting. Any points of disagreement can be escalated for a second opinion.



Average days of training per full-time employee



1 out of every **3** local apprentices and high school graduate trainees who go into banking

Diversity and equal opportunity

In line with our Code of Professional Conduct, we aim to foster a working environment in which differences are respected and qualifications, skills, and achievements are valued.

We're dedicated to fostering workplace equality, promoting diversity, and offering the same opportunities to all staff.

The Compensation, Promotions and Appointments Committee guides the Bank's diversity and equal opportunity approach. They meet several times a year to make recommendations to the Board of Directors. The list of Committee members appears on page 85 of our 2020 Annual Report.

Thanks to our variety of training programs, we can offer opportunities to people from many different backgrounds. 41% of our workforce completed an apprenticeship or high school, 31.5% graduated from university, and 18% have a vocational background. We also maintain a balanced age structure, with under-35s and over-50s accounting for 30% and 34% of our employees respectively.

401-1

New employee hires, by gender and age group, 2020*

| | Under 30 years old | 30-50 years old | Over 50 years old | | Total |
|--------------|-----------------------|--------------------|----------------------|------------|------------|
| | 2020 | | | | 2019 |
| Women | 22 | 30 | 4 | 56 | 63 |
| Men | 26 | 50 | 16 | 92 | 101 |
| Total | 48 | 80 | 20 | 148 | 164 |

* Excluding trainees and temporary employees

401-1

Employee turnover, by gender and age group, 2020*

| | Under 30 years old | 30-50 years old | Over 50 years old | | Total |
|--------------|-----------------------|--------------------|----------------------|------------|------------|
| | 2020 | | | | 2019 |
| Women | 12.5% | 7.8% | 1.3% | 6.4 | 7.9 |
| Men | 10.5% | 9.9% | 2.5% | 7.2 | 5.7 |
| Total | 11.4% | 9.0% | 2.1% | 6.9 | 6.6 |

* Excluding trainees, temporary employees, and employees leaving for retirement

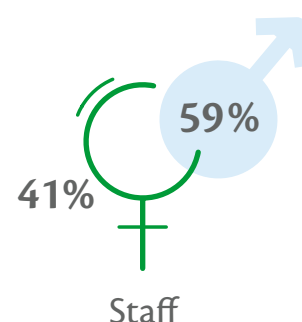
In terms of gender equality, the parent company had 804 female employees – a figure achieved in no small part thanks to several in-house initiatives to build a more diverse workforce. One example is “Rejoignez-nous,” a one-year training program intended first and foremost for women who are looking to return to work after a career break, or who want to change direction and pursue a career in banking.

Last year saw the creation of PLURI'elles, an initiative led by some of the Bank's female employees to promote women's personal and professional development at BCV. The network, which enjoys strong support from the Bank's leadership and is sponsored by the CEO, builds on the various measures we have taken in recent years to help advance women's careers.

To promote the initiative, the committee held a special webinar for the Bank's senior managers. The network also has its own intranet page, and details of its activities are shared via internal communications channels. PLURI'elles runs events on general-interest topics for all staff members, as well as more focused workshops exclusively for women.

Maintaining gender balance is also a key component of our hiring policy, including how we manage our talent pipeline. We aim to ensure that men and women are equally represented among the dozens of trainees we host each year – both on aggregate and within each of the three trainee categories. Last year, for instance, women accounted for 9 of the 13 university interns, 20 of the 34 high school graduate trainees, and 16 of the 34 apprentices who trained with us. And we use indicators to track female representation in different business lines, as well as at different levels of responsibility.

In 2020, women accounted for 33% of job applicants at BCV – a trend that reflects the wider labor market, where men outnumber women. Consequently, achieving gender balance in certain functions – especially at the Executive Board level – is a long-term endeavor.



| Diversity of governance bodies and employees, percentage of women per governance body and employee category, 2020 | | 2020 | 2019 |
|---|--------------------------------------|------|------|
| 405-1 | Board of Directors | 43% | 29% |
| | Executive Board | 0% | 0% |
| | Managers | 29% | 29% |
| | Other employees | 56% | 56% |
| 102-8 | Total workforce (including trainees) | 41% | 42% |

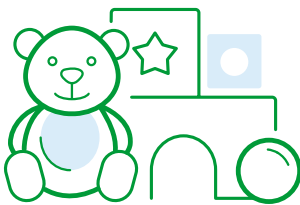
| 405-1 Diversity of governance bodies and employees, percentage of women per governance body and employee category, 2020 | Under 30 years old | 30-50 years old | Over 50 years old |
|--|--------------------|-----------------|-------------------|
| Board of Directors | – | – | 100% |
| Executive Board | – | – | 100% |
| Managers | 0.8% | 60% | 39% |
| Other employees | 37% | 41% | 22% |
| Total | 17% | 52% | 31% |

Work-life balance

As one of the Canton's leading employers, we recognize that we owe it to our people – over 1,900 in total – to help them juggle the demands of work and family life. Encouraging work-life balance also makes good business sense, because it helps us attract and retain the talent we need going forward.

All BCV employees, including senior managers, can take advantage of our flexible working-time policy, which lets them increase or reduce their hours as they progress through their career at the Bank. In 2020, 26.5% of all BCV staff and 22.5% of employees with signing authority worked part-time.

We also help our employees fit work around their busy lives in other ways. For instance, staff have the option to take their long-service bonus as additional vacation time. And when they reach 58 years of age, employees can choose to take early retirement or, if they work full-time and if their line manager agrees, take partial retirement with a reduction of 20% or more in their working hours.



35
children looked after
at the daycare center

| 401–3 Parental leave, 2020 | 2020 | 2019 |
|---|------|------|
| Female employees who took parental leave in 2020 | 40 | 39 |
| Female employees who returned to work after parental leave ended in 2020 | 97% | 100% |
| Female employees who returned to work after parental leave ended in 2019 and were still employed 12 months after their return to work | 75% | 89% |
| Male employees who took parental leave (5 days) in 2020 | 53 | 47 |

| 404–2 Sabbatical leave, 2020 | 2020 | 2019 |
|---------------------------------|----------|----------|
| Women | 1 | 3 |
| Men | 0 | 5 |
| Total | 1 | 8 |

Supporting working parents

The Bank's flexible parental leave policy lets employees with young children choose the arrangement that's right for their circumstances. Women with fewer than five years of service can take 16 weeks of maternity leave on full pay or they can take 14 weeks on full pay and then return to work part-time (working 50% of their normal hours) and continue to receive full pay for a further four weeks. Beyond five years of service, leave entitlement increases to 20 weeks under the first option, and to 14 weeks plus 12 weeks under the second option. If both parents work at BCV, they can choose to share the parental leave, although new mothers must take at least 14 weeks of leave after giving birth.

BCV also offers leave of up to four weeks for adoptive fathers (if they are adopting a child from another country and need to spend time outside Switzerland), and up to 12 weeks for adoptive mothers. We offer daycare services for up to 35 children, and parents are entitled to five days of leave (per child, per year) to care for a sick child under the age of 16 living in the same household.

In January 2021, BCV began offering fathers 10 days of paid paternity leave, in accordance with the law. This change was reflected in an amendment to the Bank's employee regulations.

Working conditions

Every BCV employee receives a benefits package that equals, and in many cases exceeds, the requirements of the Agreement on Conditions of Employment for Bank Employees (CPB), which is the minimum standard for working conditions in the Swiss banking industry. For instance, we offer a daycare center, adoption leave, part-time working, sabbatical leave, unpaid leave, and support for sports and fitness activities.

The Bank has signed the Agreement on the Recording of Working Time (CSTT), a joint initiative of the Employers Association of Banks in Switzerland (Employers in Banking), the Swiss Bank Employees' Association (ASEB), and the Swiss Association of Commercial Employees. This agreement offers three options for recording employees' working hours:

- A standard arrangement that includes an electronic time clock for recording their working time.
- A simplified arrangement, under which staff need only record their total daily working hours, have greater freedom to plan their work, and are personally responsible for complying with the rules on working time and rest time.
- A waiver arrangement, which only applies to employees earning a basic annual salary (excluding variable components) of CHF 120,000 or more. The decision to waive working-time recording must be set down in an individual agreement with the employer, and the employee's workload must be discussed at annual performance review meetings.

The standard working week for a full-time employee is 42 hours.

Compensation

BCV's compensation system is designed to promote individual and team performance, skills development, and professionalism, and to attract and train the talent that is integral to its long-term success. The Bank's compensation policy is managed by the Compensation, Promotions and Appointments Committee, which meets several times a year to make recommendations to the Board of Directors. The list of Committee members appears on page 85 of our 2020 Annual Report.

At BCV, we are also fully committed to the principle of gender pay equality. Last year, we reviewed wage equality at the Bank using the Swiss government's Logib

self-assessment calculator. We found that our practices are compliant with the Swiss Gender Equality Act and that the principles of equal pay are upheld at BCV. Our results are currently being verified and certified by an independent body, which will report back to us in the first half of 2021.

The components of the compensation system are the base salary, the annual performance-based compensation, and the employee share-ownership plan. In addition, the Executive Board and senior management are eligible for long-term performance-based compensation. No stock options are offered as part of compensation.

More details of our compensation system can be found on pages 96–101 of our 2020 Annual Report.

| 102–39 Percentage change in annual total compensation ratio, 2019–2020* | Fluctuation | |
|--|-------------|-------|
| | 2020 | 2019 |
| Percentage change in the median annual total compensation | +1.7% | +2.4% |
| Percentage change in the highest-paid individual's compensation | -0.4% | -0.6% |

* Median annual total compensation is calculated on a full-time basis, for employees (excluding trainees) on a permanent contract at 1 April in the reporting year. Annual total compensation includes base salary, annual performance-based compensation, long-term performance-based compensation, and taxable entertainment expenses (see pages 96–101 of our 2020 Annual Report for full details of our compensation system).

Each year, the Board of Directors and the Executive Board review the compensation of the lowest-paid staff members. In 2020, employees aged over 30 and earning a base salary of less than CHF 75,000 (on a full-time basis) received an annual pay raise of at least CHF 650.

Last year, the highest salary at BCV was 15.3 times more than the median salary – slightly lower than the 2019 figure.

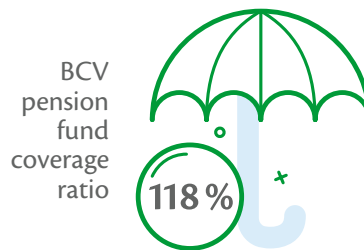
The calculation basis for this ratio is gross compensation. However, if we take average tax payments and social security contributions on median salaries as our calculation basis, the result is a pay ratio of 9.9 to 1.³¹ That number represents relative purchasing power across the Bank's workforce.

Pension fund

BCV Group provides its employees with comprehensive pension cover well in excess of the minimum legal requirements. The staff pension fund is run as a defined-contribution plan for retirement benefits and as a defined-benefit plan for death and disability benefits.

At the end of 2020, pension fund members comprised 2,039 employees, 1,843 of whom were working at the parent company, and 1,315 pension recipients, including 1,023 retirees.

The BCV pension fund is built to provide long-term security for past, present, and future members, and to be resilient to the challenges of an aging society. With a coverage ratio of 118%, it is fully funded and gives employees the flexibility to choose when to retire: the Bank's employee regulations set a standard retirement age of 65 years for both men and women, but staff can choose to take retirement between their 58th and 68th birthdays.



Our pension fund also gives members financial peace of mind in retirement. Contributions amount to 21.7% of gross salary, shared one-third to two-thirds between the employee and the Bank. As a result, members build up pension benefits 3.7 times larger than the minimum requirement under the Swiss Occupational Pensions Act.

Health and safety in the workplace

At BCV, we promote workplace health and safety with a focus on:

- preventing issues before they arise;
- identifying employees at risk; and
- providing support to those who need it.

As a responsible employer, we took every precaution to ensure our employees could continue working safely through the pandemic last year. We introduced the following measures, which we updated throughout 2020 as the public-health situation evolved:

- At the end of January, we set up two crisis management units, one at senior management level and another at operational level. Both units, which were ramped up beginning on 25 February, met daily in the early stages of the crisis and twice weekly from July onward and focused specifically on employee safety.

³¹ The simulation applied an average tax of around 14%, which is the estimated rate for a person who is married, has two children, and earns the median annual salary. Other income, wealth, and deductions were excluded from the calculation. A rate of 42% was applied for the highest salary.

- In defining our policies, we systematically took into account the rules and guidance set out by the Swiss Federal Government, the Federal Office of Public Health (FOPH), the State Secretariat for Economic Affairs (SECO), and the Vaud Cantonal Government. This included applying, and in some cases going beyond, government-mandated protective measures, as well as adopting and regularly updating BCV-specific protection concepts such as the FOPH's STOP principle (substitution, technical measures, organizational measures, personal protective equipment). We constantly reviewed our in-house policies and measures in order to keep pace with the changing rules and guidance at the federal and cantonal levels.
 - Starting in February, we shared regular information and updates across various channels, including through our intranet and extranet, and via emails and videos.
 - Most employees were given the means to work from home. By the end of the year, over 1,500 staff members – including all employees who were at risk or in quarantine – were able to log in to the Bank's systems and continue working from anywhere in Switzerland. We also put together a remote working guide to help our employees familiarize themselves with the new arrangements.
 - We introduced a workforce monitoring system so we could keep track of who was on site each day and what percentage of our employees were quarantining or self-isolating.
 - We liaised regularly with medical professionals and the cantonal hotline on matters relating to identified cases, workplace contact tracing, and quarantining decisions.
 - We set up an internal Covid-19 hotline to handle all inquiries from employees and managers.
- ### Prevention
- At BCV, we've put a range of preventive measures in place in the interest of employees' health:
- A medical officer works with our human resources department to assist employees with complex health issues requiring individual attention.
 - We provide free flu shots to all employees.
 - We financially back our in-house sports association, which lets employees choose between 19 different sports as a way to keep fit and build friendships with colleagues outside of work.
 - The Bank has a joint team of volunteer firefighters and first responders specially trained to attend emergencies.
 - Staff at our Administrative Center in Prilly have access to an on-site fitness room, and we provide locker rooms and showers at our head office at Place Saint-François in Lausanne for employees who wish to exercise during their breaks.
 - We advise our staff, especially the members of our workforce who experience pain and other health conditions, on ways they can make their workstations more ergonomic. We also run a safety course, developed in conjunction with the Police Academy in Savatan, to teach customer-facing employees how to deal with abusive language and physical violence. And we have installed airlock doors, reinforced windows, and biometric access systems at our branch offices to keep our people safe.

Identifying employees at high risk and providing support

The Bank has systems and processes in place to identify and assist staff members who require health-related support. If employees have any concerns, they can discuss the matter openly with their line manager at their mid-year and year-end performance review meetings, while more sensitive issues can also be raised with the Bank's human resources business partners.

As part of our health-risk mitigation strategy, we aim to identify risks early and to support employees who are ill, on long-term leave for an injury, acting as a caregiver, living with a disability, dealing with the death of a family member, or facing other challenging circumstances. Here is an overview of our approach:

- All line managers have access to a dashboard showing how often their team members are off work and the categories of absence involved. Managers can compare team absences against a Bank-wide benchmark and check whether employees are taking their legally mandated leave. The system also issues alerts in certain circumstances.
- The same dashboard allows managers to track other indicators, such as working-hour limits, giving them a real-time picture of employees' workload and other potential problems.
- The Bank has a special monitoring procedure for employees on long-term leave, with a defined process for dealing with administrative formalities and supporting staff members as they return to work.

In keeping with our duty of care to our people, we've also set up an internal harassment task force to assist staff members who face bullying, discrimination, or violence in the workplace. We likewise offer an external counseling service for employees who need help with financial worries, addiction, marital problems, bereavement, or other personal issues. Both the task force and the counseling service are independent, and employees can approach them at any time for confidential advice and support.

403-9

Work-related injuries and sick leave, 2020

| | |
|--|----|
| No. of work-related injuries requiring time off work | 11 |
| No. of work-related injuries not requiring time off work | 2 |
| Days of sick leave per person (Bank-wide average) | 6 |

Corporate citizenship





“We’re fortunate to have such supportive partners”

“2020 was a terrible year for the events industry. We’re very fortunate, though. Most of our sponsors and partners have stuck with us, and we ended the year in the black despite not staging any performances. We’ve also been able to put together a program for 2021. That means a lot to us.

Our theater generates CHF 1.5m for the local and regional economy each year, and we source 90% of our productions and suppliers from Vaud and elsewhere in French-speaking Switzerland. The arts are an important economic force.”

Michel Caspary

Director, Théâtre du Jorat, Mézières

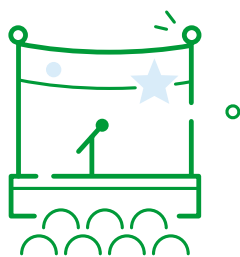


Playing an active role in the community

Our local community is important to us, and we take our responsibilities as a corporate citizen in Vaud Canton seriously. We pursue an active sponsorship policy and we encourage employees to get involved in community projects.

Sponsoring community spaces and events

Each year, we allocate around 2% of the Bank's net profit to sponsoring, donations, and other community support. We back over 650 activities and organizations, as well as local events in areas including business and the economy but also sports, the arts, community-building, and the environment. And we stood by their side last year, maintaining our funding in order to secure their future even as most events were canceled on account of the Covid-19 pandemic.

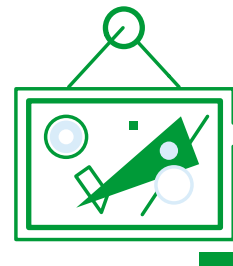


650
associations
and events sponsored

In 2020, we gave all our employees "Vaud à la carte" prepaid cards worth a total of CHF 350,000 to spend with local businesses under an initiative of the Vaud Tourism Office, along with a basket of local produce at the end of the year. We also maintained our BCV EXTRA program – again in partnership with the Tourism Office – which gives BCV Maestro® cardholders special deals and discounts on activities throughout the Canton.

BCV was an official sponsor of the 2020 Youth Olympic Games, which were held in the Canton of Vaud last January. And as usual, we supported various other organizations and events in the Canton, including sizable donations to the Théâtre de Beausobre, the Rock Oz'Arènes music festival, the Lausanne 20k race, the local soccer club FC Lausanne-Sport, the Lausanne Hockey Club (LHC), the Paléo Music Festival in Nyon, the BCV Concert Hall, the Forum des 100, the International Hot Air Balloon Festival in Château-d'Œx, and the Musée cantonal des Beaux-Arts (MCBA).

The BCV art collection is made up of over 2,400 works by up-and-coming artists with ties to Vaud. We acquire around a dozen new pieces every year, and some 700 works from the collection are currently on long-term loan to more than 50 foundations and nursing homes across the Canton.



The BCV art collection
is made up of over
2,400
works by local artists

As the custodian of some of Vaud Canton's most iconic and recognizable buildings – including listed properties like the Château de Montagny in Lutry – we're mindful of our responsibility to preserve this heritage for future generations. In 2001–2002, for instance, we restored our branch office at Place Chauderon in Lausanne. And in 2013, we refurbished the lobby at our head office at Place Saint-François.

The BCV Foundation

Since its creation in 1995, the BCV Foundation has awarded over CHF 10m to outreach and charitable organizations, cultural projects, and academic research programs, including CHF 360,000 last year alone.



Supporting good causes

As part of our BCV Generosity program, we give employees one day's leave each year to spend time volunteering for their favorite NGO or charity. And through our BCV Solidarity initiative, set up in 2012, we make an annual donation of CHF 150,000 to a humanitarian project chosen by employees selected from a pool of volunteers. In 2020, BCV Solidarity supported Lausanne-based organization Nouvelle Planète in a well-drilling project to supply water to over 5,000 people in two villages in Burkina Faso.

Our charitable giving extends beyond these two programs. Last year, for instance, we supported Don du Sang (a blood-donation program run by the Swiss Red Cross), the sale of oranges by the NGO Terre des Hommes, and the Vaud Red Cross flower-selling initiative Mimosa du Bonheur. Another cause close to our heart is Étoile Filante, a foundation that makes dreams come true for sick and disabled children and teens. Every year since 2010, we have donated CHF 10 to Étoile Filante each time someone opens a Custodial Savings account. In 2020, these donations totaled CHF 18,000.

Also last year, we supported several initiatives and organizations addressing the consequences of the Covid-19 crisis:

- The Fondation Mère Sofia, through an internal food drive to support vulnerable and disadvantaged families.
- Caritas Vaud and the Centre Social Protestant.
- The #VersusVirus hackathon, an online collaboration to develop solutions to tackle the crisis. BCV employees were encouraged to take part in this 24-hour event, which drew 5,000 participants from across Switzerland and resulted in 263 projects.

FinanceMission

FinanceMission is a Swiss-wide initiative supported by educators and backed by BCV and other cantonal banks. The educational app is designed to promote financial literacy and teach adolescents how to manage their money and keep track of their spending.

Direct environmental impact

At BCV, we've long recognized that being a sustainable business means being a greener business. That's why, as part of our approach to corporate social responsibility (CSR), we are working hard to shrink our carbon footprint and use resources more efficiently across our operations. In 2019, we teamed up with Swiss Climate, a sustainability consultancy, to help us offset our greenhouse gas (GHG) emissions by supporting projects that take a holistic, long-term view of sustainability.

Our 2020 carbon-footprint assessment showed that we emitted 5,549 metric tons of CO₂ equivalent (tCO₂e). That's equal to the average annual emissions of 957 people in Switzerland – or the population of Boussens, a municipality in the Canton of Vaud.



Carbon **Neutral**
(Swiss Climate certification)

Certified CO₂ Neutral by Swiss Climate

In 2020, BCV received the Certified CO₂ Neutral label from Swiss Climate. The certification is only awarded to businesses that take a holistic approach to climate protection, assessing their carbon emissions and taking measures to reduce them as part of a comprehensive strategy.

The Swiss Foundation for Practical Environmental Protection (PUSCH) has recognized the Swiss Climate CO₂ Neutral label as the best of its kind in Switzerland. And because the certification program includes independent audits and adheres to international standards (ISO 14064-1 and the Greenhouse Gas Protocol), it sets a high benchmark for verifiability and transparency.

Qualifying criteria

In order to be awarded the Swiss Climate CO₂ Neutral label, businesses must:

- have a climate strategy;
- calculate their CO₂ footprint in accordance with ISO 14064-1 and the Greenhouse Gas Protocol;
- develop and implement measures to reduce their emissions, both internally and across the entire value chain;
- inform and educate employees and external stakeholders;
- identify climate change-related opportunities and risks for their organization;
- understand their main sources of emissions and what action they can take;
- set an emissions-reduction target;
- offset their emissions by financing high-quality climate-related projects through CO₂ certificates (see page 81 for details).

 **CERTIFIED CO₂ NEUTRAL**
by Swiss Climate

BCV moves into the CDP's leadership category

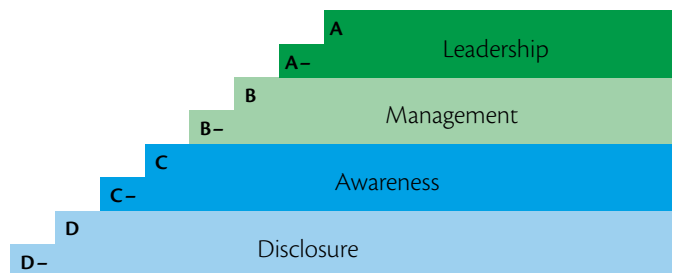
BCV earns an A- grade in the CDP survey

Since 2011, the Bank has taken part in the CDP (formerly Carbon Disclosure Project) survey, an international initiative to encourage companies to disclose and reduce their carbon footprint. At BCV, we share the findings of our annual GHG inventory with the CDP for assessment.

Last year, we earned an A- grade for our performance – the highest grade obtained by a Swiss cantonal bank. This was a significant improvement on our 2016 score and one grade higher than in 2019, when we received a B.

Companies that take part in the survey are awarded one of eight grades ranging from A to D-. These grades are banded into four categories that reflect the maturity of companies' climate-related disclosure practices:

- *Leadership*
- *Management*
- *Awareness*
- *Disclosure*



A- Leadership

BCV's grade and category in the CDP survey, which assesses companies' environmental impact and disclosure practices

Assessing our carbon footprint in line with ISO 14064-1

Every year since 2008, we have measured our greenhouse gas (GHG) emissions and assessed our overall carbon footprint. The information gives us a broad picture of how we are impacting the environment, how our impact is changing, and what we can do to reduce it. The assessment, known as a GHG inventory, is performed by environmental consulting firm Swiss Climate using two frameworks: ISO 14064-1 and the GHG Protocol Corporate Standard. It incorporates all emissions related to the Bank's operations, divided into three categories:

- Buildings (electricity, heating, refrigerants, and water)
- Transportation (employee commuting and business travel)
- Consumables (paper, printed materials, and computer hardware)

We have also commissioned a second expert opinion on our GHG inventory from true&fair.expert, an independent sustainability auditing firm that works to the internationally recognized and CDP-approved AA1000 AccountAbility Assurance Standard.

We offset 100% of the greenhouse gas emissions from our operations by financing three projects with Swiss Climate (see page 81 for details).

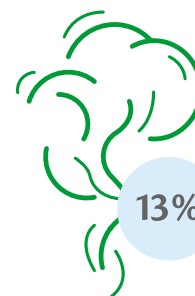
Measuring our carbon footprint

The majority of our GHG emissions come from employee commuting and heating, which account for 45% and 33% of our total footprint, respectively. Overall, our emissions were down last year relative to 2019, with marked reductions in three areas:

- Heating (down by 386 metric tons of CO₂, or 17%), primarily because biogas makes up a growing share of the gas we use.
- Business travel (down by 249 metric tons, or 64%), as employees made far fewer work-related trips owing to Covid-19 restrictions.
- Employee commuting (down by 203 metric tons, or 7%), as the switch to partial remote working to prevent the spread of the virus cut both the number of journeys made to and from work, and the associated emissions. However, the impact of this trend was counteracted to a certain extent, as some employees chose to travel to work by car rather than by other modes because of the public-health situation.

CO₂ emissions by source

| Emissions (metric tons of CO ₂) | Change (vs. 2019) | 2020 | 2019 | 2018 | 2017 |
|---|-------------------|--------------|--------------|--------------|--------------|
| Employee commuting | -7% | 2,515 | 2,718 | 2,699 | 2,727 |
| Heating | -17% | 1,832 | 2,218 | 2,272 | 2,304 |
| Electricity | -7% | 382 | 409 | 415 | 420 |
| Business travel | -64% | 137 | 386 | 485 | 490 |
| Paper and printed materials | -7% | 326 | 349 | 358 | 368 |
| Computer hardware | +0% | 322 | 322 | 348 | 338 |
| Waste | -14% | 34 | 40 | 39 | 38 |
| Refrigerants | +0% | 0 | 0 | 0 | 0 |
| Total | -14% | 5,549 | 6,442 | 6,618 | 6,686 |
| Employees (FTE) | -1% | 1,776 | 1,776 | 1,753 | 1,771 |
| Emissions/employee (FTE) | -13% | 3.2 | 3.6 | 3.8 | 3.8 |



reduction in CO₂ emissions per employee (FTE)

Last year, the Bank went above and beyond the required measures in order to keep its employees safe during the pandemic. With over 70% of our staff working from home at least part time, the number of people on site at any given time was around half normal levels. We also introduced social-distancing rules and internal directives that, for instance, placed limits on in-person meetings. The steps we took affected our emissions – from transportation, waste, paper, electricity, and other sources – in different ways.

In 2021, we will decide on and publish a target for reducing our carbon footprint by 2030, in line with the targets set by the federal government and the Canton of Vaud.

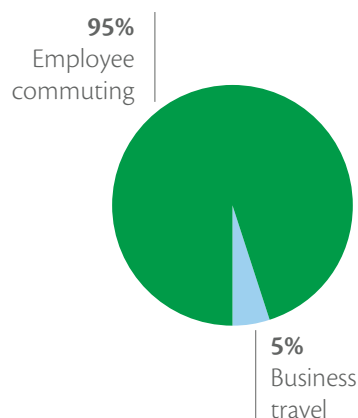
Breakdown of emissions by source

Transportation (employee commuting and business travel) accounts for around 48% of our GHG emissions. Two other sources – buildings (heating and electricity) and consumables (paper, printed materials, computer hardware, and waste) – make up 40% and 12% of the total, respectively.

The results of our GHG inventory as measured by Swiss Climate are given on the next page, along with details of the steps we took to reduce our footprint in 2020.

Transportation

(approx. 48% of total emissions)



Business travel – journeys specifically taken for work purposes, such as meeting customers or traveling between two places of work – accounts for just 5% of emissions in this category. That's lower than in 2019, when it accounted for 12%, because travel was restricted during the pandemic.

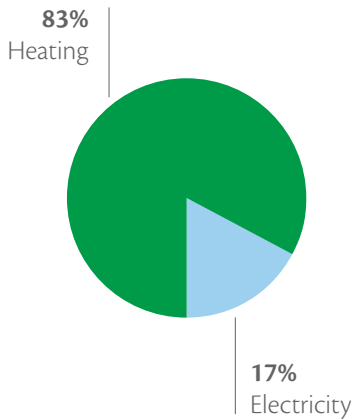
The majority (95%) of our transportation-related emissions comes from employee commuting. In 2020, some 33% of trips to and from work at BCV – measured by distance traveled – were made on foot or by bike. This figure is lower than in 2019 (48%) and below the nationwide average of 47%.³²

In keeping with our policy of encouraging our people to travel more sustainably, we give all employees who don't apply for a parking space for their car CHF 30/month toward public transportation costs. Over 1,300 staff members received this allowance last year. We have also installed a secure bike park at our main sites and electric vehicle charging points at our Administrative Center in Prilly.

³² The nationwide average of 47% pre-dates the Covid-19 pandemic.

Buildings

(approx. 40% of total emissions)



We have made energy-saving upgrades to a number of our sites in recent years, such as installing new windows at our branch office at Place Chauderon and our head office at Place Saint-François. And thanks to energy-efficiency improvements at our Nyon branch office, we cut heating-related energy consumption there by 26% between 2017 and 2020. Most BCV branch offices have natural-gas or fuel-oil heating systems. The circumstances of last year meant that, overall, our heating-related emissions were 17% lower than in 2019. Computer hardware accounts for the bulk of our electricity consumption. Our two biggest sites – our head office at Place Saint-François and our Administrative Center in Prilly – are powered exclusively by renewable energy from Swiss hydroelectric plants. And thanks to measures we've taken, we have reduced energy consumption across our business by 24% in six years – 9,703 MWh in 2020 down from 12,684 MWh in 2014. One way we've achieved this is by phasing out older systems and equipment, such as upgrading our elevators and replacing elevator motors with new, less power-hungry models.

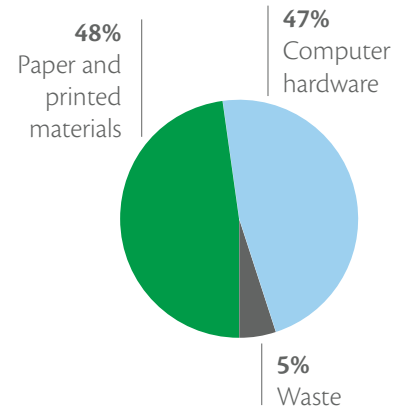
Under the terms of the energy-efficiency agreement we signed with the Canton of Vaud and the federal government, we are investing CHF 2.6m over 10 years to meet energy reduction targets for our two flagship sites: by 2028, we are aiming to cut power consumption by 9% at our head office and by 20% at our Administrative Center. In 2019–2020, for instance, we replaced the windows at our Place Saint-François office and installed more LED lighting, at a total cost of over CHF 300,000. As things stand, we have surpassed our targets for reducing electricity consumption by 1 percentage point for our head office and by 7 percentage points for our Administrative Center.

In 2020, our total water consumption stood at 30,000 cubic meters, with washroom facilities accounting for 80% of that amount. For comparison, that's about the same amount of water as 200 Swiss households. System and equipment upgrades – such as switching to water-free cooling systems – helped us cut water use by 43% between 2009 and 2018, and we are exploring ways to reduce our consumption even further. Last year, for instance, we began installing non-flush toilets at some of our sites on a trial basis.

Paper and printed materials account for almost half (48%) of our emissions in this category. Last year, we achieved a 7% year-on-year reduction in paper-related GHG emissions by decreasing the amount of paper we use, as more customers switch to online banking and as we shift to electronic versions of documents for use inside the Bank. Employees also printed fewer documents last year because they were based at home and held virtual meetings.

Consumables

(approx. 12% of total emissions)



In 2020, we took further steps to reduce paper consumption. For instance, we introduced double-sided printing for all customer documents, saving 1.2 million sheets of paper. What's more, all the paper we do use is Ecolabel or Forest Stewardship Council (FSC) certified, and we're currently exploring ways to increase the share of recycled paper in our total paper consumption.

The periodic replacement of IT equipment (computers and monitors) accounts for about 47% of the Bank's emissions in this category – mostly from the manufacture and end-of-life disposal phases.

Waste accounts for just 5% of the Bank's GHG emissions in this category, in part because we sort and recycle the majority (56%) of the waste we produce.

Carbon offsetting projects

At BCV, we offset any emissions we can't avoid by financing carbon reduction and sequestration projects in our Canton and outside Switzerland. Below are examples of the projects we supported last year.

On-farm biogas plant, Vaud

Farms generate vast quantities of manure which, as it ferments, releases methane – a greenhouse gas more potent than carbon dioxide. With an on-farm biogas plant of the type installed in this project, the fermentation process is carefully controlled. The resulting methane is collected and piped to a cogeneration plant to produce both heat and electricity.

The 1.1 million kilowatt-hours (kWh) of electricity generated each year, enough to power 280 households, is fed into the Canton's grid. And each year, around 360,000 kWh of residual heat is used on the farm and in apartments, avoiding 54,908 kg of CO₂ emissions. Because on-farm biogas plants provide a year-round source of renewable energy, they help to reduce the dependency of Swiss farmers on imported fossil fuels while actively supporting sustainable development in the region.



An on-farm biogas plant in Vaud, one of the carbon offsetting projects financed by BCV

Wind farms, India

This project, based in central India, promotes the use of wind turbines as a way to generate renewable electricity and to partially replace fossil fuels in the local energy mix, thereby helping to reduce carbon emissions while at the same time supporting sustainable economic growth in the region. The project has already delivered tangible social and environmental benefits by creating many new jobs, improving people's livelihoods, and avoiding 172,729 metric tons of CO₂ emissions each year.

Energy-efficient stoves, Rwanda

In Rwanda, tropical rainforests are disappearing at an alarming rate as trees are cleared for farmland and chopped down to make charcoal and firewood. With demand for wood far outstripping natural regrowth, this project aims to replace traditional charcoal stoves with improved models. By dramatically reducing the amount of wood people burn, these energy-efficient stoves help to slow the pace of deforestation and prevent various respiratory diseases. Each year, over 58,000 metric tons of CO₂ emissions are avoided as a result of the project.

Responsible, local sourcing

At BCV, we source locally as a matter of policy. We choose whenever possible to work with companies in our Canton – that’s both good for Vaud businesses and limits our impact on the environment. For instance, the catering suppliers for our two biggest sites both have responsible sourcing policies:

- Novae Restauration, which runs the cafeteria at our head office at Place Saint-François in Lausanne, sources from a network of 90 artisans, growers, and farmers, all of whom are based in Switzerland or are part of carefully selected supply chains. In 2020, the company became triple-ISO-certified (to ISO 9001, 14001, and 45001) and received a silver medal from EcoVadis, which assesses the sustainability performance of suppliers.
- SV Group, the catering supplier for our Administrative Center in Prilly, buys food locally and from short supply chains wherever possible. Several years ago, it launched its own sustainability program, called ONE TWO WE.

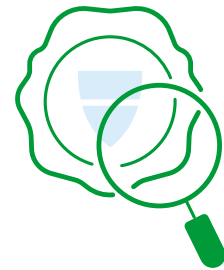
We are working with our suppliers to identify ways to reduce waste from takeout food and beverages. Together, we agreed to introduce the reCIRCLE system of washable, sealable, and recyclable containers.

We have also incorporated CSR criteria into our supplier selection procedures and tender specifications, which are based in part on the short version of the *Guide to Responsible Professional Purchasing* developed by the Canton of Vaud. For instance, we look at criteria such as ISO-certification, a documented sustainability policy, and compliance with collective bargaining agreements.

Following discussions with the Vaud Federation of Entrepreneurs (FVE), we now require anyone working for a supplier in our buildings to carry a special card, which certifies that their employer:

- adheres to the minimum pay and working conditions set out in collective bargaining agreements;
- carries out due diligence on its subcontractors; and
- complies with legal and regulatory requirements on workplace health and safety as well as social security.

The Bank works with a large pool of facilities management contractors, and we regularly switch between suppliers. Each year, we source supplies and services from over 600 businesses based in our Canton, and Swiss companies account for 91% of our procurement spend.



We work with over **600** suppliers based in Vaud Canton

GRI index

The following table provides the disclosures, references, and commentary required for the Core option of the Global Reporting Initiative (GRI) Standards. We also include some additional indicators, as part of our efforts to continuously improve our sustainability reporting, although we do not yet meet the requirements for the Comprehensive option.

| GRI Standard | Location, commentary, and explanation for omissions |
|--|---|
| General disclosures (GRI 102) | |
| Organizational profile | |
| 102-1 Name of the organization | SR20, p. 4 |
| 102-2 Activities, brands, products, and services | SR20, p. 4 and AR20, pp. 10-12 |
| 102-3 Location of headquarters | SR20, p. 4 |
| 102-4 Location of operations | SR20, p. 4 and AR20, p. 200 |
| 102-5 Ownership and legal form | AR20, pp. 74-77 |
| 102-6 Markets served | AR20, pp. 10-12, 50-57 |
| 102-7 Scale of the organization | AR20, pp. 1 and 75 |
| 102-8 Information on employees and other workers | SR20, pp. 4 and 64-65 All data are from BCV's bank-wide employee management system. |
| 102-9 Supply chain | SR20, p. 82 |
| 102-10 Significant changes to the organization and its supply chain | No significant changes in 2020 |
| 102-11 Precautionary Principle or approach | SR20, pp. 18, 32-33, 41, 44, and 47 |
| 102-12 External initiatives | SR20, p. 19 |
| 102-13 Membership of associations | SR20, pp. 19 and 31 |
| Strategy | |
| 102-14 Statement from senior decision-maker | SR20, pp. 2-3 |
| Ethics and integrity | |
| 102-16 Values, principles, standards, and norms of behavior | SR20, pp. 30-35 |
| Governance | |
| 102-18 Governance structure | SR20, pp. 17 and 31 |
| 102-19 Delegating authority | SR20, pp. 17-18 |
| 102-20 Executive-level responsibility for economic, environmental, and social topics | SR20, pp. 17-18 The Executive Board is responsible for economic, environmental, and social topics. |
| 102-21 Consulting stakeholders on economic, environmental, and social topics | SR20, pp. 14-16 |
| 102-22 Composition of the highest governance body and its committees | AR20, pp. 78-89 |
| 102-23 Chair of the highest governance body | SR20, p. 31 |
| 102-24 Nominating and selecting the highest governance body | AR20, pp. 78 and 84 |
| 102-25 Conflicts of interest | AR20, pp. 78-95 and Code of Professional Conduct, p. 6 |
| 102-26 Role of highest governance body in setting purpose, values, and strategy | LBCV, Article 4 AR20, pp. 87-88 and SR20, p. 17 BCV's strategy, and specifically its values and CSR approach, are under the Board of Directors' responsibility. |
| 102-30 Effectiveness of risk management processes | AR20, pp. 61-62 and 84-85 |
| 102-31 Review of economic, environmental, and social topics | AR20, pp. 84-87 and SR20, pp. 15-16 |
| 102-32 Highest governance body's role in sustainability reporting | The Sustainability Report is reviewed and approved by the Executive Board and by the Compensation, Promotions, and Appointment Committee for the Board of Directors. |
| 102-35 Remuneration policies | AR20, pp. 96-101 |
| 102-36 Process for determining remuneration | AR20, pp. 96-101 |
| 102-37 Stakeholders' involvement in remuneration | AR20, p. 101 The outcomes of the Annual Shareholders' Meeting are published on bcv.ch/en/ag . |

| GRI Standard | Location, commentary, and explanation for omissions | |
|--|---|--|
| Stakeholder engagement | | |
| 102–40 | List of stakeholder groups | SR20, p. 14 |
| 102–41 | Collective bargaining agreements | SR20, p. 67 |
| 102–42 | Identifying and selecting stakeholders | SR20, p. 14–15 |
| 102–43 | Approach to stakeholder engagement | SR20, p. 15–16 |
| 102–44 | Key topics and concerns raised | SR20, p. 12–16 |
| 102–45 | Entities included in the consolidated financial statements | SR20 disclosures are limited to BCV as the parent company (see p. 5 in the "About this report" chapter). AR20 contains the financial statements of the parent company and group. See p. 137 of AR20 for more details on parent company holdings. |
| 102–46 | Defining report content and topic boundaries | SR20, p. 5 |
| 102–47 | List of material topics | SR20, p. 15 |
| 102–48 | Restatements of information | None |
| 102–49 | Changes in reporting | None |
| 102–50 | Reporting period | SR20, p. 5 |
| 102–51 | Date of most recent report | SR20, p. 5 |
| 102–52 | Reporting cycle | SR20, p. 5 |
| 102–53 | Contact point for questions regarding the report | SR20, p. 5 |
| 102–54 | Claims of reporting in accordance with the GRI Standards | SR20, p. 5 |
| 102–55 | GRI content index | SR20, p. 84–87 |
| 102–56 | External assurance | In SR20, only the data relating to the Bank's environmental impact were externally audited (see the Direct environmental impact section on p. 78 for more details). |
| Management approach (GRI 103) and specific indicators for material topics | | |
| Dialogue with stakeholders and transparency | | |
| 103–1 | Explanation of the material topic and its boundary | SR20, p. 14–15 |
| 103–2 | The management approach and its components | SR20, p. 15–16 |
| 103–3 | Evaluation of the management approach | SR20, p. 15–16 |
| Long-term value creation, solidity, and financial performance | | |
| 103–1 | Explanation of the material topic and its boundary | SR20, p. 22 |
| 103–2 | The management approach and its components | SR20, p. 22 |
| 103–3 | Evaluation of the management approach | SR20, p. 22 |
| 201–1 | Direct economic value generated and distributed (parent company) | AR20, parent company financial statements, p. 170 - Direct economic value generated: CHF 678.2m (operating profit, personnel expenses, and extraordinary income and expenses) - Direct economic value distributed: CHF 652.9m (personnel expenses, taxes, and dividends) - Economic value allocated to reserves: CHF 25.4m (allocation to optional retained earnings) |
| 201–3 | Defined benefit plan obligations and other retirement plans | SR20, p. 68 |
| 201–4 | Financial assistance received from government | BCV does not receive financial assistance from the government. AR20, p. 10 (The Canton of Vaud holds 66.95% of BCV's share capital.) |
| Contributing to Vaud's economic development | | |
| 103–1 | Explanation of the material topic and its boundary | SR20, p. 22 |
| 103–2 | The management approach and its components | SR20, pp. 11 and 22–27 |
| 103–3 | Evaluation of the management approach | SR20, p. 22–27 |
| 203–2 | Significant indirect economic impacts | SR20, p. 22–27 |
| Ethics and corporate governance | | |
| 103–1 | Explanation of the material topic and its boundary | SR20, p. 30–31 |
| 103–2 | The management approach and its components | SR20, p. 30–35 |
| 103–3 | Evaluation of the management approach | SR20, p. 30–35 |
| 415–1 | Political contributions | SR20, p. 31 |
| 419–1 | Non-compliance with laws and regulations in the social and economic area | None identified in 2020 |
| Responsible selling | | |
| 417–2 | Incidents of non-compliance concerning product and service information and labeling | None identified in 2020 |
| 417–3 | Incidents of non-compliance concerning marketing communications | None identified in 2020 |
| Close ties and accessible services | | |
| 103–1 | Explanation of the material topic and its boundary | SR20, p. 38 |
| 103–2 | The management approach and its components | SR20, p. 38 |
| 103–3 | Evaluation of the management approach | SR20, p. 38 |
| G4–FS13 | Access points in low-populated or economically disadvantaged areas by type | SR20, p. 4 and 38 Our customers have access to a dense network of branches and ATMs, as well as remote and self-service solutions. |

| GRI Standard | Location, commentary, and explanation for omissions | |
|--|--|---|
| Products and services suited to customers' needs and expectations | | |
| 103-1 | Explanation of the material topic and its boundary | SR20, pp. 38-39 |
| 103-2 | The management approach and its components | SR20, pp. 38-39 |
| 103-3 | Evaluation of the management approach | SR20, p. 39 |
| Individual indicator | Customer satisfaction, Net Promoter Score | SR20, p. 39 |
| High service quality | | |
| 103-1 | Explanation of the material topic and its boundary | SR20, p. 39 |
| 103-2 | The management approach and its components | SR20, pp. 39-40 |
| 103-3 | Evaluation of the management approach | SR20, pp. 39-40 |
| Indicateur individuel | Customer satisfaction, Net Promoter Score | SR20, p. 40 |
| Reliability: Combating cybercrime, ensuring transaction security, and protecting data | | |
| 103-1 | Explanation of the material topic and its boundary | SR20, p. 33 and p. 40 |
| 103-2 | The management approach and its components | SR20, pp. 33 and 40-41 |
| 103-3 | Evaluation of the management approach | SR20, p. 33 and 41 |
| 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | SR20, p. 33 |
| Environmental and social criteria in lending decisions | | |
| 103-1 | Explanation of the material topic and its boundary | SR20, p. 44 |
| 103-2 | The management approach and its components | SR20, pp. 44-48 |
| 103-3 | Evaluation of the management approach | SR20, pp. 22-23, 45 and 48 |
| G4-FS8 | Monetary value of loans with an environmental benefit | SR20, p. 45 |
| G4-FS10 | Number of companies in BCV's portfolio with which it has consulted on environmental or social issues | SR20, p. 48 |
| Socially responsible investing | | |
| 103-1 | Explanation of the material topic and its boundary | SR20, p. 49 |
| 103-2 | The management approach and its components | SR20, pp. 49-59 |
| 103-3 | Evaluation of the management approach | SR20, pp. 53, 55 and 57-59 |
| G4-FS8 | Monetary value of investments with an environmental benefit | SR20, p. 53 |
| G4-FS10 | Number of companies in BCV's portfolio with which it has consulted on environmental or social issues | SR20, p. 51 |
| G4-FS11 | Percentage of products integrating ESG criteria | SR20, p. 55 |
| Focus on training | | |
| 103-1 | Explanation of the material topic and its boundary | SR20, p. 62 |
| 103-2 | The management approach and its components | SR20, pp. 62-63 |
| 103-3 | Evaluation of the management approach | SR20, pp. 62-63 |
| 404-1 | Average hours of training per year per employee | SR20, p. 63 |
| 404-2 | Programs for upgrading employee skills and transition assistance programs | SR20, p. 63 |
| 404-3 | Percentage of employees receiving regular performance and career development reviews | 100%, excluding cases such as employees who join or leave the Bank during the year. |
| Diversity and equal opportunity | | |
| 103-1 | Explanation of the material topic and its boundary | SR20, p. 64 |
| 103-2 | The management approach and its components | SR20, pp. 62 and 64-65 |
| 103-3 | Evaluation of the management approach | SR20, pp. 64-65 |
| 401-1 | New employee hires and employee turnover | SR20, p. 64 |
| 405-1 | Diversity of governance bodies and employees | SR20, p. 65 |
| 405-2 | Equal pay | SR20, p. 67 |
| Retirement, compensation, and other employee benefits | | |
| 103-1 | Explanation of the material topic and its boundary | SR20, p. 67 |
| 103-2 | The management approach and its components | SR20, pp. 67-68 and AR20, pp. 96-101 |
| 103-3 | Evaluation of the management approach | SR20, pp. 67-68 |
| 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | SR20, pp. 66 Employees on a permanent contract (working at least half time) receive all standard employee benefits. Employees outside this scope receive benefits according to their status. |
| 102-38 | Annual total compensation ratio | SR20, pp. 67-68 |
| 102-39 | Percentage increase in annual total compensation ratio | SR20, pp. 67-68 |
| Working conditions | | |
| 103-1 | Explanation of the material topic and its boundary | SR20, pp. 66-67 |
| 103-2 | The management approach and its components | SR20, pp. 62 and 66-70 |
| 103-3 | Evaluation of the management approach | SR20, pp. 66-70 |

| GRI Standard | | Location, commentary, and explanation for omissions |
|--|--|---|
| Working conditions – continued | | |
| 401–3 | Parental leave | SR20, p. 66 |
| 403–1 | Occupational health and safety management system | BCV's occupational health and safety management system is in keeping with legal requirements. In some areas, the system goes above and beyond the legal requirements (SR20, pp. 66–70). |
| 403–2 | Hazard identification, risk assessment, and incident investigation | SR20, pp. 69–70 |
| 403–9 | Work-related injuries | SR20, p. 70 |
| Playing an active role in the community and supporting local projects and organizations | | |
| 103–1 | Explanation of the material topic and its boundary | SR20, pp. 26 and 74 |
| 103–2 | The management approach and its components | SR20, pp. 26–27 and 74–75 |
| 103–3 | Evaluation of the management approach | SR20, pp. 26–27 and 74–75 |
| 203–1 | Infrastructure investments and services supported | SR20, pp. 26 and 74–75 |
| 413–1 | Operations with local community engagement, impact assessments, and development programs | SR20, pp. 26 and 74–75 |
| Direct environmental impact | | |
| 103–1 | Explanation of the material topic and its boundary | SR20, p. 76 |
| 103–2 | The management approach and its components | SR20, pp. 76–82 |
| 103–3 | Evaluation of the management approach | SR20, pp. 76–82 |
| 305–1 | Direct (Scope 1) GHG emissions ⁽¹⁾ | 1,471 t CO ₂ e - 1,464 t CO ₂ e heating - 7 t CO ₂ e gas vehicles - 0 t CO ₂ e refrigerants |
| 305–2 | Energy indirect (Scope 2) GHG emissions ⁽²⁾ | 267 t CO ₂ e - 266 t CO ₂ e electricity - 1 t CO ₂ e district heating |
| 305–3 | Other indirect (Scope 3) GHG emissions ⁽³⁾ | 3,811 t CO ₂ e - 485 t CO ₂ e energy supply - 129 t CO ₂ e business travel - 2,515 t CO ₂ e employee commuting - 322 t CO ₂ e computer hardware - 326 t CO ₂ e paper and printed materials - 34 t CO ₂ e waste |
| 305–4 | GHG emissions intensity per employee | 3.2 t CO ₂ e/FTE |
| 302–1 | Energy consumption within the organization: electricity (including sources) and heating | 61,583,303 MJ - 26,370,882 MJ heating - 188,129 MJ district heating - 34,930,040 MJ electricity - 94,251 MJ gas vehicles |
| 302–3 | Energy intensity per employee | 35,000 MJ/FTE |
| 306–2 | Waste by type and disposal method | 226,216 kg - 83,943 kg recycled waste - 66,825 kg incinerated waste |
| 301–1 | Materials used by weight or volume (For BCV, this concerns mainly paper consumption.) | 273,866 kg paper and printed materials |
| 307–1 | Non-compliance with environmental laws and regulations | None |
| Responsible, local sourcing | | |
| 103–1 | Explanation of the material topic and its boundary | SR20, p. 82 |
| 103–2 | The management approach and its components | SR20, p. 82 |
| 103–3 | Evaluation of the management approach | SR20, p. 82 |
| 204–1 | Proportion of spending on local suppliers | SR20, p. 82 |
| 408–1 | Operations and suppliers at significant risk for BCV does not grant loans to companies or for projects that incidents of child labor | BCV does not grant loans to companies or for projects that violate human rights or lead to forced labor or child labor |
| 414–1 | New suppliers that were screened using social criteria | SR20, pp. 52 and 82 |

List of abbreviations

AR20: 2020 Annual Report
SR20: 2020 Sustainability Report
CO₂e: CO₂ equivalent

⁽¹⁾ Scope 1: Ecoinvent (V3.3)

⁽²⁾ Scope 2: Messmer, Frischknecht, Treeze (2016), Umweltbilanz Strommix Schweiz; Frischknecht, Itten, Treeze (2014), Primärenergiefaktoren von Energiesystemen

⁽³⁾ Scope 3: mobitool (V2.0, 2016); Ecoinvent (V3.3, V3.4, V3.5); Climatop (2013), Toilettenpapier factsheet; La Poste France (2017): La Poste eco-calculator

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