

Sustainability Report

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Note: This report refers to figures, tables and other detailed information disclosed in the “Annex to Sustainability Report 2020”. This annex was approved by Cembra’s Sustainability Committee in March 2021 and is part of our sustainability disclosures. The annex and all other disclosures are available at www.cembra.ch/sustainability.

1 Letter from the Chairman

Dear Customers, Partners, Shareholders, Employees and other Stakeholders,

Ensuring sustainability is an important part of our strategy. In 2020, we took additional measures to foster sustainability and responsible behaviour throughout the organisation, and details of that work are provided in this report. We are proud that we were able to make considerable progress, and that we initiated further improvements.

Despite the Covid-19 pandemic and the resulting economic downturn, and thanks to our cautious, long-term risk management approach, our overall loss performance remained robust. Last year, there was no significant rise in the number of customers in financial difficulty, and we provided appropriate, tailored solutions to customers who were unable to meet their contractual repayment obligations as a result of the pandemic (see pages 36-40 for details).

Cembra is one of the leaders in electromobility financing in Switzerland. We are offering loans and leases for electric vehicles on highly favourable terms, with a growing share of electric vehicles financed. Our strategy is to continue to grow this business in line with the market trend (see pages 53-54).

In April 2020, we updated our Code of Conduct. The revised version includes further improvements to safeguard the personal integrity of our employees and strengthen our responsibility towards society and the environment. In September 2020, Cembra joined the United Nations Global Compact and is committed to complying with all of its Ten Principles on human rights, labour, the environment and corruption.

Since May 2020, sustainability has been overseen by the Management Board through a new, dedicated Sustainability Committee that is driving our key improvement projects and initiatives. In the reporting period, sustainability-oriented performance indicators also became part of the criteria for determining the Management Board's long-term incentive compensation (see Compensation Report, page 105).

Between September and November 2020, we conducted a renewed sustainability assessment with our main stakeholders and updated our materiality matrix accordingly. Our sustainability approach continues to be guided by five key sustainability themes, which you – our stakeholders – confirmed to be important for our future success. For the coming years, we also set internal sustainability performance targets that are based on our commitments, with a view to driving further improvements.

With this report, we have also become more transparent about our sustainability performance and our progress in key areas. Our commitments, performance measures and assessment of 2020 are summarised on page 33.

Our increasing efforts to promote sustainable action have been acknowledged by leading ESG rating agencies, with Cembra's sustainability ratings improving considerably in the reporting period. We are also very pleased that Cembra was included in the SXI Switzerland Sustainability 25 Index and became one of only eight Swiss-based companies to join the 2021 Bloomberg Gender Equality Index.

We are proud that one million customers in Switzerland have chosen Cembra as their financial partner. This reflects our customers' appreciation of our products and services but also requires us – as the leading provider of consumer finance products and services in Switzerland – to further improve our sustainability performance.

Your feedback matters to us, and we would like to continue our dialogue with you on sustainability and on our performance in this area. Please do not hesitate to get in touch with us.



Dr Felix Weber
Chairman

2 Our approach to sustainability

Aspirations, values and policies

In 2019, the Management Board set out Cembra's sustainability aspiration. It is available at www.cembra.ch/sustainability.

Aspiration

At Cembra we generate long-term value by actively considering the interests and expectations of our most relevant stakeholders, by fostering responsible behaviour and practices and by actively contributing to a more sustainable future. We are aware of the impact of our activities and of our responsibilities towards our customers, business partners, regulators, shareholders, employees and communities. In this way, we always aim to adhere to high responsibility standards from an economic, legal, social, environmental and ethical standpoint. Our commitments:

- **As a responsible provider of financing solutions**, we ensure the quality and integrity of all our products and services.
- **As a forward-looking business partner**, we share our expertise and innovation capacity in order to develop demand-based and reliable financing solutions.
- **As a credible investee**, we adhere to strict governance and risk management practices.
- **As an attractive employer**, we promote well-being in the workplace, diversity, equal opportunities and personal development, and we raise our employees' awareness of our environmental and social responsibilities.
- **As a good corporate citizen**, we contribute to community development and use resources in a sustainable manner while minimising the negative impacts on the natural environment.

This policy statement applies to all employees and is actively shared with contractors, suppliers and other key business partners. Members of the Management Board are responsible for ensuring full compliance with this policy.

Values

The daily work of our employees is guided by our four values: engagement, customer focus, responsibility and diversity. Since they were first established in 2017, these values have become part of our internal communications for all employees.

- **Engagement:** We actively take into account the needs of our stakeholders and support our local communities through local employment, responsible procurement and social engagement.
- **Customer focus:** We consider the interests of our clients by taking into account their needs, protecting their data and privacy, and providing them with responsible consumer finance products designed to support their endeavours in a thriving, sustainable and inclusive society.
- **Responsibility:** We act responsibly and with integrity, striving to minimise the negative impact of our operations and contributing to solving the challenges faced by our society.
- **Diversity:** We value the variety of the contributions we get from our diverse workforce and strive to provide them with a working environment, development options and a remuneration system that foster responsible achievements, an even work-life balance and fulfilment.

Policies

Cembra adheres to high standards in corporate governance, risk management and internal controls. Policies guide decisions and the behaviour of all our employees and business partners. Members of the Management Board are responsible for ensuring full compliance with Cembra's policies. The Legal and Compliance department in particular supports the internal implementation and development of effective policies and guidelines in this regard. The Board of Directors supervises the business conduct of the Management Board through corporate governance mechanisms with effective checks and balances (see the chapter on business integrity, page 55).

In 2020, we updated our Code of Conduct (see page 56) and our Business Partners' Principles of Conduct (supplier standards, see page 58). Our other main policies are described on pages 61-63.

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UN Global Compact and Sustainable Development Goals

In September 2020, Cembra joined the United Nations Global Compact as a signatory. Cembra is committed to supporting the Ten Principles on human rights, labour, environment and anti-corruption and to making these part of our strategy, culture and day-to-day operations.

Our commitment to fully supporting the Sustainable Development Goals (SDGs) is borne out in our sustainability aspirations and our participation in the UN Global Compact, which we signed in 2020. Last year we also started defining how our business contributes to achieving the SDGs by mapping the Goals to our values and identifying the SDGs that Cembra can have the most relevant impact on. These are: SDGs 4, 5, 8, 10, 12, 16. For the six identified SDGs, we also prioritised the relevant underlying targets. In this context, we will continue to further explore how to align our activities with the relevant SDGs in order to enhance our positive contribution to them.

Organisation, reporting and coverage

Organisation at the Board level

Sustainability matters are addressed periodically by the Board of Directors, which oversees Cembra's sustainability performance, as well as the associated targets, as part of the compensation framework. The Board of Directors regularly reviews the feedback and concerns of institutional investors and other stakeholders. Questions regarding remuneration, the Board's composition and shareholder rights are always dealt with transparently. The Board of Directors approves Cembra's sustainability approach and periodic reporting as part of the annual report.

In the reporting period, the Board of Directors looked specifically at how sustainability is organised, responsible ways of mitigating the effects of the Covid-19 pandemic, and target-setting as part of the long-term incentive. This Sustainability Report was approved by the Board of Directors in February 2021.

Organisation at the executive management level

Since 2020, sustainability has been managed by the Management Board through a new dedicated **Sustainability Committee**. It complements the existing Management Board committees, which include the Credit Committee, the Asset and Liability Management Committee, and the Risk and Controllability Committee. The committee is chaired by the CEO, and the members of the Management Board, the Head of Human Resources, the Head of Communications & PR and the Head of Investor Relations & Sustainability also sit on the committee. The committee's role is to develop and implement the overall sustainability strategy, including climate-related topics, and to oversee key improvement projects and initiatives.

In 2020, the Sustainability Committee held four meetings, in May, July, September and November. In addition, a Bank-wide **sustainability working group** held monthly meetings. The group, which is composed of managers and employees from various departments, continued to work on various sustainability matters.

Since 2020, new **sustainability-oriented performance indicators** have formed part of the criteria for determining the Management Board's long-term incentive compensation (see the Compensation Report, page 105).

Reporting

This report was drawn up in accordance with the GRI Standards' Core option and in line with the principles of materiality, transparency and comparability, taking into account the Standards' most recent recommendations and guidelines. Our sustainability reporting for 2020 consists of the Annual Report 2020, including this chapter on sustainability, as well as the Annex to Sustainability Report 2020, the GRI Content Index 2020, and additional disclosures. All information is available online at www.cembra.ch/sustainability.

Coverage and reporting boundaries

The report describes the current situation and the progress made in the area of sustainability in the 2020 financial year. Most data and indicators are available for the three financial years up to and including 2020. Following the acquisition of cashgate in September 2019, cashgate's activities and figures were included in this report from 1 January 2020, with any exceptions marked in footnotes. The environmental figures on emissions relate to the headquarters in Zurich, which is the workplace of 76% of all employees. The process of harmonising and enhancing key environmental figures internally was continued in 2020.

Sustainability Report

Renewed stakeholder assessment and materiality assessment in 2020

Cembra's most relevant stakeholders are customers, business partners, regulators, shareholders, employees and communities. We are aware of the impact of our activities and of our responsibilities towards our stakeholders. We consequently seek dialogue at different levels with various partners in our everyday business. Cembra employees from various business functions are in close and regular contact with individuals from these groups. The Bank interacts with other stakeholders, such as representatives of civil society, local communities and non-governmental organisations, on a case-by-case basis.

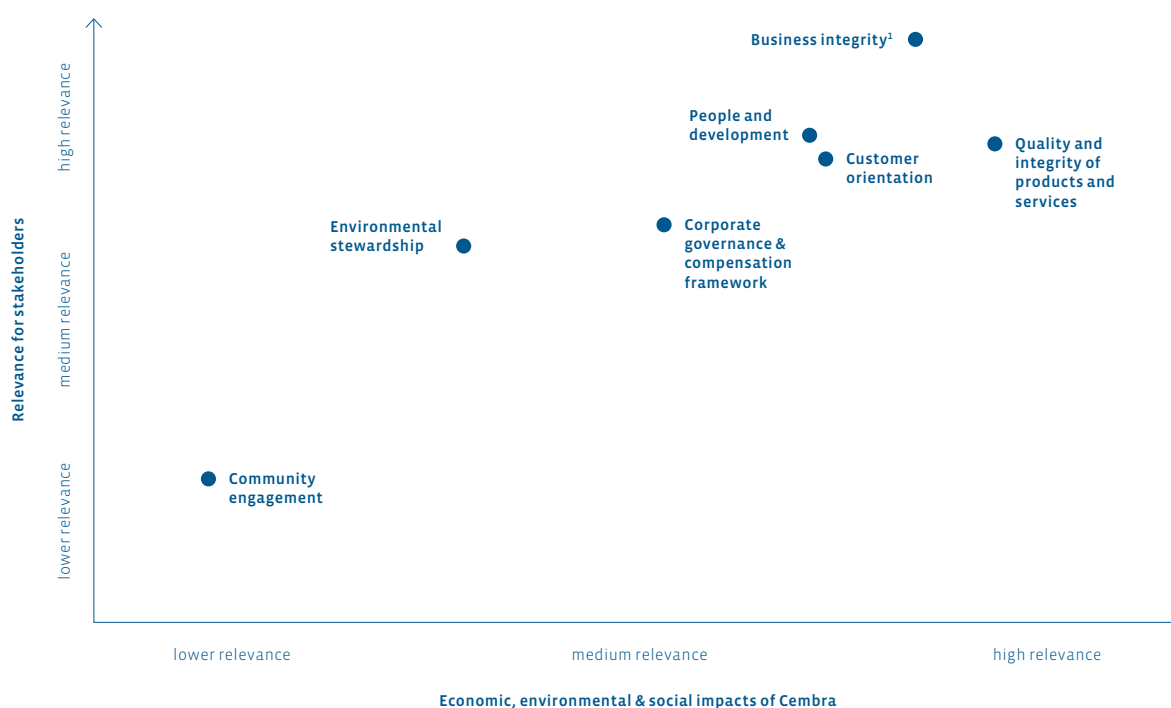
As part of our continued efforts to systematise our sustainability management and following the progress made in recent years, we carried out another stakeholder assessment of our sustainability topics in line with the GRI Standards during the second half of 2020. The previous materiality assessment had been carried out in 2018. The process was supported by a specialised external agency.

Between September and November 2020, twelve external stakeholders were interviewed and asked to evaluate the relevance of Cembra's sustainability topics from their perspective. The interviewees included investors, ESG analysts, business partners, customers, local authorities, employees and civil society representatives, as well as digitalisation and environmental experts. To obtain an internal perspective, a workshop was held with twelve employees from various functions. In line with the latest GRI Standards, Cembra asked all interviewees and workshop participants to assess Cembra's potential positive or negative economic, environmental and social impacts in relation to the various sustainability topics. The feedback enabled Cembra to identify the topics that are most relevant to stakeholders and to understand why they are important.

The assessment included the following topics: customer orientation, quality and integrity of products and services, personnel management and development ("people and development"), environmental stewardship, community engagement and local communities, business integrity, corporate governance, and incentives and the compensation framework. The previous topic "demographic change" was not included in the review because the stakeholders and Cembra considered it to be more of a crosscutting aspect of the other topics.

Updated materiality matrix 2020

¹ including data privacy & security



The relevance of the topics for external and internal stakeholders is illustrated on the vertical axis of the materiality matrix. The consolidated views on the economic, environmental and social impacts of Cembra are shown on the horizontal axis.

Five most relevant topics confirmed

Compared to the materiality matrix defined in 2018, the internal and external stakeholders confirmed Cembra's five key sustainability topics. The stakeholders were also asked if there was any other specific topic that Cembra should pay close attention to going forward. No such topics were mentioned, and there was no significant gap identified that would require an adjustment to the topics. Some of the specific comments from stakeholders will be factored into future activities and strategic considerations.

ESG ratings performance considerably improved

Cembra actively participates in several ESG ratings by leading ESG rating agencies both in order to demonstrate the company's sustainability performance and to learn about relevant areas of improvement. In the reporting period, our ratings by MSCI ESG, Sustainalytics, Corporate Sustainability Assessment by Dow Jones Sustainability Index/S&P Global all considerably improved.

Inclusions in the SXI Switzerland Sustainability 25 Index and the 2021 Bloomberg Gender Equality Index

In September 2020, the Cembra share was included in the SXI Switzerland Sustainability 25 Index, which is compiled by the Swiss stock exchange. In January 2021, Cembra was included in the 2021 Bloomberg Gender Equality Index for the first time as one among 380 companies worldwide. This assessment includes gender-related criteria as female leadership, equal pay, inclusive culture and disclosure transparency.

Most relevant sustainability themes

As a result of our engagement with our main stakeholders as described above, our most material sustainability themes were confirmed and further detailed in 2020.

- **Customer orientation** (chapter 3) addresses responsible consumer finance products and services in Switzerland.
- **Quality and integrity of products and services** (chapter 4) covers financing products and services with high product safety, the responsible treatment of customers, and access to affordable products and services.
- **People and development** (chapter 5) comprises recruitment, education and training, personal development, health promotion, work-life balance, diversity management and embedding Cembra's corporate values.
- **Environmental stewardship** (chapter 6) is achieved by optimising processes and outputs that have an environmental impact. It is addressed both within the Bank (direct impact) and in the area of vehicle financing (indirect impact).
- **Business integrity** (chapter 7) covers compliance with laws and regulations, as well as governance, risk management practices, and ethical business conduct. It also covers the protection and security of customers' privacy with regard to their data.

Community engagement (chapter 8) is not considered a material topic. Nevertheless, Cembra has been committed to a number of community-related and philanthropic activities since 2003, and we continue to report on this engagement.

The formerly separate topics "Corporate Governance" and "Incentives & Remuneration Framework" were combined because they are commonly regarded as one aspect of corporate governance by external stakeholders, particularly proxy advisors and other governance specialists. Details on the specific management systems are included in the Corporate Governance Report (see page 65) and the Compensation Report (see page 94).

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Commitments, performance measures and assessment 2020

We have developed commitments and performance measures for each of the five most relevant topics. These were approved by the Board of Directors in the first quarter of 2020. The assessment for the reporting period was approved by the Board of Directors in the first quarter of 2021.

Most relevant topics	Customer orientation	Quality and integrity of products and services	People and development	Environmental stewardship	Business integrity
Commitment	We strive for satisfied customers who reward us through high retention and loyalty	We are a responsible provider of financing products and services	We are a Great Place to Work ¹	We reduce our environmental footprint per employee	We take a zero tolerance approach to non-compliance
Performance measures	Net promoter score	Lending portfolio quality metrics and responsible financing measures	Retention rate Employee trust index	Metrics for emissions, and energy use	Number of reported complaints and cases
Assessment 2020	Net promoter score of 30 (2019: 31)	Solid asset quality metrics despite Covid-19 pandemic. Usage of support tools (such as loan extensions) for affected customers in financial difficulty	Retention rate of 88% (2019: 89%) Employee trust index of 71% (2018: 69%)	Scope 1+2 emissions intensity reduced by 25% since 2018	In 2020, no cases had to be reported to regulators.
Reference and details	Page 34	Page 36	Page 41	Pages 51, 53	Page 55

¹ www.greatplacetowork.ch

For the five most relevant topics and our community engagement, details are provided in the following chapters.

Sustainability-related opportunities and risks

Cembra operates exclusively in Switzerland. Given the very stringent regulatory environment, and as we are a purely financial services company, our approach to many environmental, economic and social aspects already meets relatively high standards.

- In 2020, 94% of Cembra's total assets were in cash (or cash equivalents) or in unsecured and secured loans (net financing receivables) in Swiss francs provided almost exclusively in Switzerland.
- Although we are a bank, we offer no investment funds or financing for international projects. Cembra does not manage any third-party assets, and responsible fund investment considerations are therefore not a critical issue for the company.
- Climate-related opportunities and risks are partly included in business planning.
- Environmental risks are considered part of strategic risk (see Risk Management Report page 26). Our vehicle financing portfolio is continuously shifting towards the financing of electromobility Cembra's share of new vehicles financed in 2020 was significantly higher than the market average (for details see page 54).
- Loan applications that do not meet our strict standards are rejected (see the chapter on quality and integrity of products and services, page 38).
- Our Business Partners' Principles of Conduct (supplier standards, see page 58) and our participation in the UN Global Compact (see page 30) help us to manage and mitigate international sustainability risks.

This forms a solid basis for our sustainable and responsible business model. We are aware of sustainability-related opportunities and risks. We aim to identify such risks, and their implications are managed as part of Cembra's overall risk management framework (see the Risk Management Report, page 19).

3 Customer orientation

Aim and approach

We aim to ensure that our customers are satisfied and reward us with a high level of retention and loyalty. For us, customer orientation means that we want to provide high customer value and set ourselves apart through outstanding service and operational excellence. We are committed to offering our clients transparent and responsible solutions that meet their needs and foster sustainable behaviour.

We have made customer focus one of our four values (see page 29), thereby underpinning the importance we place on customers' needs. We have several internal policies that govern business practices and how employees should behave towards customers.

Cembra uses several indicators to assess customer orientation. The most relevant indicator is customer satisfaction for each business, measured by the net promoter score (NPS). The NPS evaluates customer loyalty towards a company. Customers are asked how likely they are to recommend a company to a friend or family member. The score can range from -100 to +100.

We seek to improve our NPS by carrying out yearly surveys of our three main businesses – personal loans, auto leases and loans, and credit cards. The surveys also identify the factors that drive customer satisfaction and areas where customers think there is room for improvement. NPSs were introduced at Cembra in 2016, and the Management Board is responsible for them.

Progress in 2020

In 2020, Cembra's total weighted NPS was +30 (2019: +31), on a scale of -100 to +100. We consider this to be a satisfactory result in a year when customer service was impacted by the Covid-19 pandemic.

Transparent, needs-based offerings

As a leading provider of financing solutions in Switzerland, we aim to provide transparent and needs-based offerings across our businesses.

- **Premium personalised service in personal loans.** For details on our lending process and services, please see the chapter on the quality and integrity of products and services (page 36).
- **Personalised and flexible service in auto loans and leasing.** We provide a personalised, flexible and efficient auto loans and leasing service through our dedicated sales force and other teams at our four service centres in the German-, French- and Italian-speaking regions of Switzerland.
- **High customer value in the credit card business.** Through partner programmes, we offer a range of credit cards with high customer value. There is no annual fee on most of the cards, and in several independent consumer ratings, our credit cards regularly rank among the best in terms of customer value. In annual independent surveys by moneyland.ch, the Migros Cumulus credit card, which is issued by Cembra, is regularly ranked among the most popular card programmes in Switzerland.

We provide customers with financing solutions and a way to stay in control of their finances. The financial situation of our customers can vary depending on their personal circumstances, and some of our customers need financing for matters such as moving to a new place, mobility or education.

Investments in digital platforms and training

To satisfy the needs of tomorrow's customers, we invest in forward-looking infrastructure, including a user-friendly, needs-based digital platform. Our customer focus is also enhanced by the selection, motivation and training of employees (see page 44).

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Moving towards widely accessible products

Since 2010, we have been successfully pursuing a long-term strategic shift towards a balanced product portfolio, with credit cards accounting for a sharply increasing share of that portfolio. In all businesses, but particularly in the credit card business, we offer very good value for our retail customers. Credit cards are increasingly becoming a part of the daily lives of our customers, and we support customers in their daily payment transactions and provide convenient and secure cashless payment solutions. For more information on our share of contactless card payments, see the products and markets section (page 11).

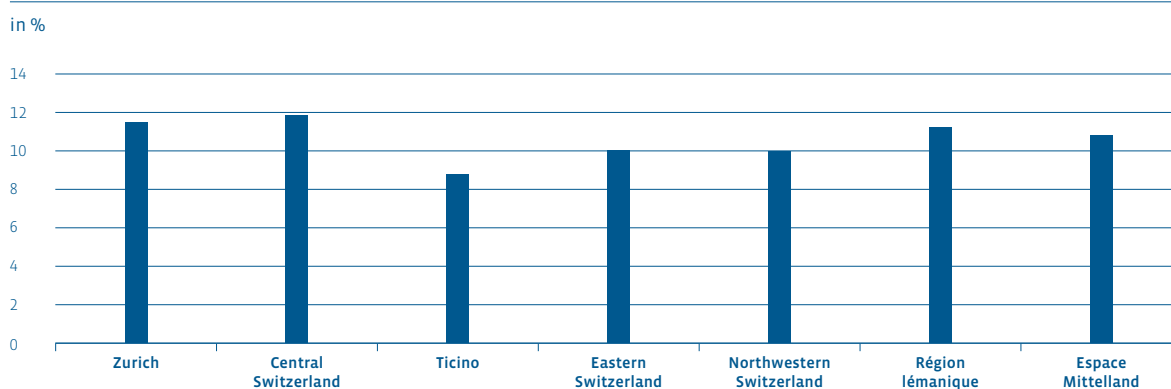
Shift in business mix from 2010 to 2020 (as % of net revenues)

	2010	2015	2020
Personal loans	69%	56%	42%
Auto leases and loans	23%	19%	25%
Credit cards	8%	25%	31%
Other	–	–	2%

Even access to finance across Switzerland

Cembra's products are accessible to a wide range of people across Switzerland. We are proud to serve about one million of the seven million people over the age of 18 living in Switzerland. Our offerings are available in all of the country's regions. The share of Cembra customers is very even across Switzerland's seven regions, and represents between 9% and 12% of the respective population.

Share of Cembra customers per inhabitant in the 7 official regions of Switzerland



4 Quality and integrity of products and services

Aim and approach

We aim to be recognised by our stakeholders as a **responsible provider of financing products and services**. Our overall goal is to provide customers with the amount of credit that suits their individual situation and to prevent people from taking on too much debt. Our quality and integrity performance measures include various metrics relating to the quality of the lending portfolio.

The Management Board is responsible for ensuring the quality and integrity of products and services.

Progress in 2020

The main event in the 2020 financial year was the Covid-19 pandemic and the resulting economic downturn. Despite the economic slowdown, Cembra has not yet recorded a significantly larger number of customers in financial difficulty. The government measures to provide social protection and Cembra's overall prudent approach to risk management helped to limit the negative economic consequences on customers. Cembra proactively restricted lending in specific customer segments that might be affected by the economic downturn and also supported existing customers where the pandemic affected their ability to meet their contractual repayment obligations. Several tools, such as loan extensions or deferrals, were used to bring temporary financial relief to customers and to support customers in rearranging their payment schedules or manage their arrears.

We recorded a solid loss performance in 2020 despite the effects of Covid-19 on the Swiss economy (see the Management Report, page 16). Our risk management approach helped to ensure that our overall loss performance was robust, as we responded swiftly, implemented measures such as restrictions on segments that were materially exposed to macro stress and supported customers in difficulty.

In mid-2020, a working group set up by the members of the Sustainability Committee developed a concept for the further development of responsible financing. The group's aim is to provide advice and solutions regarding responsible financing throughout the customer lifecycle.

Responsible handling of customers in the lending process

We take our responsibility towards customers and society very seriously, and our responsible lending principles are set out in our Code of Conduct. We aim to identify and prevent potential over-indebtedness throughout the lending process:

- Protection of consumers through the Swiss Consumer Credit Act and contractual terms
- Responsible product development
- Marketing and sales
- Customer information
- Evaluation of loan applications and customer behaviour
- Underwriting (including the assessment of creditworthiness and borrowing capacity)
- Loan origination and payout
- Customer service and repayment
- Customer complaint management
- Monitoring and learning

Each step in this process is described in detail below.

Protection of consumers through the Swiss Consumer Credit Act and contractual terms

We provide lending in accordance with the Swiss Consumer Credit Act (CCA). The CCA aims to prevent consumers from taking on too much debt and sets out precise requirements with regard to the content of the contract and the assessment of the customer's borrowing capacity, including a budget calculation (see insert).

The Swiss Consumer Credit Act

The aim of the revised Consumer Credit Act (CCA), which entered into force in 2003, is to protect customers against over-indebtedness. The CCA covers various types of consumer credits to natural persons. The main points of the CCA are:

- **Mandatory check of the borrower's borrowing capacity:** A detailed borrowing capacity check must be carried out by the lender for loans and leasing agreements up to a total exposure of CHF 80,000, to ensure that the amount requested does not lead to the customer's over-indebtedness. The borrowing capacity check assumes that the consumer loan will be repaid within 36 months, even if the contract concerned specifies a longer period. For credit cards with a credit option, the law provides for a summary check. These checks are based on the information provided by the borrower regarding their income and assets, as well as information obtained by the lender from the Swiss central credit information bureau (ZEK) on lines of credit registered in its database.
- **Reporting requirement on the part of the lender:** Lenders must inform the ZEK of the consumer credits they grant and of any leasing agreements subject to the CCA.
- **Maximum interest rate:** The Federal Council determines the maximum effective annual interest rate allowed for consumer credit, based on a formula. Lenders must comply with this maximum interest rate. In 2020, the maximum interest rate was 10% for personal loans and 12% for credit cards.
- **Right of revocation within 14 days** ("cool-off period"): Customers can cancel the consumer credit contract within 14 days of receiving their copy of the agreement.
- **Early repayment:** Customers are entitled to repay their loan early and, in such cases, to be released from paying any further interest and to a fair reduction in the charges related to the unused part of the loan.
- **Advertising for consumer credit may not be aggressive:** Lenders offering consumer financing in Switzerland follow the rules set by members of the industry association, Swiss Consumer Finance (KFS).

Cembra not only acts in accordance with strict legal requirements but also makes use of additional measures and the Bank's substantial experience. Most actions are pre-emptive and in the interests of both the customer and the Bank. It is our goal to establish responsible lending terms rather than maximising contract terms and repayment periods.

Responsible product development

As a responsible provider of financing solutions, we are committed to ensuring the quality and integrity of all our products and services (see our Sustainability commitment and performance measures, page 33). Through our products, we aim to protect customers from the negative aspects of consumer loans and debts by providing related services, and by raising customers' financial literacy about what to consider before taking out a product. When it comes to financing and related topics, we aim to provide customers with consistent value that goes beyond the product. We embrace digitalisation, striking the right balance between convenience and a strict compliance framework that protects the privacy and security of our customers. In product development and approval processes, several risk factors, such as credit, operational and reputational risk, are considered. Details of new products and the performance of existing products are reported to the Credit Committee, which reviews and challenges risks and product features (see the Risk Management Report, page 20).

Marketing and sales

We are committed to marketing our products responsibly. The CCA stipulates that marketing for consumer credit may not be aggressive. Extending these legal requirements, the members of Swiss Consumer Finance (KFS), the Swiss Leasing Association (SLV), and other lending and leasing institutions self-regulate their advertising for consumer loans and take appropriate preventive measures. The "Marketing convention for consumer credit in Switzerland", which took effect on 1 January 2016, is a self-regulation agreement approved by the Federal Council. It goes beyond the commitment not to provide information that is misleading. It also states that aggressive marketing measures must not target young adults and must not suggest taking out credit for expensive short-term investments such as holidays. For the credit card business, a similar convention was adopted by the Swiss Credit Card Association in 2016. The agreements are available at www.cembra.ch/sustainability, in German and French. Cembra is a member of these associations and is committed to complying with their guidelines. The guidelines and processes concerning marketing activities are detailed in an internal directive on marketing activities and external correspondence (see the chapter on business integrity, page 62, for details).

Since 2018, our advertising campaigns are focused on lifecycle events. In other words, a loan should be an appropriate response to life circumstances and events. The campaign addresses certain situations in life when a loan might be an option, such as: education, housing and vehicle purchases. The campaign visuals are available in the Annex to Sustainability Report 2020, available at www.cembra.ch/sustainability.

Cembra is also committed to adhering to responsible sales practices. To ensure responsible sales and customer service, regular training sessions are conducted for both employees and partners. All front-line employees receive regular training (once per year) on regulatory requirements and customer service. Completion tests and certificates confirm the employee's successful participation. Partners (independent intermediaries, car dealers and credit card partners) also receive regular training (see the chapter on business integrity for more details). Sales practices are subject to regular monitoring, and sales personnel receive feedback on their performance and on ethical business practices (see paragraph below on monitoring and learning).

Customer information

We provide comprehensive, accurate and balanced information to our customers: Swiss regulations (Swiss Federal Act Against Unfair Competition, UCA) require banks to provide loan calculation examples for all online and offline marketing materials. In addition, the CCA requires all costs to be accurately and visibly presented in the contract. All marketing materials for personal loans include a legal disclaimer about the risk of over-indebtedness.

For each contract, information is provided on the Swiss Consumer Credit Association's principles for responsible lending. This information is also available on the Bank's website, in German and French (www.cembra.ch/sustainability).

The guidelines and processes concerning customer information are set out in the internal directive on marketing activities and external correspondence (see page 62).

Evaluation of loan applications and customer behaviour

We carefully and systematically evaluate every consumer loan application. Before a contract is entered into, we assess both creditworthiness and borrowing capacity. In addition, we might get in contact with customers in order to further reduce the risk of customer over-indebtedness and debt repayment (servicing) problems. In order to diligently fulfil the legal requirements, the Bank typically requires additional documents so that the accuracy of the income and expenses declared (e.g. rental expenses) can be confirmed through plausibility checks.

We also draw on our long experience by using the Bank's databases and analysing historical behaviour and patterns of customers, in the interests of conscious risk taking. Personal contact with customers is essential to the Bank's business. Knowing the borrower and the borrower's personal situation does not only keep the underwriting process concise, but it also helps in identifying the best possible financial solution for the customer's individual situation.

Underwriting (including the assessment of creditworthiness and borrowing capacity)

Underwriting and the assessment of creditworthiness and borrowing capacity are key procedures that the Bank uses to limit default risk.

The **assessment of creditworthiness** involves evaluating the customer's financial circumstances and personal situation. The assessment is supported by an automated and statistically powerful scorecard-based credit risk rating system that is based on available customer information. A customer's behaviour can also influence the assessment of creditworthiness.

The **assessment of borrowing capacity** is based on: a) the legal provisions of the CCA; b) available customer data from the Swiss central credit information bureau (ZEK); and c) client-specific characteristics pursuant to internal rules, in addition to the legal requirements. The underwriting process requires detailed **budget calculations** based on the information provided by the customer concerning current income and expenses. Customers should be granted loans only if they understand how loan repayment works and if they are expected to manage it without financial difficulties. Applicants who do not meet the necessary criteria are denied credit.

The underwriting process is backed by regular plausibility checks, the monitoring of scorecards and case-specific controls regarding the consistency and completeness of the assessment. The combination of these rules-based tools and the in-depth experience of employees ensure consistent and systematic decision-making for all lending products. All **underwriting** decisions take into account the risk tolerance and risk limit requirements applicable throughout the Bank (see the Risk Management Report, page 19).

Loan origination and payout

Following the conclusion of the loan agreement, loans are paid out after a “cool-off period” of 14 days (starting with the customer’s receipt of the copy of the agreement), under the condition that the customer has not exercised his statutory revocation right during said period.

Customer service and repayment

Customers in arrears are made aware of the payments due through collection notifications at an early stage of the repayment process. This allows them to handle any potential repayment issues early on, and to give customers the option of rearranging their payment schedules.

In accordance with the CCA, customers can make additional early repayments at any time during the contract term, which lowers their total interest payments. In the event of early repayment, the consumer is entitled to a reduction in interest and to a reasonable reduction in the costs attributable to the unused credit period.

Customer complaint management

Cembra is committed to responding to customer complaints in a timely manner and with respect and fairness. In addition to chapter III. 2 Responsible lending of the Code of Conduct – which states that we will respond promptly and respectfully to customer complaints – we have a resolution management process in place for external complaints, with monthly reporting to the Risk and Controllship Committee.

Maladministration and/or violation of rights are thoroughly investigated and treated according to applicable laws and our directives and policies. The process is formalised in an internal directive. We have mechanisms in place for receiving and investigating complaints and implementing corrective action. Customer grievances (i.e. complaints) are usually handled via letters: we receive customer grievances in a written form and provide a formal reply in writing. Complaints that are received via phone are tracked separately. (See also the section on grievances in the business integrity chapter, page 57)

In 2020, Cembra received complaints relating to 0.3% of the total customer base of 1.0 million (2019: 0.3%).

Monitoring and learning

The quality of new transactions is monitored internally to ensure that underwriting requirements are fulfilled and that the loan approval process still mitigates credit risk effectively. Underwriters receive regular feedback from their supervisors to prevent decisions that might lead to unwanted outcomes.

Monitoring of product and service quality is part of our net promoter score (NPS) assessment. (See chapter on customer orientation, page 34). Finally, Cembra conducts ad hoc customer surveys and regularly monitors the quality of the call centre services.

Training on product safety

To ensure product safety for customers, Cembra provides training on ensuring a responsible product offering and marketing, responsible sales practices, responsible explanations and responsive services. Tools (e.g. manuals) complement these regular training sessions. An internal training team provides regular functional onboarding activities. Know-how transfer regarding directives and regulations is mandatory and standardised. All newly hired employees in the customer contact centre follow tailor-made initial training programmes. These prepare and support new employees in their roles, responsibilities and competencies relating to product safety, and system and process know-how.

Serving customers in financial difficulty

Responsible practices in cases of potential over-indebtedness

Although all of the pre-emptive action we take means that our portfolio is of a consistently high quality, we also help to provide debt counselling and enable fair repayment where applicable.

- **Regular contact with ombudsman:** In Switzerland, all customers and their representatives have access to the Swiss Banking Ombudsman, to whom they can address their concerns about banks. We are in regular contact with the Swiss Banking Ombudsman in order to find solutions for relevant cases.
- **Information support for debt counselling services:** Cembra supports external debt counselling services when they request information in order to find solutions for clients with debt repayment problems. We are therefore in regular contact with debt counselling institutions in Switzerland.
- **Customer complaints process:** In any case, all customers also have access to the regular customer complaints process (see above).

Responsible practices in exceptional cases

We have put a number of measures in place in the event that repayment difficulties nonetheless arise due to unforeseen events such as unemployment, sickness or divorce:

- **Finding affordable repayment solutions:** The Bank always aims to find fair and affordable repayment solutions for all affected customers. Our internal collections department can respond appropriately and quickly to any unusual situations. The experts in Cembra's collections team have an average of about 15 years of experience.
- **Cessation of interest payments:** In certain exceptional and unfavourable situations, we allow interest payments to be ceased. In addition, at a certain stage in the collection process, interest is automatically no longer charged under Swiss debt collection and bankruptcy law.
- **Individual amicable solutions:** In certain exceptional and unfavourable situations, Cembra may try to find an individual amicable solution, e.g. by adjusting the terms of the product.
- **Loan restructurings:** Cembra makes use of a set of tools that aim to support customers in financially difficult situations by offering to rearrange payment schedules. These tools typically target short-term payment difficulties on personal loans. The usage of these tools is cautiously applied after the customer need is assessed and substantiated. Loan extensions or deferrals are being used in financially difficult situations to enable the customer to fulfil contractual obligations though only a small portion of customers made use of these tools. Cembra has only minimal exposure to troubled debt restructuring (TDR) and such restructuring would be granted in exceptional individual cases only. Please refer to the Consolidated Financial Statements on page 124 for further details.
- **Mortality risk borne by the Bank:** In the personal loans business the mortality risk arising from the customers' obligations under the contract is borne by the Bank.

Outcome: consistently high quality of our lending portfolio

Thanks to all of the internal regulations, actions and measures we apply regarding the quality and integrity of products and their distribution, our loan portfolio is of a consistently high quality. Over the last five years and including the 2020 financial year, our provisions consistently amounted to about 1% of financing receivables, and non-performing loans accounted for less than 1% of financing receivables. The Bank exercises an equal amount of caution when ensuring responsible treatment of customers in personal loans, as well as in vehicle financing and the credit card business (see the Risk Management Report, page 19).

5 People and development

Aim and approach

Our employees are one of our most important stakeholder groups. Their commitment and contributions enable us to be one of the most successful banks in Switzerland. We are therefore committed to providing our employees with a great place to work, as defined by the worldwide organisation Great Place to Work: it is important for us to provide our employees with a healthy environment, to further their development and careers, and to appreciate their performance. A number of different programmes, initiatives and specific training courses are aimed at retaining and promoting qualified and responsible-minded staff. We also recognise and consider the advantages of a diverse workforce, be it in terms of gender, age, nationality or cultural background.

Targets

Our key performance indicators in this area are the employee retention rate and the employee trust index. We also consider various other indicators, such as the average number of years of employment, when measuring our performance.

Responsibilities

The Human Resources (HR) department is responsible for hiring and developing people, for internal training programmes, and for ensuring effective employee relations. The Head of Human Resources reports to the CEO and attends board meetings and workshops as required, and provides HR management expertise.

Progress in 2020

The main progress in people and development in the 2020 financial year was as follows:

- During the Covid-19 pandemic, Cembra ensured the health and safety of all employees (see page 46).
- We completed the integration of former cashgate employees following the acquisition in September 2019.
- We introduced a new performance management approach (see page 43).
- In the bi-annual “Great Place to Work” employee engagement survey conducted in the second half of 2020, our trust index improved to 71% (2018: 69%, see page 42).
- An internal equal pay analysis was conducted by Cembra in 2020 which was audited in the first quarter of 2021 by KPMG as independent body. It confirmed that Cembra complies with the principle of “equal pay for work of equal value” and Cembra was awarded the “We Pay Fair” certificate by the Competence Center for Diversity and Inclusion of the University St Gallen, Switzerland.
- Based on our gender-related disclosure and performance in 2020, Cembra was included in the Bloomberg Gender Equality Index 2021 in January 2021.

In 2020, no large-scale redundancies (i.e. job cuts affecting more than 5% of the total workforce) were implemented at Cembra or have been since our initial public offering in 2013.

Coverage

The indicators and activities presented below include former employees of cashgate for the 2020 financial year (see also the section on reporting boundaries, page 30). The report does not include temporary workers from agencies (2% of headcount, 2019: 2%) as they do not have a direct employment contract with Cembra, employees of third parties providing services to the Bank, external consultants for specific projects or employees of the subsidiary Swissbilling. The majority of employees work at our headquarters in Zurich Altstetten, while the remainder work in our network of branches and service centres across Switzerland.

Sustainability Report

A. Human resources management

Employee turnover rate

One of our key performance metrics for the material topic “people and development” is the retention rate. The retention rate as a % is defined as 100 less the turnover rate as a %.

Employee turnover figures	Turnover rate – permanent contracts	Turnover rate – voluntary ¹	Turnover rate – temporary contracts	Average number of years of employment
2018	13%	9%	1%	9.3
2019	11%	7%	1%	9.0
2020	12%	8%	1%	9.2

1. “Turnover rate – voluntary” only considers resignations on employees’ own initiative, excluding dismissals by the employer and retirements

Coverage: Cembra excluding Swissbilling; including cashgate since 2020

Overall, in 2020, the employee turnover rates remained at prior years’ levels. Turnover was relatively higher in the operational functions with employees often at an intermediary career stage. The number of years of employment, reflecting employees’ loyalty and engagement, increased slightly in 2020. Details regarding entries of new employees are provided further below, in the table of the section diversity and equal pay.

Employee satisfaction surveys and measures to further improve satisfaction

We measure the satisfaction and engagement of our employees every two years. In order to conduct standardised trust index surveys and to compare ourselves to benchmarks, we work with the worldwide organisation Great Place to Work (en.greatplacetowork.ch).

Employee satisfaction (Great Place to Work)	2020	2018	2016
Trust index	71%	69%	67%
Participation rate	72%	77%	72%

In 2020, Cembra conducted a survey with a participation rate of 72%, which resulted in a trust index of 71%, an improvement of two percentage points on the last survey in 2018 (69%). As a result of this score and having passed the audit report assessment by Great Place to Work, Cembra was again re-certified as a “Great Place to Work 2021” in the Large Companies (250+ employees) category, following our initial certification in April 2019.

Based on the results of the surveys, the Management Board takes appropriate measures to further improve employee satisfaction. Measures from previous surveys included fostering a culture of trust and teamwork starting in 2019, and the introduction of a new performance management approach called “Dialogue” (see below) in 2020, which replaced our previous performance management system. Measures from the latest survey show that we have to continue our work on building a culture of trust and teamwork. Further improvement measures will be discussed and defined in deep-dive sessions based on the results and are ongoing in 2021.

Recruitment with a focus on team skills and cultural fit

We believe that recruiting based on our values helps us to achieve our long-term goals and supports our four values (see page 29). It is important to us that potential new employees can identify with our corporate culture. During the interview process, we do not only check on technical and functional skills, we also assess how a candidate would fit into the team and our culture based on the principles of our Code of Conduct.

Updated staff regulations in 2020

The staff regulations form the basis of our interaction with employees, and the Code of Conduct describes the key principles of working together within the company. These policies also specify that our behaviour should be based on mutual appreciation and respect. This includes protecting personal privacy, integrity and employee health. Our Code of Conduct also ensures that ethical and moral standards are safeguarded. We do not tolerate any discriminatory conduct, in particular based on race, nationality, gender, sexual orientation, religion or age (see chapter on diversity below). Nor do we tolerate violations of people's rights, in particular workplace bullying. Updated staff regulations entered into force in the first quarter of 2020. The most important changes concerned additional annual leave for employees over the age of 50 and more paternity leave.

Our new "Dialogue" performance management approach

To establish a culture of trust and to transfer more responsibility to managers, the traditional performance assessment process was replaced with our new system "Dialogue", to ensure a continuous dialogue between employees and managers in 2020. The traditional performance ratings (management by objectives) were abolished.

The four key elements of "Dialogue" are a continuous dialogue about priorities instead of annual goals, focus on team performance, discussion of behaviour and feedback for the line manager by the employee. With this approach, we promote an open dialogue between managers and employees through continuous feedback in both directions. We communicate openly and honestly as part of this process, learn from each other, and help each other further develop our strengths. Employees are encouraged to periodically give subjective feedbacks to their manager with regard to their perceived leadership behaviour.

"Dialogue" also places greater emphasis on the ambitions that we as a team want to achieve together. We therefore define team goals and derive individual and team priorities from those goals. This makes it possible for all employees to work towards the same goals. Shorter-term milestones will be defined for individual employees so that we can respond in a more agile way to changes. The rules governing variable compensation have been aligned with this new approach for employees eligible for our Variable Incentive Compensation Plan.

In addition to this permanent dialogue between employees and their managers, employees can raise any concerns with Human Resources directly. And if they prefer, employees may also take advantage of the whistleblowing process that is set out in the Code of Conduct (see pages 56-57).

As part of the implementation in 2020, all employees attended a mandatory training session on the new process. In addition, a focus group with representatives from all areas and levels was set up. After each phase, the group provided feedback and input on how to best support implementation. The feedback on the new system was positive in the reporting period.

B. Development and training

Mandatory training

Cembra requires **all employees** to complete a number of mandatory online training courses (see section on training on responsible sales practices, page 37, and on regulatory and in-house practices, page 56) in order to meet regulatory requirements. These courses cover topics relating to general compliance, operational risk awareness, employees' reporting obligations, anti-money-laundering compliance, Bank-wide information security, business continuity management awareness, data protection and governance, insider trading, and conflicts of interest. In addition, where necessary, specific groups of employees receive additional mandatory online trainings covering topics such as user access management, high privileged access or work and rest period provisions in Switzerland.

All **new employees** attend the mandatory two-day "onboarding" training course offered in the early days of employment. The training covers topics such as compliance, risk management, our vision and culture, as well as our products, employee benefits, and the Cembra brand. During the Covid-19 pandemic in 2020, these training sessions were held in a reduced format.

In addition, those new employees who will be working in operations roles within the Bank also attend specific onboarding training sessions. Among these, we offer monthly new hire training on sales, originations, customer servicing and collections. Training does not only cover products, systems and process skills; soft skills are also strengthened in order to ensure an excellent customer experience throughout the entire customer journey.

These mostly mandatory **functional training sessions for new employees in operations roles** last between two days and five weeks. They are a mix between classroom and online training, one-to-one coaching, testing, self-study and job-monitoring formats. The structure is adapted to the employee's specific needs, and we aim to make the learning content as personalised as possible. The new-hire training sessions are held in the German-, French- and Italian-speaking parts of Switzerland in order to reach all employees.

In addition, where necessary, **specific groups of employees** receive functional refresher training to improve operational readiness and awareness relating to relevant topics (e.g. on changes in compliance, in technology, processes or new products). Further training is given in cases where management identifies skills gaps in customer service employees, e.g. managing complaining customers, negotiation skills, or handling retention issues.

Key figures mandatory training	2020	2019	2018
Number of mandatory e-learning courses (of which 10 were mandatory for all employees in 2020)	21	24	25
Total average training hours per employee	4.7	4.2	5.3

Cembra excluding Swissbilling, including cashgate since 2020

The mandatory functional training programmes are developed and carried out by eight internal functional trainers and one lead. In 2020 a total of 1041 (2019: 1,639) participants were trained through 49 (2019: 63) different courses. The reduction was a result of the Covid-19 pandemic, and we plan to resume training at 2019 levels after the pandemic.

Non-mandatory training

We aim to find a balance that gives employees the opportunity to develop both professional skills and soft skills. By assessing employees' and the Bank's needs, an annual curriculum of management and leadership courses, as well as courses in soft skills, is offered.

In the reporting period, Cembra offered training courses and implemented measures on soft skills topics such as feedback, empathy, mindfulness, resilience, and health and well-being (e.g. watch your back). For employees in management positions, Cembra offers dedicated internal **training on management skills**. Due to the Covid-19 pandemic, a number of courses had to be cancelled or have been shifted to 2021.

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Key figures for non-mandatory training

	2020	2019	2018
Management and soft skills training days	7	30	28
Courses offered	6	17	16
Number of employees taking part in management and soft skills training sessions	100	289	267
% of employees trained in management and soft skills	10 %	36 %	35 %
Total training costs in CHF 1,000	60	150	113

Cembra excluding Swissbilling; including cashgate since 2020.

In 2020, 7 training days (2019: 30) were offered for courses from the Bank's internal training curriculum and 10% (2019: 36%) of employees had the opportunity to take part in at least one training course. The lower number of training days and programmes offered as well as the training costs were due to the pandemic restrictions. To compensate for the reduced programme, Cembra offered its employees webinars and other online training formats.

External training

Employee training is an essential part of employee performance, satisfaction and retention. By training employees well, we enable them to reach their full potential.

Due to Covid-19 restrictions, in 2020, CHF 0.03 million was spent on technical and functional training by external providers training (2019: CHF 0.2 million) and a total of 26 employees received external training.

Furthermore, we support employees in improving their language skills and their professional development. In 2020, CHF 0.12 million was spent on this type of training (2019: CHF 0.13 million).

Succession planning and talent development

The development of internal talent is important to Cembra, as we aim to fill management and expert positions with internal candidates where possible. Internal succession plans help us to steer this process. Possible succession solutions for all roles for top management and two functional hierarchy levels below, as well as critical dependencies on single or key people, were discussed for the entire Bank in the reporting period.

Junior talent development programme

In 2016, we launched our junior talent programme, Radix. Since 2018, the programme has been conducted in collaboration with the University of Applied Sciences in Business Administration in Zurich (HWZ) as part of a CAS (Certificate of Advanced Studies) and has been expanded to include a module in general management. The Bank-wide programme consists of 22 training days over a period of eight months. Graduates have the opportunity to sharpen their business understanding, gain new perspectives, and learn to develop solutions based on challenging cases, as well as to expand their network.

In 2020, eight young employees successfully finished the Radix programme. As their main joint project and result, the group successfully took on the task of replacing water bottles and plastic cups at headquarters (see page 52 and the Annex to Sustainability Report 2020).

Apprenticeship programme

One pillar of the Bank's efforts in developing new talent for the future is our internal apprenticeship programme. We generally hire new apprentices every year. After the apprenticeship, we try to take on all the apprentices and offer them their desired position, often successfully. In addition, following the apprenticeship, we help young employees to complete their further education with the possibility of working part time. Because of the Covid-19 pandemic, we took special care in 2020 to find an adequate follow-up solution for all apprentices after they had completed their apprenticeship.

Over the past ten years, 46 apprentices have successfully completed their programme at the Bank, of which 15 are still employed. Six out of nine of the apprentices who graduated in 2020 are still working within the Bank, with two of them working part time while they complete their vocational training.

C. Working conditions

Cembra aims to be an attractive employer by providing competitive monetary and non-monetary benefits, as well as a healthy work environment in which employees feel comfortable and are able to realise their full potential.

Ensuring the health and safety of employees during the Covid-19 pandemic

In the reporting period, Cembra ensured the health and safety of employees at all times. Already at the end of February 2020, a Bank-wide “Covid-19 task force” was set up; it initially met on a daily basis, and then twice a week from June 2020 on. The task force’s main goals are to ensure the safety of employees and the continuity of operational business processes. The measures taken since the first wave of the pandemic 2020 included:

- Cembra provided updates and advised all employees on how to stay safe. Employees were frequently updated about relevant information and measures regarding Covid-19, with posts on various internal communications channels.
- A case management was implemented immediately ensuring tracing and handling of potential cases, in line with the recommendations of the Federal Office of Public Health (FOPH).
- Additional hygiene measures were taken in the office environment and employees worked from home wherever possible, with around 70% of employees working remotely.
- Employees who could not work from home were physically separated using the entire office space available to ensure social distancing. Additional measures were taken for people at especially high risk inline with the recommendations of the FOPH.
- Free lunches were offered to employees still working at headquarters when the staff restaurant had to remain closed due to national regulations.
- Our health insurance partner offered a hotline to assist our employees who were struggling with the demands of working from home.
- Parents of schoolchildren were given flexibility to balance working from home and taking care of children during school closures. In addition, up to three working days were granted to care for their children. In individual cases, up to seven additional days were granted.
- In 2020, no short-time work measures were implemented during the Covid-19 pandemic.

Responsibility for working conditions and ensuring a healthy work environment lies with the Management Board, who regularly reviews the progress made. The Head of Human Resources, reporting to the CEO, coordinates health and safety management activities. Line managers ensure that statutory health and safety requirements are met. Measures to maintain and improve working conditions include the following topics, which are described in detail below:

- Absentee rate measurements and targets
- Healthy work environment and work-life balance
- Employee assistance programme and mental health management
- Flexible ways of working
- Annual leave and absentee regulation
- Leave for dependent care and maternity leave
- Safety in the workplace
- Non-salary employee benefits
- Predominantly permanent employment contracts
- No significant sub-contracting of employees

Absentee rate measurements and targets

The absentee rate is an indicator we use to learn about our employees’ well-being. The absentee rate is based on monthly data and calculated annually. Absences due to pregnancy are included in the calculation for the reporting period. In 2020, the absentee rate was 3.2%. As a new calculation method was used, it cannot be directly compared with previous values (2019: 3.3% and 2018: 3.1%). Cembra has set internal targets with the aim of reducing the absentee rate.

Healthy work environment and work-life balance

Following an assessment of our various health programmes and actions in 2019, we created a comprehensive occupational health management programme in 2020. The measures include:

- **Absence prevention and absence management** workshops for line managers. The training provides managers with a clear process before, during and after an absence due to a personal crisis, an illness or accident.
- **Work-life balance training**, such as health and leadership, resilience, breathing training, and stress management. In the in-house gym at headquarters, we offer fitness courses and yoga classes.
- **Seminars on health topics**, such as quitting smoking, as well as information sessions and awareness campaigns on topics related to nutrition, well-being and first aid. Cembra also has an emergency response system.
- **Catering at headquarters** offered more healthy alternatives (e.g. a larger variety of vegetarian food).
- **Emergency response system**. Emergency first-aiders have been identified in all branches and at headquarters. They receive regular training every two years to hone their skills and stay up to date.

Cembra ensures that **health risks** and issues are managed effectively and that related action plans are prioritised. We provide documents on health risks and hold regular discussions between Human Resources and managers on this topic; executive management is also involved in preventing health issues.

Employee assistance and mental health management

Cembra has around 1,000 employees. The size of the company allows us to handle every case in a responsible way and on an individual basis. Cembra works with an external provider that supports and provides counselling to employees and management on cases related to personal matter (e.g. family, marriage, migration), occupational issues (e.g. conflicts in the workplace, tension within the team, sexual harassment, termination, mobbing), health matters (e.g. stress, burnout, longer-term illness, addiction, disability), and personal finance (e.g. budget consultancy, burden of debt, retirement). Employee counselling always takes place in a confidential setting and is available in German, French, Italian and English. For medical issues and in case of long-term absences, we work with our insurance provider and the related disability insurance office. In 2020, Cembra handled 19 cases.

Flexible ways of working

The Bank offers flexible working solutions to foster a healthy work-life balance. The solutions include part-time and telework arrangements, given that Cembra is convinced that flexible ways of working can increase job satisfaction, employee commitment, productivity and retention. We recognise that a growing number of employees want flexible working hours, longer periods of free time and family-friendly framework conditions, and we are aware that we have to support this trend without compromising the needs and success of the business. The flexible work arrangements are outlined in our Ways of Working framework. The key elements of the framework are described on page 63.

Many of our part-time employees are working parents. At year-end 2020, 25% (2019: 25%) of all employees were working part time (for the detailed figures please see the Annex to Sustainability Report 2020).

Annual leave and absentee regulation

The health of our employees and their families is a high priority for the Bank. Annual leave and other days off have positive effects on health and well-being, limit the time employees have to take off due to sickness, and also improve morale and productivity in the workplace. All of our employees are entitled to 25 days of paid annual leave. This is above the legal minimum of 20 days and corresponds to the industry standard in Switzerland. In addition, since 2020, employees over the age of 50 have been entitled to five additional days of annual leave; previously this additional entitlement started at the age of 60. Moreover, we also grant employees paid days off for various family matters.

Safety in the workplace

In collaboration with numerous cantonal Samaritan associations, Cembra offers all employees the opportunity to take part in First Aid Training, in case of emergency. Such courses are offered to employees on a voluntary basis in order to ensure that we have enough people who are trained in first aid and in the use of an AED (automated external defibrillator). We have a dedicated safety point webpage on our intranet, which provides all emergency information on one page. The location of all internal safety kits and a list of all certified first responders by location and floor, information about evacuation and defibrillators, and all emergency numbers are listed on the webpage.

Leave for dependent care and maternity leave

Cembra offers fully paid maternity leave that exceeds the legal requirement. Fully paid paternity leave is ten workdays, reflecting the legal requirement. See the Annex to Sustainability Report for details.

Non-salary employee benefits

Alongside salaries customary for the sector, Cembra's non-salary (fringe) employee benefits contribute to our attractiveness as an employer. The Bank aims to ensure that all employees gain equally from these benefits, and to encourage employees to use public transport. Benefits include travel vouchers for public transport (covering the full cost for commuting within the city of Zurich) and also include additional benefits, such as financial support for employees with children and increased amounts for travel vouchers (Reka-Checks). Our fringe benefits brochure, which provides an overview of all benefits for employees, is available upon request.

Predominantly permanent employment contracts, and no significant sub-contracting

All our staff members are employed under Swiss law. We aim to limit the use of non-regular employment to specific projects and to address short-term needs to cover peak times in operational departments, such as customer service or originations.

There is no significant sub-contracting of employees. The number of people working for Cembra to address short-term needs represented 2% (2019: 2%) of the workforce. These temporary employees hired through recruitment agencies, generally for a few weeks or months and at short notice, are not included in this report. Cembra also works with IT and other expert advisors for project-related work.

Any significant outsourcing is reported on a yearly basis to the regulator FINMA. This includes major IT outsourcing to expert companies such as Swisscom and IBM. Our due diligence and supervision processes adhere to the strict requirements of FINMA's regulation "Outsourcing – Banks".

Sustainability Report

D. Diversity and equal pay

Diversity is one of our four corporate values (see page 29). Cembra promotes diversity and provides equal opportunities for all employees. In particular, we do not discriminate against anyone on the basis of gender, ethnicity, religion, origin, sexual orientation, age, marital status, genetic information, skills, disability or any other characteristic. This is outlined in our staff regulations and our Code of Conduct (section II. “Cembra’s responsibility as an employer”).

We strongly believe that we and our stakeholders benefit from diversity in various ways, such as enhanced understanding of the customer base, an increased skills set, improved employee onboarding and retention, a larger talent pool, and enhanced productivity.

Gender and age

49% of employees are women (2019: 48%). At the employee level (including the employee and senior employee levels), the proportion of female employees is 51% (2019: 50%). At the management level (including the management and senior management levels), it is 21% (2019: 25%). For the detailed figures please see the Annex to Sustainability Report 2020, page xx.

Internal career mobility

HR key figures	2020	2019	2018
Total entries	113	156	168
– of which women	53	65	80
– of which total new employees 50+ (excl. cashgate)	12	18	22
Internal department changes	52	175 ¹	77
Internal promotions (pay grade changes)	26	66	43
– of which women	12	25	16

Cembra excluding Swissbilling; including cashgate since 2020.

¹ Reorganisation

Women-only networking groups

Giving female employees the opportunity to take part in networking groups is an efficient way for women to come together and offer each other support, build up a valuable network and gain ideas. It also provides them with a space to discuss gender issues and equality without judgement.

Our internal “Connect” programme provides women across different functions and hierarchies with various platforms to facilitate personal development, career advancement and the exchange of ideas. A team of volunteers contributes to the organisation of the talks, panel discussions with internal and external speakers and events on topics such as diversity, networking and courage. The programme is open to all female staff within the organisation, with some events also open to men. In 2020, the programme was reduced due to Covid-19-related meeting restrictions. Additionally, Cembra is a founding member of the “Advance” network for gender equality in business. As an Advance Gender Equality in Business Gold Member, Cembra gets access to 17 skill-building training days per year for talented women in middle and upper management as well as a mentorship programme and workshops with role model exposure and best-practice-sharing on innovative working models.

Internationality and cultural backgrounds

The internationality and cultural background of employees are considered part of Cembra’s diversity. Despite being a relatively small company, Cembra employs people from 39 different countries (2019: 36, 2018: 37, 2017: 38; not counting multiple citizenships) and with diverse cultural backgrounds. For the detailed figures please see the Annex to Sustainability Report 2020.

Equal pay for men and women and gender pay metrics

Equal pay

In 2020, we performed an internal equal pay analysis based on legal requirements in order to identify differences in pay between men and women doing work of equal value for the Bank. Cembra used the “Logib” tool which is provided by the Federal Office for Gender Equality for its analysis. The analysis confirmed that Cembra complies with the principle of “equal pay for work of equal value”. The analysis was audited by KPMG as external body (see also Individual Financial Statements page 182). Based on the analysis, Cembra was awarded the “We Pay Fair” certificate by the Competence Center for Diversity and Inclusion of the University of St Gallen.

Differently to pay gap models in some other countries the tool looks at factors which can explain a pay gap such as workplace-related criteria like employee level and personal qualification elements, i.e. education, to calculate an adjusted pay gap.

Pay quartiles

In 2020, women made up 25.0% of our top earners (i.e. whose pay was in the 1st quartile). 41% of our revenue-producing roles were held by women.

Cembra pay quartiles: proportions of women (Bloomberg disclosure standard)

Pay quartile	2020	2019
1st quartile	25.0%	27.2%
2nd quartile	46.3%	42.4%
3rd quartile	58.2%	58.5%
4th quartile	64.5%	62.4%

Top-to-median salary ratio

The top-to-median pay ratio was 12.3 in 2020 (2019: 12.3, 2018: 12.5). The median is based on the annual base salary plus variable target compensation for the previous financial year. The annual base salary is extrapolated to full-time equivalents.

6 Environmental stewardship

Aim and approach

Environmental stewardship is a key part of our sustainability aspiration (see page 29). We are committed to using resources in a sustainable manner, minimising the negative impact of our operations, and supporting the transition to a low-carbon economy.

In the relevance matrix we developed in the second half of 2020, our stakeholders considered environmental stewardship to have a “medium impact” (see page 30). Being specialised in lending, deposit and savings products in Switzerland only, Cembra’s environmental footprint was considered relatively small compared to other companies by our stakeholders.

Cembra manages environmental stewardship using a two-fold approach:

- **Operational environmental management:** We are engaged in ongoing efforts to protect the environment by conserving natural resources and preventing pollution, including specific effects from supply chains.
- **Ongoing shift towards financing electromobility:** Cembra is one of the leaders in financing electromobility in Switzerland, and electric vehicles account for a growing share of our financing. We see the increase in demand for climate-friendly products as an opportunity, and we provide loans and leases for electric vehicles on highly favourable terms.

As for **environmental opportunities and risks**, we strive to manage climate-change-related effects on the business and as part of our strategic risk management (see the Risk Management Report on strategic risk, page 26). Where deemed appropriate, we include environmental risks and opportunities in our business planning. We also intend to include such impacts in our scenario analysis framework.

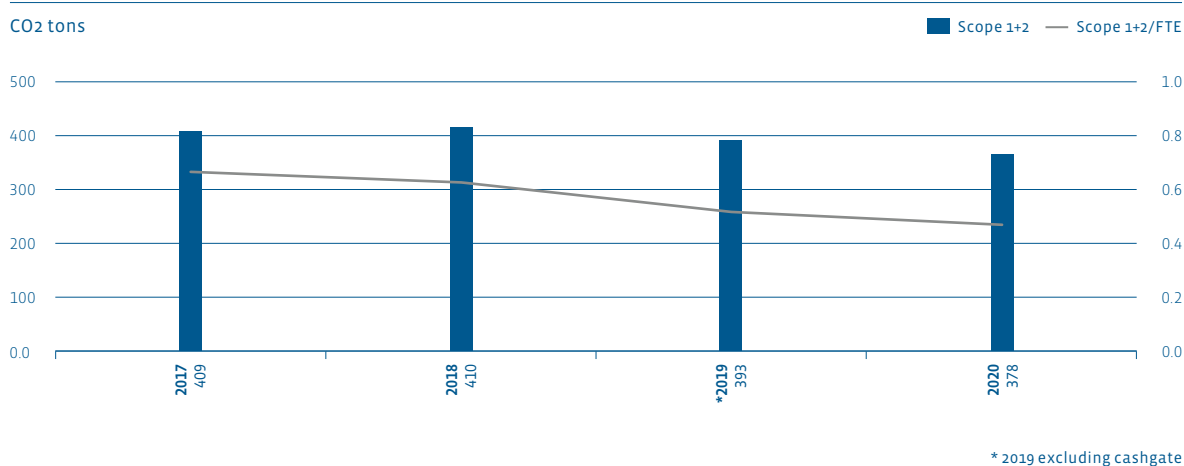
Progress in 2020

In 2020, climate-related guidelines were included in the updated Code of Conduct and the newly published Business Partners’ Principles of Conduct (see pages 56 and 58). In the second half of 2020, Cembra started reducing the emissions from the own fleet by replacing cars with combustion engines by electric vehicles. Various operational improvements were made to reduce carbon emissions in 2020 (for details see below, and the Annex to Sustainability Report 2020).

In addition, we enhanced our carbon emission disclosures by slightly restating and improving our Scope 1 and scope 2 emissions to reflect new data sources and insights. We are also including business air travel as a new Scope 3 item.

In the period 2017–2019 we were able to considerably reduce our Scope 1 and 2 carbon emissions intensity (CO₂ tons/FTE). This trend continued in 2020, also due to the Covid-19 restrictions.

Scope 1+2 emissions (CO₂ tons) and emissions intensity (CO₂ tons/FTE) 2017–2020



Coverage and boundaries

Cembra's efforts in environmental stewardship focus on energy and emissions intensity at headquarters, which covered 76% of employees in 2020 (including Swissbilling and cashgate since 2020). Through our Business Partners' Principles of Conduct, we also pay attention to our suppliers' environmental management systems (see the chapter on business integrity, page 58).

Operational environmental management

Cembra's environmental management is based on the Swiss Environmental Protection, Energy and Carbon Acts. We ensure environmental stewardship mainly by optimising processes and outputs with an environmental impact. We also achieve cost reductions by optimising and reducing our use of energy and equipment.

Energy and emissions

Cembra strives to make more efficient use of energy and to reduce greenhouse gas emissions. Since 2012, we have been part of the voluntary energy programme run by the Energy Agency of the Swiss Private Sector (EnAW) in Zurich, through which we have committed to actively reducing carbon emissions and optimising energy efficiency. By working with the EnAW, an official partner of the Swiss Federal Government and cantons for energy savings and climate protection, we have been able to cut our energy consumption and to increase cost-efficiency.

- **Lower energy consumption.** Energy is the area in which the Bank's operations have the biggest impact on the environment. At our headquarters (76% of all employees) we have been using electric power generated 100% from renewable sources since 2016. Saving energy is essential for Cembra, as it enables us to conserve resources and be cost-efficient. We also have a strong interest in ensuring a stable energy system for the unobstructed operation of our business activities. In order to reduce our environmental impact and lower costs, we continuously implement a variety of measures aimed at reducing greenhouse effects of energy use.

		2020	2019	2018	2017	2016	2015	2014	2013
Electricity	kWh/FTE avg	2,317	2,570	2,633	2,525	2,649	2,944	3,188	3,409
Gas	kWh/FTE avg	871	850	1,231	1,220	1,695	2,351	1,983	2,679

Coverage: 76% of total employees in 2020).

Since 2013, the consumption of electric power per FTE has declined by 32% (2019: -25%) and natural gas by -67% (2019: -62%).

- **Upcoming significant reduction in carbon emissions at headquarters:** The owner of the building where Cembra is headquartered has decided to switch to district heating by 2021 and to district cooling by 2022. These thermal networks, which are environmentally friendly and energy efficient, will replace gas heating and allow Cembra to further decrease its direct greenhouse gas emissions significantly in the next years.
- **Company fleet:** In 2020, Cembra adopted a new internal target to significantly reduce carbon emissions from own vehicles. The number of cars in the fleet amounted to 60 (2019: 57, 2018: 63). The increase related to the acquisition of cashgate. In 2020, the total number of kilometres travelled continued to decline by 11% (see table below), mainly because of the pandemic.
- **Employee benefits to support the use of public transport:** We encourage commuting by public transport as part of our employee benefits. We cover a significant part of public transport commuting costs for most employees (see page 48). In 2020, commuting with private cars and, public transport was considerably lower.
- **Flexible ways of working:** Working from home and commuting to the workplace during off-peak hours reduces emissions and peak use of public transport. In our "Flexible Work Arrangement Framework" (see page 63 for a summary) we have been encouraging teleworking and flexible working hours since 2018.

Sustainability Report

Materials

As part of our sustainability aspiration, we aim to reduce and optimise the use of natural resources. We pay particular attention to where we source materials for our products, and how we use paper, IT equipment and infrastructure. The progress in 2020 is summarised as follows (detailed descriptions are available in Annex to Sustainability Report 2020 at www.cembra.ch/sustainability):

- Continued roll-out of energy-efficient IT equipment and infrastructure
- Free water dispensers for all employees at headquarters, replacing bottled water
- Switch to predominantly plastic-free catering for employees at our headquarters
- Electric displays in meeting rooms, leading to comparatively low paper consumption, with FSC-certified paper for all printed documents
- Further improvements, including the separation of waste at headquarters, planned for 2021

Key environmental figures

	Unit	2020	2019	2018
Consumption				
Electricity	kWh	1,538,548	1,553,193	1,453,998
Gas	kWh	578,700	513,900	679,500
Water	m ³	3,454	3,342	3,284
Paper	kg	18,166	24,335	21,920
Waste	liters	596,000	819,600	833,600
Lease cars (own fleet) ^{1,3}	km	1,583,747	1,783,526	1,743,065
Lease cars (own fleet) / FTE ^{1,3}	km / FTE avg	1,674	2,292	2,297
Business air travel	km	34,000	565,600	369,700
Greenhouse gas emissions				
Direct emissions (scope 1) ³	CO₂ tons	357	371	390
Gas	CO ₂ tons	117	104	137
Lease cars (own fleet) ³	CO ₂ tons	240	267	252
Indirect emissions (scope 2) ³	CO₂ tons	22	22	20
Electricity ²	CO ₂ tons	22	22	20
Indirect emissions (scope 3)	CO₂ tons	n/a	n/a	n/a
Business air travel (cat. 6)	CO ₂ tons	5	78	49
Scope 1+2 emissions / FTE ³	CO ₂ tons	0.46	0.55	0.62
Number of employees (emissions scope) ²	FTE avg	664	604	552

¹ Excluding Swissbilling.

² Scope: Zurich headquarters (76% of employees in 2020) where Cembra uses 100% carbon neutral renewable energy sources.

³ Scope 1 and 2 emissions slightly restated for prior years, see "Progress in 2020" above for details.

Our Scope 3 reporting is currently limited to business air travel by our employees. Other categories (e.g. use of products sold, purchased goods and services, capital goods, employee commuting by private car/train) are currently not measured. We realise that there is a considerable impact on the environment of the products and services that we offer. The need for further reporting will be assessed in 2021.

Ongoing shift towards financing of electromobility

Cembra is one of the leaders in financing electromobility in Switzerland. We offer loans and leases for electric vehicles on highly favourable terms. Electric vehicle leasing is expected to generate a much larger share of total revenues over the long term. Declining prices for electric vehicles and a larger supply of used vehicles will further increase the popularity of electromobility, as will tighter carbon requirements and regulations. Ultimately, Cembra's customers benefit from products that enable them to save energy. The strategy is to continue to grow this business in line with the market's development to ensure continued diversification in the leasing portfolio.

The share of electric vehicles in Switzerland is growing fast. In 2020, about 14% of new car registrations on the Swiss market were for electric cars, including grid-charging plug-in hybrid vehicles (source: auto schweiz). The share of registered cars in Switzerland equipped with electric engines increased to 8.2% (2019: 4.2% 2018: 1.7%).

Cembra's share of new electric vehicles (including grid-charging plug-in hybrid vehicles) financed in the vehicle loans and leases portfolio was considerably above the market average in 2020.

7 Business integrity

Aim, approach and progress

As an independent bank that has been listed since 2013, we meet strict regulatory requirements and provide greater transparency than most of our competitors, many of which are neither listed nor have a banking licence. However, as a market leader, we are convinced that strict regulatory requirements and transparent information are a good way to inspire greater confidence, particularly among customers and other key stakeholders who want to know about the Bank's financial and non-financial services and business practices. This allows us to set ourselves apart in the market-place.

We inform our regulators about potential self-identified issues of regulatory relevance openly, transparently and pro-actively.

Cembra operates only in Switzerland, where there are relatively low risks of corruption compared with other countries (according to Transparency International and World Bank data). However, as a financial intermediary, the Bank has to consider money-laundering risks and prevent illegal transactions (see below for related policies and processes).

Responsibility, one of our four values, means that employees should always act in the best interests of the Group and our customers. Employees are responsible for their actions, should ensure complete transparency and need to behave with integrity. Through our training and performance management system, we encourage employees to gain outstanding knowledge of products, processes and market conditions and to stay on top of the latest trends, innovations and regulations.

In this way, we aim to have the reputation of taking a zero tolerance approach to non-compliance.

Progress in 2020

In April 2020, we updated and published our Code of Conduct and we published our Business Partners' Principles of Conduct. In addition, we updated our staff regulations (available on request).

In 2020, no cases were reported to regulators.

Compliance and risk framework

Cembra has several detailed internal policies in place, which aim to prevent bribery and corruption, for example the Code of Conduct and the Business Partners' Principles of Conduct, the directive on fraudulent practices by external parties, the directive on the acceptance and presentation of gifts, and the directive on sponsoring and contributions (summaries of the most relevant policies are available at the end of this chapter). Cembra is in full compliance with global regulations such as the Foreign Account Tax Compliance Act (FATCA) and the Automatic Exchange of Information (AEI) in order to prevent tax evasion.

The Bank uses the "three-lines-of-defence" framework to manage risk and monitor compliance with legal requirements and internal policies (see the Risk Management Report, page 20, for more details). Binding, regularly updated processes likewise ensure that the Bank follows all applicable laws and regulations. Various policies are in place to ensure a high level of business integrity and compliant, responsible behaviour.

Operating guidelines for reporting irregularities or suspicious transactions (e.g. AML directive) are set out in various policies (see page 61).

Managerial responsibility

The Management Board sets the tone and creates a culture in which employees are aware of their responsibilities and can express concerns without fear of reprisals. The Management Board promotes ethical behaviour, sets an example and provides sufficient resources for the Bank's compliance programme.

All members of the Management Board bear the ultimate responsibility for adhering to business ethics in their respective areas of responsibility. Managerial responsibility for handling any instances of bribery or corruption lies with the members of the Management Board, and operating guidelines for record-keeping are defined in the internal policies. Furthermore, Cembra has an internal and external ombuds system, and employees have the right and duty to report any compliance breaches.

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The Management Board is the highest level of executive oversight for the company's anti-bribery and anti-corruption programme and business ethics. An annual compliance risk assessment is performed on behalf of the Management Board and reported to the Board of Directors.

In the Management Board, the compliance department is represented by the General Counsel.

Mandatory training for employees

Cembra has adopted a comprehensive programme of mandatory training based on both regulatory and in-house requirements for all employees (for details see people and development, page 44). Employees are required to complete this mandatory training once a year and confirm their skills by successfully completing several online tests.

- **Annual mandatory training for all employees on nine topics:** general compliance, operational risk awareness, reporting obligations for employees, anti-money-laundering compliance, Bank-wide information security, business continuity management awareness, data protection and governance, insider trading, and conflicts of interest
- **Annual mandatory training for specific target groups:** credit cards directives, insurance (intermediation) directives, risk and control data management, identity and access management, and working hours regulations
- **Mandatory training for all new employees:** "Onboarding Days" comprising two days at the start and one day after two months. Due to the Covid-19 pandemic, the onboarding days were temporarily shortened to one day in 2020.

Cembra's Head of Human Resources is responsible for ensuring that all mandatory training is made accessible to employees. The members of the Management Board are responsible that all targeted employees successfully complete the mandatory trainings.

Updated Code of Conduct

The Bank introduced a Code of Conduct in 2005, and it has been updated several times. The current version was approved by the Board of Directors in March 2020 and published in April 2020. In our revised Code of Conduct, we have defined internal rules that include compliance with laws and professional standards and form the basis for our behaviour and thus our long-term success, and that we are convinced are correct. The Code of Conduct is intended to provide clear guidance for all employees as to the principles that must be complied with and the rules by which Cembra is governed. The Code of Conduct addresses the areas of basic conduct requirements, Cembra's responsibility as an employer, Cembra's responsibility in dealing with customers, business partners and third parties, the personal integrity of Cembra employees, Cembra assets, and Cembra's responsibility to society and the environment.

Cembra conducts occasional audits to determine internal compliance with its Code of Conduct, via first-, second and third-level controls (three lines of defence). The Code of Conduct is available at <http://www.cembra.ch/governance>.

Coverage

Compliance with the Code of Conduct is mandatory for all Bank employees and for the members of the Board of Directors. The Code of Conduct is an integral part of all employment contracts and is available in three languages (German, French and English), and it has been adopted by the subsidiaries.

Implementation and training

Annual training on the Code of Conduct is mandatory for all employees and is part of the mandatory onboarding workshop for all new employees.

- All new employees are given the Code of Conduct as part of their employment contract and attend two compulsory training sessions on the Bank's corporate values and the Code of Conduct.
- All employees are required to attend annual online compliance training that covers key components of the Code of Conduct. We plan to include various aspects of diversity, sustainability and human rights in future mandatory compliance training. All employees take an annual online test to demonstrate that they understand the contents of the Code of Conduct, the whistleblowing process and the related procedures. Regular controls based on the three-lines-of-defence model ensure that compliance risks regarding the Code of Conduct are identified and actively mitigated as needed.
- Suspected employee violations of laws, regulations or the Code of Conduct must be reported to the alleged offender's supervisor, the Compliance department, the Human Resources department or the ombudsperson (whether internal or external). Violations by the Management Board must be reported to the General Counsel or to the Audit and Risk Committee. Violations by the CEO must be reported to the Chairman of the Board of Directors.

Sustainability Report

- Violations of the Code of Conduct have a negative impact on employee performance reviews and may affect variable compensation. Such violations may also result in dismissal.
- In 2020, all employees, including all new employees, completed the mandatory online training on the Code of Conduct and pledged to comply with the provisions of the Code.
- For further details on mandatory training, see the section on development and training, page 56.

Whistleblowing process

The Code of Conduct, various directives and the Bank's intranet provide information on the whistleblowing process for employees and on the procedures and responsibilities that apply to actual or suspected violations of laws, regulations, administrative or judicial orders, and internal policies or procedures.

- Cembra does not tolerate reprisals against anyone who reports alleged violations in good faith.
- Employees can report suspected violations internally (to their supervisor, Human Resources, Compliance or the internal ombudspersons) or to the independent external ombudsperson. A form is also available on the Cembra intranet.
- All employees are informed about the ombudsperson and educated about what to do and whom to contact if they uncover possible violations.
- Operating subsidiaries have their own whistleblowing processes and suspected violations can be reported internally and externally.
- Whistle-blowers can report their concerns confidentially and anonymously. The whistleblowing process is subject to regular reviews by Compliance. Violation of the Code of Conduct by Board members, the Management Board or employees can lead to disciplinary measures. Violations amounting to criminal behaviour will be brought to the attention of the competent authorities. If suspected violations of the Code of Conduct are reported, Compliance will investigate. If a violation is confirmed, Compliance will inform the relevant supervisor and the member of the Management Board.
- In 2020, one case was reported.

Political involvement

Cembra does not make any political contributions, as stated in chapter 3, paragraph 3, of Cembra's Code of Conduct. Also, the Policy on sponsoring, contributions and donations states that no support can be given to political parties (find more information on this policy below).

Signoff on policies

There is an annual signoff of the most relevant policies as part of the e-learning programme, which is mandatory for all employees. An internal monitoring system is implemented by the control functions Risk and Compliance. This is also part of the whistleblowing process, which is used to detect corruption ("ombuds system").

Grievance procedures

Information and general guidelines on Cembra's grievance mechanisms concerning matters of employees' personal interests (including freedom of association) can be found in the Code of Conduct itself as well as the Bank's internal online platform, to ensure that all employees are aware of the Bank's reporting procedure (including the internal and external ombuds system). Furthermore, Cembra's staff regulations also encourage all employees to report any violations (including suspected violations) or unethical behaviour. Violations can be reported anonymously by phone or via email to an external ombudsperson.

Human rights

By signing the UN Global Compact in September 2020, Cembra publicly committed to observing and complying with the Ten Principles, which include human rights. Furthermore, we acknowledge, support and respect the UN Guiding Principles on Business and Human Rights (UNGPs), the Universal Declaration of Human Rights, and the fundamental labour rights outlined in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. Within our sphere of influence, we support the protection and promotion of human rights and ensure that all employees act in accordance with internationally recognised human rights. We do not tolerate child labour or forced labour or any other form of exploitation of human beings. This applies to our own operations, employees, products and services and is also something we require of our suppliers and partners.

At the Sustainability Committee meeting in September 2020, the Management Board reviewed what actual or potential human rights issues could be of concern and committed to fulfilling the UN Global Compact's Ten Principles.

Supplier standards and management

Cembra's supplier selection is based on comprehensive criteria, which include sustainability and risk control, as applicable. In order to safeguard the social, environmental and economic impact of our extended supply chain, we issued a set of improved supplier standards and values in April 2020. In 2020 we started to roll out the corresponding new enforcement actions and controls.

Supplier standards

Through our supplier standards – the Business Partners' Principles of Conduct (available at www.cembra.ch/sustainability) – our business partners and their subcontractors agree to comply with all applicable laws, regulations, industry standards, agreements and guidelines relating to social standards (including labour law and occupational health and safety regulations). This includes providing a safe working environment that ensures the physical and mental integrity of employees at all times.

Our supplier standards are derived from the Cembra Code of Conduct, and we issued a dedicated document focusing on our specific expectations regarding suppliers in April 2020. The improved standards explicitly cover integrity, anti-corruption and social and environmental standards and are aligned with the principles of the UN Global Compact. With our updated approach, we strive to embrace areas that are not comprehensively covered by law or where we need our suppliers to adhere to more stringent standards than those applicable in their respective locations.

As an example, with the improved standards, we require explicitly that our suppliers ban child labour, forced labour, discrimination, harassment and abusive behaviour and that health and safety requirements are met throughout their entire value chain (i.e. including upstream subcontractors and auxiliary staff in all geographic regions).

Cembra is also interested in suppliers' environmental performance and internal management systems. In 2021, we plan to conduct a survey among Cembra's most important suppliers regarding the status of their environmental management systems.

Supplier management processes

Our supplier standards are based on our values. We rely on a multi-layered enforcement system:

- In Switzerland, the European Union and many other markets, most of the requirements imposed on our suppliers are legal requirements, covered in an industry standard and widely accepted. For many aspects, compliance is independently monitored and enforced by public authorities, industry bodies, regulators and other institutions.
- Our improved supplier standards are available on our website, and suppliers will be actively and continuously made aware of our requirements throughout the procurement lifecycle.
- For our key suppliers, the supplier standards will become an integral part of the contractual framework governing the business relationship. We plan to extend coverage and successively include the supplier standards in most supplier agreements by renewing and extending existing contracts in the future, thereby making it a contractual obligation.
- Our key suppliers are obliged, and all others are expected, to report and mitigate breaches of the supplier standards upon detection of a problem.

Cembra's Sourcing and Vendor Management team is responsible for continuously raising awareness of Cembra's requirements, enforcement approach and controls among all relevant internal stakeholders.

Coverage

Our supplier standards aim to cover those suppliers that do not already have their own sustainability programmes. In 2019 our analysis revealed that the vast majority of our suppliers are Switzerland-based companies with extensive supplier standards and that implicitly already fulfil Cembra requirements. Throughout 2020, Cembra updated the templates of the framework contract to include these standards. The templates are now in use whenever framework contracts are renewed or when larger new contracts are awarded. This means that the standards will be contractually endorsed following a risk-based approach: larger suppliers (especially those that operate in regions with lower standards than Switzerland) have already endorsed the standards and those remaining will do so during the next renewal cycle. In 2020, all renewed contracts (excluding licences) with key suppliers included a commitment to the new Business Partners' Principles of Conduct.

Controls

We require our key suppliers to have a robust control system in place in order to detect failures to comply with the standards and to ensure that corrective action is taken. This is complemented by an obligation for Cembra employees in charge of a specific service or supplier to report and escalate any observation of non-compliance, as well as periodic checks of key suppliers by Cembra Sourcing and Vendor Management. In cases of non-compliance, we review the seriousness of the specific case and take appropriate corrective action. Additionally, all new suppliers are screened, including through watchlist screening and further checks depending on services and the extent to which data is shared. The intensity of these checks depends on the type of relationship and integration with Cembra. The highest level of diligence is applied when critical or sensitive data are shared and/or an outsourcing relationship is in place. The risk assessment is reviewed periodically. Key suppliers are assigned minimum yearly performance assessment ratings covering all critical aspects of supplier performance.

Training

The Sourcing and Vendor Management department includes senior employees who actively drew up the Cembra directives and the supplier standards (and hence do not require training themselves). New and existing sourcing employees undergo both Cembra-wide and department-specific onboarding processes and receive training covering corporate responsibility and sustainability requirements.

Audits

Key suppliers are contractually obliged to report (suspected) breaches without undue delay. Non-compliance is treated on a case-by-case basis, with consequences ranging from supplier development to contract termination. For our key suppliers, we undertake regular performance review meetings, and adherence to data protection and information security requirements is monitored through a risk-based approach (controls ranging from self-declaration to on-site audits depending on the circumstances).

Privacy and data protection

The protection of personal data using lawful and transparent data processing is important to us. We regularly review and optimise processes and controls in order to protect both personal data such as customer data and business data. We have implemented a comprehensive framework to ensure data privacy, banking secrecy, and information security, in order to adhere to applicable legislation and regulations.

- The Group has implemented this framework with the overall intent critical information, personal data (such as customer data), and data processing relevant information technology are protected. This framework covers the protection of data processing by service providers. Such service providers are diligently selected, instructed and controlled.
- All employees receive regular training on data protection and information security. For further details see the section on mandatory training, page 44.
- Cembra has published a privacy policy, that sets out the rules governing data processing in the Bank and the corresponding rights of customers. The Bank's Privacy Policy is published on Cembra's website (www.cembra.ch/en/privacy-policy/) and applies to all relevant business lines. It informs customers about the Bank's data processing and provides all information on how to exercise their rights.

The Swiss Financial Market Supervisory Authority (FINMA) details in its Guidance 05/2020 the duty to report cyber attacks pursuant to Article 29 para. 2 FINMASA. Such cyber attacks could lead to potentially severe information security incidents, including breaches of data confidentiality. In the course of 2020 no such incidents were reported in line with the above mentioned guidance and its reporting duties.

Furthermore, the Bank has implemented and maintains response plans in line with the requirements of FINMA, the Swiss Federal Act on Data Privacy and the GDPR. This also includes response plans with notification requirements towards the customer.

Cembra conducts regular audits of its information security policies and systems. Audit frequencies are determined in accordance internal and external policies, and audits are usually conducted at least on an annual basis.

Sustainability Report

Ensuring the business integrity of partners

The Bank conducts business across Switzerland via a network of branches, as well as alternative sales channels such as online, credit card partners, independent intermediaries (personal loans) and car dealers (auto leases and loans).

Longstanding active relationships

We maintain close, longstanding relationships with our distribution partners. In many cases, partnerships have evolved over several decades. More than 50% of business volumes are transacted through car dealers that have been Bank partners for 20 years or more. The average sales area manager has been with the Bank for 15 years. At year-end 2020, 135 (2019: 181 including cashgate) independent intermediaries were originating personal loans for the Bank. In the auto leases and loans segment, we partner with around 4,000 car dealers. In the credit card segment, we have longstanding relationships in Switzerland with Migros (since 2006), Conforama (since 2008), Touring Club Suisse (since 2011), and Fnac (since 2016, renewed in 2019). In 2019 and 2020, new partnerships were entered into with LIPO and IKEA Switzerland.

Processes in place to ensure business integrity and ethical conduct

We are committed to working together with our business partners to serve the interests of our clients. Partnerships are designed to ensure service quality and product integrity. Cembra has various processes in place to ensure compliance, best governance and risk management practices, and ethical business conduct in partnerships.

- Our collaboration with independent intermediaries and car dealers is guided by standard procedures to minimise risks of non-compliant behaviour.
- Formal processes govern the selection, training, instruction and monitoring of independent intermediaries and car dealers. The precautions and requirements for independent intermediaries are particularly strict and tightly regulate the Bank's business dealings with them.
- All partners undergo anti-money-laundering (AML) screening processes (see above).

Overview: quality assurance, training, responsibilities and monitoring of business partners

	Independent intermediaries	Car dealers	Credit card partners
Quality assurance We require our business partners to meet high standards of integrity.	Quality is reviewed monthly, with more in-depth reviews conducted quarterly.	Quality is reviewed yearly or at least every three years.	Our credit card partners already follow very high quality and responsibility standards.
Training We provide regular training to ensure business integrity.	<p>Training focuses on business and product strategies, products, processes and compliance.</p> <p>Around 125 independent intermediaries receive training each year. In 2020, all training sessions were conducted despite the Covid-19 restrictions.</p>	<p>Training focuses on business and product strategies, products, processes and compliance.</p> <p>70 to 80 car partners take part in a centralised one-day training session each year. Due to Covid-19 restrictions in 2020, ten central training sessions took place in the first quarter, and thereafter training was provided locally at the partners' locations.</p>	<p>Retailer credit card partners receive regular training and additional onboarding training for new partnerships.</p> <p>Around 200 point-of-sale training sessions are conducted every year, for the more than 70 branches of our partners. In 2020 the training sessions were conducted predominantly via video calls.</p>
Responsibilities and monitoring Various departments (including Compliance, Underwriting and – through guidelines and escalation processes – Risk Management) are involved in the quality assurance processes. Bank departments handle the budget calculations and underwriting processes internally. The Bank always has the ultimate responsibility for approving a loan, a lease or a credit card and bears the risk for possible losses due to default.	Specific policies for independent intermediaries ensure professional delivery of services and full compliance with ethics requirements. These policies are included in every business relationship in order to minimise compliance risk.	Car dealers are regularly visited by the Bank's 25 sales area managers, who report their findings via an online tool. Abnormal findings are investigated, and in case of non-compliance of the dealer, the partnership is terminated.	Credit card partners and their branches are regularly visited by three employees. They provide support and perform spot checks of customer applications. Any irregularities are investigated jointly with the partners, and are reported internally. Additional training sessions are provided where deemed necessary.

Other policies covering aspects of business integrity

In addition to the Code of Conduct and the Business Partners' Principles of Conduct (both available on our website), Cembra has put in place other policies.

- Each policy is reviewed and updated on a regular basis.
- As with the Code of Conduct, there is an annual signoff of the most relevant policies as part of the e-learning programme, which is mandatory for all employees.
- An internal monitoring system is implemented by control functions (Risk and Compliance). It is also part of the whistleblowing process, which is used to detect corruption ("ombuds system").

The most relevant policies are described below.

Anti-money-laundering (AML) policy

As a financial intermediary, the Bank is subject to the Anti-Money-Laundering Act and thus operates a programme to prevent illegal transactions.

- We systematically assess customers and partners before entering into a contract or business relationship.
- This exhaustive onboarding process protects the Bank from engaging in relationships with individuals or entities that have been placed on international sanctions lists.
- Politically exposed persons (PEPs) and high-risk relationships are thoroughly analysed.
- Customers and partners continue to be regularly reviewed after the contract or business relationship has been entered into. In addition to the continuous review of customers, transactions and payment practices are constantly monitored. Suspicious transactions are flagged and reviewed by the Bank's compliance officers.
- All new Bank employees receive introductory training that covers the Bank's anti-money-laundering programme and then attend regular refresher training in subsequent years (see the chapter on people and development, page 44).

Policy on the prevention of fraudulent practices by external parties

This directive governs the competencies, measures and controls for preventing fraudulent practices that can adversely affect the Bank.

- Cembra defines processes, roles and responsibilities to prevent suspected cases of fraud by external parties or to investigate such cases accordingly.
- Within the Bank, it is primarily the Risk business unit, together with the Risk Strategies department, that is in charge of setting up a strategy for preventing fraud and conducting further investigations.
- To ensure the timely monitoring of operating activities and because of the complexity of the credit card business, Risk is supported by other departments within the B2C business area.
- The directive applies to all employees of the Bank.

Policy on the acceptance and presentation of gifts

In addition to the staff regulations and the Code of Conduct, there is also a policy on accepting and presenting gifts.

This directive sets out the standards of behaviour to be maintained by all employees when giving and receiving gifts or where business entertainment is accepted or provided. Conflicts of interest must be avoided, and the Bank's reputation protected. Furthermore, it sets out competencies regarding the administration of customer and partner gifts of any kind. It applies to all Cembra employees.

It covers receiving gifts, presenting gifts and events. In particular, the directive stipulates under which circumstances gifts and invitations can be accepted, the principles that are observed when the Bank presents gifts to third parties and the ethical behaviour to be followed by the Bank as a host of events or by employees as guests at events. Further, it states that granting or accepting facilitating payments or goods is strictly forbidden. Legal and Compliance are responsible for any changes to this directive.

Policy on sponsoring, contributions and donations

This directive sets out the requirements to be observed in connection with sponsoring activities and the awarding of contributions and donations. It defines criteria for sponsoring and donation purposes and corresponding review and approval processes, and applies to all employees of the Bank. When working with third parties (e.g. advertising agencies), it must be ensured that such third parties also comply with and implement the requirements of this directive.

Providing sponsoring and making contributions or donations to organisations, interest groups and associations is intended to strengthen Cembra's image. Such activities are also an opportunity to create a platform for active customer care.

In particular, the directive states that:

- Supported activities must fit within the overall sponsoring concept, to be reviewed once a year.
- Contributions may only be awarded to those institutions and organisations with which goodwill is to be created in the specific interests of the Bank or a subsidiary and its sales channels.
- No support can be given to political parties.
- Attention must be paid to issues that are positively received by the wider public.
- Contributions with a strictly personal connection are not permitted. Furthermore, contributions may not be awarded in cases where an applicant's request is made solely with reference to an ongoing or terminated customer relationship.

The review and approval process is described in detail and contains the following elements:

- Each year, a certain amount can be made available for donations. Donations must be determined, on a binding basis, as part of a concept.
- All applications for sponsoring and contributions are reviewed and evaluated in accordance with the above criteria.
- Each donation and each charitable contribution must be approved by the General Counsel and the Chief Financial Officer.

Policy on public disclosure, reporting and securities trading

The purpose of this policy is to ensure compliance with the respective laws, rules and regulations and to prevent any form of insider trading. The policy defines applicable procedures to ensure: an orderly information flow and any other reporting obligations; immediate capital market information concerning non-public, potentially price-sensitive facts in accordance with the Listing Rules; and prevention of market abuse. The policy applies to all members of the Board of Directors as well as to all employees of the Group. In addition, it defines the rules and procedures applicable to any third parties providing services to any subsidiary having access to insider information. It applies to all written and oral statements.

Policy on marketing activities and external correspondence

Cembra has a policy on marketing activities and external correspondence. This directive describes both the regulatory and internal requirements applicable to marketing and advertising activities. The regulatory requirements, such as the Consumer Credit Act, Swiss Federal Act against Unfair Competition (UCA), Data Protection Laws and Further Provisions, Price Indication Ordinance and their relevance for employees, are described in detail. Furthermore, the development of marketing and advertising activities/materials and the corresponding design requirements and approval process are outlined in this policy. The directive applies to all employees of the Bank. If third parties are hired (e.g. advertising agencies), it must be ensured that the requirements of this directive are also complied with and implemented by such third parties.

In particular, the policy states that:

- Consumer credit contracts (including lease agreements and credit and customer cards) may not be advertised aggressively.
- In relation to product advertising, it must be ensured that the relevant provider (company) is clearly specified and that a calculation example, including the effective interest rate and the total costs, is provided in all cases.
- An over-indebtedness warning must be included, referring to the fact that any loan that would lead to the consumer taking on too much debt is prohibited.
- All application forms for products offered by the Bank or its subsidiaries must contain a notice concerning data protection and processing, in particular for marketing purposes.
- Appropriate controls must be implemented to ensure compliance with the requirements of the policy.

The “Flexible Work Arrangement Framework”

By providing flexible work arrangements wherever possible, Cembra helps employees to find the right work-life balance. The directive demonstrates various working models offered by the Bank and is the responsibility of Human Resources.

In particular, the directive:

- applies to all Bank employees. However, not all of the working models are appropriate for all employees; therefore, managers and employees must select the feasible option(s) for their respective business area.
- sets out the guiding principles for effective implementation of a flexible working culture (e.g. customer centricity will not be compromised) and describes different work options (part-time, flex-time, job-sharing, flex-place). Management and employees can opt for an agreement that includes more than one model (hybrid), e.g. part-time with flex-time. Furthermore, the directive addresses how to deal with data protection and banking and business secrecy when working outside of the Bank’s premises. Finally, the application procedure and the criteria and process for assessing ways of working requests are defined in the directive.

8 Community engagement

Aim and approach

Community engagement is not considered to be a highly material topic by our stakeholders. However, because this topic is important for our employees and relations in Switzerland, we address it separately in this chapter.

At Cembra, we see ourselves as part of a wider social network and as a community member. Being part of the local community comes with great advantages but also responsibilities. We take our social responsibility seriously, want to be a good corporate citizen and are committed to important social policy issues. By focusing on disadvantaged people in our community engagement, we want to strengthen how Cembra is perceived in the market. We see ourselves as equal partners, and we attach great importance to supporting projects and initiatives over the long term.

Our community engagement has three goals:

- **Enhancing understanding about social responsibility in general:** Our social engagement aims not only to take our responsibility towards society seriously but also to foster understanding about social responsibility.
- **Awareness of Cembra's social responsibility:** Our collaboration on social projects has a positive effect on the feeling of togetherness within the company, contributing to a greater awareness of Cembra's social responsibility.
- **Strengthening employee loyalty:** Finally, we are convinced that social engagement strengthens our employees' loyalty to the company.

Progress in 2020

In 2020, we re-evaluated our community engagement activities. Going forward, we aim to revise our engagement and focus on initiatives that relate to our core business. We see great opportunities and potential for creating synergies between social engagement and relevant business skills. Cembra already supports skills-based volunteering in its collaboration with YES, where employees help enhance financial literacy among schoolchildren and vocational school students.

Projects and initiatives involving volunteers

The company-wide initiative Cembra Volunteers is part of Cembra's social engagement and provides all employees with the opportunity to do volunteer work. We are proud of our long-standing partnerships and our employees' continued engagement. Cembra employees have the right to two working days a year for their volunteer commitments.

Alongside our other activities, we work with Swiss schools (years one to nine) through the YES programme "Personal Economics". As a Cembra volunteer, employees can take on the role of teacher for some lessons and can make an important contribution to the practical entrepreneurial education of children and young people.

For a table with details of the various projects and the total cost of the initiatives we pursued in 2020, please see the Annex to Sustainability Report 2020.

Cembra regularly asks employees for feedback on their volunteering activities. We also keep up a constant dialogue with our partners. These processes help us to evaluate and monitor our activities, implement improvements and make adjustments if necessary.