

# Sustainability Report

<b>30</b>	<b>Sustainability Report</b>
31	1 Letter from the Chairman
32	2 Our approach to sustainability
41	3 Customer orientation
43	4 Quality and integrity of products and services
48	5 People and development
57	6 Environmental stewardship
62	7 Business integrity
71	8 Community engagement
72	Independent limited assurance

## Introductory notes

The content in this report has been prepared in accordance with Art. 964b of the Swiss Code of Obligations and the Global Reporting Initiative (GRI). The relevant information is mapped to the Swiss Code content index table on page 34 (and highlighted grey in the margin of the page), and in the GRI content index 2023.

Additional detailed information and explanations are provided in the “Annex to Sustainability Report 2023”. This annex was approved by Cembra’s Sustainability Committee in March 2024 as a part of our sustainability disclosures.

This sustainability report and all related disclosures are available at [www.cembra.ch/sustainability](http://www.cembra.ch/sustainability).

# 1 Letter from the Chairman

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

Ensuring sustainability remains an important part of our strategy. In 2023, we continued 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 again able to make considerable progress.

Despite the current economic uncertainty, and thanks to our cautious, long-term risk management approach, our overall loss performance remained robust, and we provided appropriate, tailored solutions to customers who were unable to meet their contractual repayment obligations (see pages 43-47).

Our risk management framework includes sustainability risk which is defined as the risk that the Group negatively impacts or is impacted by ESG matters including climate-related changes. For management of sustainability risk, the Group builds on the established risk management process. We describe how we mitigate this risk in our Risk Management Report (see Risk Report page 28).

Cembra continued to assess its carbon footprint in the value chain. For the second time, we conducted a full greenhouse gas emissions inventory to capture all material scope 3 emissions from our corporate operations. (see pages 57-61). We also initiated the development of climate-related mid and long-term targets and actions as part of the TCFD (task force for climate-related disclosures) framework and we are aiming to present our carbon emissions strategy in the Annual Report 2024.

For the first time, this report includes on non-financial matters in accordance to Art. 964b of the Swiss Code of Obligations. On page 34, we provide information how this report complies with the requirements, which became mandatory for Swiss companies of public interest from 2023, and the index table guides you to our business model, environmental, social, human rights, risk and other disclosures.

The Sustainability Committee, which is chaired by the CEO, held five meetings in 2023, in which it oversaw ongoing sustainability initiatives and projects. In addition, the committee confirmed and reviewed the sustainability targets which are designed to drive further improvements. Sustainability targets have been part of the criteria for determining the Management Board's incentive-based compensation since 2020 (see Compensation Report, page 121).

The Board, supported by the Audit and Risk Committee, provides oversight and strategic direction on sustainability-related topics. For the third time we were seeking limited external assurance for the most material topics in this Sustainability Report (see pages 35 and 72-74).

Our increasing efforts to promote sustainability were again acknowledged by leading ESG rating agencies. In 2023 MSCI ESG Research confirmed their AAA rating on Cembra. Moreover we were again certified as "Great Place to Work" in 2023 (see page 48).

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.



**Franco Morra**  
Chairman

## 2 Our approach to sustainability

### Aspirations, values and policies

Cembra has set out a sustainability aspiration which is available at [www.cembra.ch/sustainability](http://www.cembra.ch/sustainability).

#### Aspiration

At Cembra, we seek to generate long-term value by considering the interests and expectations of our stakeholders, encouraging responsible behaviour and practices and actively working to build a more sustainable future. We are aware of our responsibilities and the impact that our operations have on our customers, business partners, shareholders, employees, regulators and communities. In this way, we always aim to adhere to high responsibility standards from an economic, legal, social, environmental and ethical perspective. Our sustainability commitments:

- We ensure our products and services meet high quality and integrity standards, by responsibly creating financial solutions that support aspirations. When developing new products and services and enhancing existing solutions, we factor in the extent to which they will help us to achieve our sustainability targets.
- As a forward-looking business partner, we embrace innovation and leverage new technology in order to develop reliable, demand-driven products and services that generate added value.
- As a credible investee, we adhere to strict corporate governance and risk management practices.
- As an attractive employer, we aim to raise our people up by creating a healthy work environment and promoting diversity, equal opportunities and personal development. We also support our employees' awareness of and engagement in environmental and social responsibility.
- As a good corporate citizen we contribute to community development and use resources sustainably, by continuously reducing our impact on the environment.
- As part of our stakeholder-oriented approach we consult with stakeholders on sustainability topics, we continuously monitor our sustainability performance and work towards our environmental, social and governance-related targets set for the next years.

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

#### Values

The daily work of our employees is guided by our values. In line with our strategy announced in December 2021, our values serve as our guiding principles: customer obsession, "trust and team", accountability and empowerment, and change and learning. Our cultural transformation programme which started in January 2022 is driven by what matters to us, enabling us to foster a customer-first mindset and promote an engaging and motivating culture based on a spirit of learning, collaboration, curiosity, and accepting failure as part of growth.

- **Customer obsession:** The customer is at the forefront of everything I do.
- **Trust and team:** I act with integrity and care; I collaborate without boundaries.
- **Accountability and empowerment:** I take charge and fix what doesn't work.
- **Change and learning:** I lead change and manage ambiguity; I keep it simple.

For details on our values, see Annex to Sustainability Report 2023, chapter 2.

### 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 62).

Our other main policies are described on pages 68-70.

### Organisation

#### Organisation at the Board level

Sustainability matters are addressed periodically by the Board of Directors, which oversees Cembra's processes to identify and manage the company's impacts on the economy, environment, and people, including performance as well as the associated targets, reflecting an important direction of the Group. The Board of Directors regularly reviews the feedback and inputs 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 is updated on all sustainability-related activities (including impacts) at Cembra by the Sustainability Committee and by members of the Management Board at least twice a year. The Board of Directors provides strategic direction and approves Cembra's sustainability approach and periodic reporting as part of the annual report.

In the reporting period, the Compensation and Nomination Committee reviewed Cembra's ESG performance as part of the strategic lookback assessment for the long-term incentive compensation and the Audit and Risk Committee did again a special walk through this Sustainability Report.

This Sustainability Report, including the materiality process and the resulting matrix, was reviewed and approved by the Board of Directors in March 2024, assisted by the Audit and Risk Committee.

#### Organisation at the executive management level

Sustainability is managed by the Management Board through a dedicated **Sustainability Committee**. It complements the existing Management Board committees, which include the Credit Committee, the Asset and Liability Committee, and the Risk and Controllingship Committee. The Sustainability Committee is chaired by the CEO, and members of the Management Board, the head of human resources, 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 monitor key improvement projects and initiatives. In 2023, the Sustainability Committee (see Risk Management Report page 20) held five meetings, in March, May, July, October and December. The Board of Directors provides oversight, assisted by the Audit and Risk Committee.

In addition, a Bank-wide **sustainability community** held monthly meetings. This informal working group, which is composed of managers and experts from various departments and levels, continued to share information and to work on various sustainability matters in the company.

The **sustainability-oriented key performance indicators** (see page 38) are considered important for the implementation and they have formed part of the criteria for determining the Management Board's long-term incentive compensation since 2020 (see Compensation Report, page 121).

#### GRI reporting

This report was drawn up in accordance with the Global Reporting Initiative (GRI) Standards and in line with its eight reporting principles, taking into account the Standards' most recent recommendations and guidelines. The GRI Content Index 2023 is available online at [www.cembra.ch/sustainability](http://www.cembra.ch/sustainability).

### Reporting on non-financial matters according to the Swiss Code of Obligations

This report was drawn up in accordance with the reporting on non-financial matters according to the Swiss Code of Obligations Art. 964b (Swiss CO). All relevant information is part of this Sustainability Report, mapped to the content index table below and highlighted grey. Cembra does not import or process minerals and metals from conflict-affected areas. Consequently, the due diligence obligation regarding minerals and metals from conflict-affected areas contained in Swiss CO Art. 964 et seqq. do not apply to Cembra.

#### Swiss CO content index

Swiss Code of Obligations	References and explanations	Page
Art. 964b para. 1 The report on non-financial matters shall cover environmental matters, in particular the CO <sub>2</sub> goals, social issues, employee-related issues, respect for human rights and combating corruption. The report shall contain the information required to understand the business performance, the business result, the state of the undertaking and the effects of its activity on these non-financial matters.	Cembra's <b>most relevant sustainability themes</b> were developed under the GRI framework and are material for Cembra, and they differ slightly from the general legal framework on non-financial matters. They are described in Chapter 2 under "Most relevant sustainability themes" and include the requirements as follows: <ul style="list-style-type: none"> <li>- Quality and integrity of products and services (including social matters)</li> <li>- People and development (including employee related matters)</li> <li>- Environmental stewardship (including environmental matters and carbon emission goals)</li> <li>- Business integrity (including respect for human rights and combating corruption)</li> </ul> The <b>impact</b> of the non-financial matters on Cembra's financial performance and the <b>effects</b> of its activity (concept of double materiality) are described in chapter 2 under "GRI materiality matrix" and the "Most relevant sustainability themes".  Details about the material sustainability themes (non-financial matters) are described in the Sustainability Report in the chapters 3 to 7.	37  36-37
The report shall include in particular:		
Art. 964b para. 2 item 1 a description of the business model	Cembra's <b>business model</b> is described in chapter 2, under "Business model" (note: also part of Management Report 2023 p 17 under "Business model and strategy")	39
Art. 964b para. 2 item 2 a description of the policies adopted in relation to the matters referred to in paragraph 1, including the due diligence applied.	Cembra ensures <b>compliance</b> with the relevant legal frameworks by means of internal regulations and processes, determines key figures and discloses them in accordance with GRI and the UN Global Compact.  Cembra has detailed internal policies in place, which aim to prevent bribery and corruption.  The <b>due diligence</b> applied includes the organisation at Board level and on executive management level as well as an independent external verification, as described in chapter 2 under "Organisation", "Independent limited assurance" and "Coverage and reporting boundaries".	39  63  33, 35
Art. 964b para. 2 item 3 a presentation of the measures taken to implement these policies and an assessment of the effectiveness of these measures	For each material topic, the <b>measures</b> described in the chapters 3-7 under the paragraphs "Aim and approach" and "Progress in 2023"  The <b>assessments</b> of the effectiveness of the measures are made as part of the KPI assessment (see below under 964b 2, 5)	41, 43, 48, 58, 62
Art. 964b para. 2 item 4 a description of the main risks related to the matters referred to in paragraph 1 and how the undertaking is dealing with these risks; in particular it shall cover risks: <ol style="list-style-type: none"> <li>a. that arise from the undertaking's own business operations, and</li> <li>b. provided this is relevant and proportionate, that arise from its business relationships, products or services</li> </ol>	Cembra's <b>main risks</b> related to sustainability (non-financial) matters are part of Cembra's overall risk management framework. See Chapter 2 under "Sustainability risks".  Both perspectives that Cembra negatively impacts or is impacted by sustainability risks were included in the assessment.	38-39
Art. 964b para. 2 item 5 the main performance indicators for the undertaking's activities in relation to the matters referred to in paragraph 1	Cembra's <b>key performance indicators</b> for the most material sustainability (non-financial) themes are described in Chapter 2 under "Commitments, performance measures and assessment 2023".	38
964b 3 If the report is based on national, European or international regulations (...), the regulations applied must be mentioned in the report. In applying such regulations, it must be ensured that all the requirements of this Article are met. If necessary, a supplementary report must be prepared.	This report is based on the <b>GRI framework</b> , see chapter 2 under "Reporting". The requirements are met, as described in this index.	33
Art. 964b para. 4 If an undertaking has sole control or joint control with other company of one or more other Swiss or foreign undertakings, the report shall cover all these undertakings.	This report covers the Group with the exception of some specific figures and policies where it is mentioned in the report. See chapter 2 under "Coverage and reporting boundaries".	35

**Independent limited assurance**

This Sustainability Report 2023 was provided independent limited assurance according to the GRI Standards and the Swiss Code of Obligations Art 964 b by an independent auditor. The chapter Community engagement was included for the first time. For the independent limited assurance and further details see the audit opinion (pages 72-74).

**Coverage and reporting boundaries**

This report describes the current situation and the progress made by Cembra in the area of sustainability in the 2023 financial year. Most data and indicators are available for the three financial years up to and including 2023. Following the consolidation of Cembra Latvia, a subsidiary and service company in Riga, in the reporting period 2023, Cembra Latvia's activities and figures were not included in this sustainability report, with any exceptions marked in footnotes. The scope for the environmental figures on emissions covers all Cembra locations except Cembra Latvia.

**Renewed stakeholder materiality assessment in 2023**

We are aware of the impact of our activities and responsibilities towards our stakeholders. We consequently seek dialogue at different levels and 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 Group interacts with other stakeholders, such as representatives of civil society, local communities and non-governmental organisations, on a case-by-case basis. The feedback we receive from investors, analysts, sustainability rating agencies, proxy advisors and other stakeholders is considered very important and helps us to decide on actions that are taken to manage the material topics and related impacts, and to review the effectiveness of these actions.

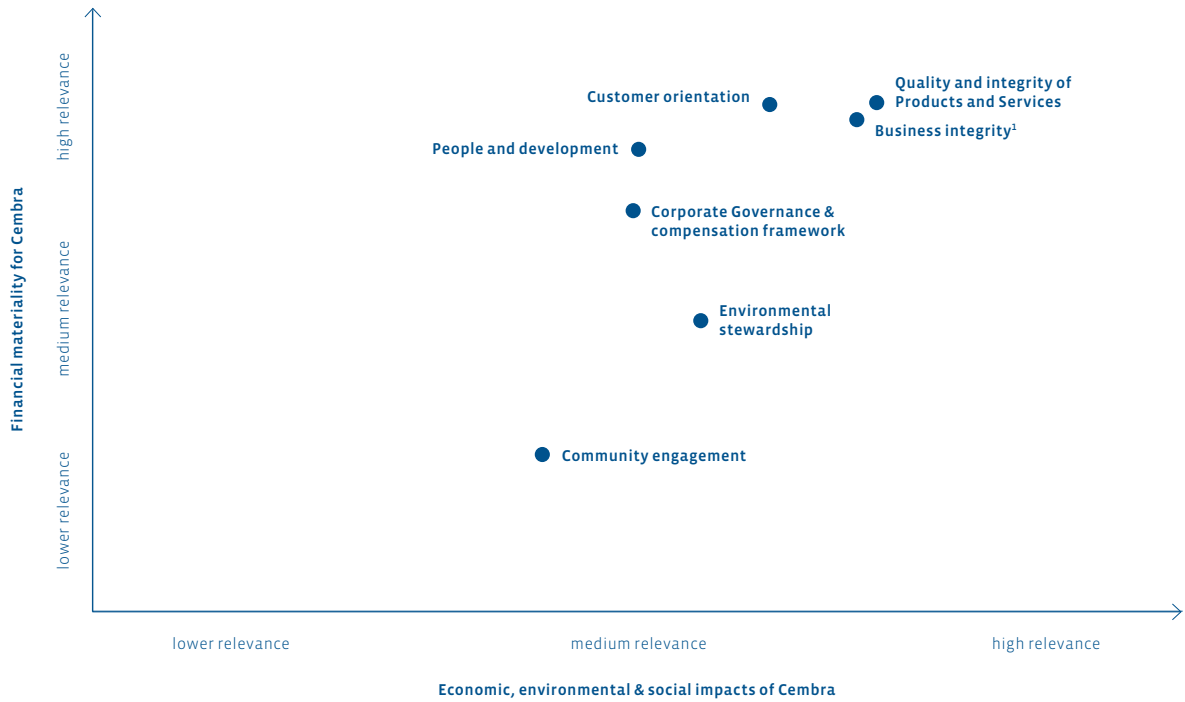
As part of our continued efforts to manage sustainability and following the progress made in recent years, we carried out another stakeholder assessment in line with the GRI Standards in the second half of 2023. The previous materiality assessments had been pursued in 2020 and 2018. The process was again supported by an external specialised consultant. In a first step, Cembra put together a long list of topics related to potential areas of impact. In a second step, the topics and their potential impact were evaluated and prioritised through the stakeholder assessment. Between September and November 2023, 17 individuals representing the perspectives of investors, ESG analysts, business partners, customers, local authorities, employees and civil society as well as digitalisation and environmental experts were interviewed with the support of external experts and asked to evaluate the relevance of Cembra's sustainability topics from their perspective. Internally, eleven employees from various functions participated in a workshop to rate the relevance of topics from an internal view.

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 (including data privacy and security), corporate governance, and incentives and the compensation framework. In addition, all stakeholders were asked to raise additional relevant topics from their perspective. The formal stakeholder engagement enabled Cembra to identify the topics that are most relevant to stakeholders and to understand why they are important.

The process resulted in quantified results leading to an updated materiality matrix. Compared to the assessment in 2020, all material topics were confirmed and no additional material topics were brought up. This made us confident that the current material sustainability topics of Cembra are highly relevant, comprehensive and mutually exclusive. In addition we received valuable feedback on our focus areas in sustainability management (including the related impacts on economy, environment and people), inputs for its further development, and cultivated relationships with our internal and external stakeholders.

**Materiality matrix 2023**

In orientation towards the EU’s Corporate Sustainability Reporting Directive (CSRD) and in accordance with the GRI standards, the topics were assessed according to the principle of double materiality, i.e. from an in-side out perspective (x-axis = impact of Cembra) and an outside-in perspective (y-axis = financial materiality for Cembra) and has replaced the former stakeholder perspective (“relevance for stakeholders“). The feedback enabled Cembra to identify the topics that are most relevant to stakeholders and to understand why they are important.



<sup>1</sup> including data privacy & security

Overall, the topics and their prioritisations were confirmed. The largest differences compared to the results of 2020 were a higher impact of Cembra on economy, environment and society (x-axis in the graph) from “Environmental stewardship“ and “Community engagement“. The stakeholders did not mention any other specific material topics that would require an adjustment.

**Continued strong ESG ratings performance**

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 May 2023, MSCI confirmed the ESG rating on Cembra of AAA, and our "Low ESG risk" rating by Sustainalytics was reaffirmed. Selected ESG rating levels are mentioned on page 220.

**Inclusions in ESG indices and the 2023 Bloomberg Gender Equality index**

In the reporting period, Cembra remained included in several ESG indices of leading index providers, including MSCI and the Swiss stock exchange. Cembra was also included as one of around 400 companies worldwide in the 2023 Bloomberg Gender-Equality Index which is based on gender-related criteria such as female leadership, equal pay, inclusive culture and disclosure transparency.

**Most relevant sustainability themes**

As a result of our engagement with our main stakeholders, Cembra focuses on the five most relevant sustainability themes.

- **Customer orientation** (chapter 3) addresses Cembra's aim of providing high customer value and setting ourselves apart through our outstanding and transparent services as well as our operational excellence. Cembra's offerings are designed to meet current clients' needs and address changes in customers' financial behaviour. Being a reliable provider of access to specific financial services, we offer high value for our retail customers.
- **Quality and integrity of products and services** (chapter 4) covers the responsible provision of financing products and services that adhere to strict safety standards. Access to financial services, taking into account individual situations, can have a positive impact on customers' personal lives. Our overall goal is to provide customers with the amount of credit that suits their individual situation. Cembra aims to prevent customers from taking on too much debt, as this would not only have a negative impact on our customers' personal lives but also could affect Cembra's credit default risk.
- **People and development** (chapter 5) includes recruitment, education and training, personal development, health promotion, work-life balance, diversity management and embedding Cembra's corporate values. These aspects directly impact the work and lives of employees and their families. Our employees are one of our most important stakeholder groups. Their commitment and contributions enable us to be a successful bank in Switzerland.
- **Environmental stewardship** (chapter 6) is achieved by optimising processes and outputs that have an environmental impact. It is addressed both within the Group (direct impact) and in the area of financing (indirect impact).
- **Business integrity** (chapter 7) covers compliance with laws and regulations, as well as governance, risk management practices, human rights, combating corruption, and ethical business conduct. It also covers the protection and security of customers' privacy, limiting the potentially negative impacts with regard to their personal data.

Community engagement (chapter 8) was not considered a material topic by our stakeholders. Nevertheless, Cembra has been committed to a number of community-related and philanthropic activities since 2003, and we report on this engagement in chapter 8. The topics "Corporate governance" and "incentives and the compensation framework" were combined because incentives and compensation are commonly regarded as an aspect of corporate governance by external stakeholders, especially by proxy advisors and other governance specialists. Details of these topics are included in the Corporate Governance Report and in the Compensation Report.

In December 2023, the Sustainability Committee reviewed the stakeholder assessment and the prioritisation of material topics and confirmed the most relevant sustainability themes.



## Commitments, performance measures and assessment 2023

We have developed commitments and key performance indicators for each of the five most relevant topics

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 (GPTW) <sup>1</sup>	We reduce our environmental footprint per employee	We take a zero tolerance approach to non-compliance
Key performance indicators	Net promoter score of at least +30 on a scale from -100 to +100	Qualitative assessment of lending portfolio quality metrics	GPTW employee trust index of at least 70%	Reduce Scope 1+2 emissions until 2025 by 75% (basis 2019)	Qualitative assessment of reported complaints and cases
Assessment 2023	Net promoter score of 21 (2022: 26)	Continued solid asset quality metrics	Employee trust index of 71% in 2022 (2020: 71%), measured every two years	Reported scope 1+2 emissions on track to reach 2025 target	No reportable cases
Reference and details	Page 41	Page 43	Page 48	Page 58	Page 62

<sup>1</sup> [www.greatplacetowork.ch](http://www.greatplacetowork.ch)

Details of the five most relevant topics and their key performance indicators as well as on and our community engagement are provided in the following chapters.

### Sustainability opportunities

Sustainability opportunities are strategic, mostly long-term opportunities from ESG and particularly climate-related topics. In the reporting period, we focused on developing climate-related opportunities. They are anchored in the following areas:

- **Financing clean mobility:** Reducing the carbon footprint of the transport and mobility sector is considered among the most relevant and most challenging endeavours when it comes to climate change.
- **Green operations:** Reducing the carbon footprint from our own operations to support the goals of the international and Swiss community that aim to attain net zero greenhouse gas emissions by 2050.
- **Empower customers' and partners' climate transition:** Cembra is aware of the lever it possesses to empower its partners and its customer base for their climate transition. As a business partner in the areas of credit cards and vehicle leasing we see the potential to provide the necessary incentives to further accelerate the adoption towards the climate transition in Switzerland.
- **Green funding:** Promoting low carbon-intensive products and services requires sufficient funds, which needs to be made available to partners and customers.

### Sustainability risk (from Risk Management Report, chapter Sustainability Risk, page 28)

Sustainability risk is defined as the risk that the Group negatively impacts or is impacted by ESG matters including climate-related changes. For management of sustainability risks, the Group builds on the established risk management process as described on page 20. The management of sustainability risks is integrated into the Group's risk strategy. Related risk tolerances require the adherence to relevant standards and key stakeholder's expectations (e.g. business partners, shareholders, ESG rating agencies). The Sustainability Committee is the decision-making and monitoring committee for management of sustainability-related risks and opportunities. The Sustainability Committee is chaired by the CEO. The Board of Directors, supported by the Audit and Risk Committee, oversees the sustainability management and provides strategic direction.

Particularly, climate-related risks can typically be mapped into other categories of risk such as credit risk, market risk, operational risk or other risk. Consequently, climate-related risks do not necessarily represent a new risk category, but rather an underlying risk driver for a risk category or individual risk.

Climate-related risks include physical, transition, or legal and reputational risks. Physical risks might result in costs and losses due to the increasing severity and/or frequency of weather events. These can be acute and result from extreme weather events, or chronic events, arising from progressive shifts in weather patterns. Transition risks arise from disruptive technological breakthroughs or action taken on climate policies that will transform the economy, with the implication that assets in certain sectors may lose value. Such events, as changes in law and regulation, shareholders expectations or state policies could impact the Group's core business and operations and may drive legal, financial or reputational damage, if not adequately addressed. Legal risks may arise among others from legal claims seeking compensation for losses suffered because of actions or inactions of governments or corporations.

Transition risks could gradually materialise in the form of credit risk where the leased assets may lose value over medium to long term. In connection with its auto lease business, the Group purchases vehicles and resells them in accordance with the lease contract. The risk that the re-sale value of any lease vehicle may be less than the remaining outstanding balance at the time such lease agreement is terminated, at contractual end or during contract term, is borne by the Group. This risk is mitigated by the Group's right under the dealer agreements obliging a dealer to repurchase a lease vehicle at the contractually defined price. Shifting of consumer preferences, including environmental considerations or potential bans for certain engines, such as combustion ones are among others potential reasons for a lower residual value of purchased lease assets, which may have a negative impact on new vehicle sales or used vehicle supply. The Group regularly monitors vehicle brand and model diversification and adopts bespoke mitigation measures. For further information on managing the residual value risk refer to the Credit risk section on page 21 and see also our approach to sustainability on page 30.

Immediate physical risks are generally considered low due to being a financial services provider that operates predominantly in Switzerland. The Group assesses physical security of its office locations on a regular basis.

The Group is committed to ensure compliance with relevant climate-related regulations and guidelines and adapts risk management practices accordingly. This includes the consideration of climate-related impacts or the assessment of climate-related risks in strategic planning and decision making processes as well as in the assessment of all categories of risk. In particular, the assessment of existing and new risks is based, among others, also on climate-related changes impact criteria. Therefore, climate-related risk as a driver for other categories of risk is actively identified, assessed, monitored and managed.

The Group's sustainability approach follows a multi-year approach considering the Group's most relevant sustainability topics. It is designed to integrate sustainability and climate-related risk considerations into its risk management framework, related policies and processes. The Group's approach is configured to address current and emerging regulations and builds capacity through expertise and collaboration including engagement with internal and external stakeholders and experts.

Other impacts from sustainability risk are described in the following chapters in this report, under "Aim and approach".

#### **Business model (from Management Report, chapter Business model and strategy, page 18)**

Cembra is a provider of financing solutions and services in Switzerland. The company operates by offering individuals in Switzerland a diverse range of secured and unsecured consumer lending, credit services and savings. The products include personal loans, credit cards, auto loans and leasing, invoice financing solutions and savings products as well as providing access to related insurance products (for details see Annual Report 2023 About us, page 5). Revenues are generated through interest income and fees on these financial products, often in collaboration with partner businesses for co-branded credit cards, vehicle leasing and other financing options. Cembra places significant emphasis on risk management, utilising credit assessments and underwriting processes to maintain a robust loan portfolio. Cembra operates within the Swiss regulatory framework, adhering to laws and regulations related to consumer lending and banking.

#### **UN Global Compact and Sustainable Development Goals**

Cembra is a signatory to United Nations Global Compact (UNGC) since 2020. 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. Regarding our support of the UNGC principles for human rights for see chapter Business integrity page 65.

Our commitment to fully supporting the Sustainable Development Goals (SDGs) is borne out in our sustainability aspirations and our participation in the UNGC since 2020. In 2021, we had re-assessed where Cembra can make the most sig-

nificant contribution. As a result of these discussions, we confirmed that Cembra has the greatest impact on SDGs 4, 5, 8, 10, 12 and 16. We also concluded that Cembra can play a role in promoting SDG 13 (i.e., taking urgent action to combat climate change and its impacts) by facilitating the on-going transition to a low-carbon economy through segments of our vehicle financing business. Demand for financing solutions for alternatively powered vehicles is increasing rapidly, and we want to encourage our customers to select vehicles with lower emissions. For further information on our contributions to the SDGs see the Annex to the Sustainability Report 2023.

#### **Other relevant sustainability-related characteristics**

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

- In 2023, 94% of Cembra's total assets were in cash (or cash equivalents) or in unsecured and secured loans (net financing receivables) in Swiss francs and 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. As a consequence, there are no investments in the fossil-fuel sector.
- We aim to include climate-related opportunities and risks in our business planning.
- Loan applications that do not meet our strict standards are rejected (see the chapter on quality and integrity of products and services, page 43).
- Our Business Partners' Principles of Conduct (supplier standards, see page 65) and our participation in the UN Global Compact (see page 39) help us to identify, manage and mitigate international sustainability risks.

This forms a solid basis for our sustainable and responsible business model. We are aware of sustainability-related 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, pages 20-21).

## 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 a customer-first mindset one of our values (see page 32), thereby underpinning the importance we place on customers' needs. We are aware of the fact that our products can significantly impact the financial situation of our customers. Taking responsibility for ensuring that our customers have a good understanding of our products and services is of utmost importance. We have several internal policies that govern business practices and define how employees should behave towards customers. But while the way we behave with our customers is of utmost importance, we also need to make sure we keep pace with their ever-evolving needs. Customer behaviour is shifting, with increasing use of digital services and changing financing needs. This, of course, effects the way we approach and interact with our customers.

Cembra uses several indicators to assess customer orientation. The most relevant indicator is customer satisfaction for each business (excluding BNPL), 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 continuous 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. Net promoter scores were introduced at Cembra in 2016, and the Management Board is responsible for them.

### Progress in 2023

In 2023, Cembra implemented continuous feedback collection for NPS measurement which is complemented by separate surveys on products and services throughout the customer life cycle. In 2023, Cembra's new NPS as measured on a continued basis came to +21 on a scale of -100 to +100. The previously used NPS from non-continuous measurement amounted to +14 (2022: +26). Reasons for the decline of the NPS in the reporting period include the effects of interest rate and fee increases. We aim to achieve a NPS of at least +30 in the mid term, through ongoing and planned initiatives.

### 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 43).
- **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 and our own offerings, we provide 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.
- **Buy now pay later:** Through our brand CembraPay and a partnership with the leading Swiss online payment app TWINT we offer invoice financing services and flexible payment options for both online and point-of-sale selling.

We provide customers with financing solutions. 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 and education.

### Investments in digital platforms and training

To satisfy the needs of existing and new customers, we invest in intuitive payment and financing solutions, through use of technology and continued strong customer service, including a user-friendly, needs-based digital platform. Our customer focus is also enhanced by the selection, motivation and training of employees (see page 50).

### Moving towards widely accessible products (access to finance)

In the last decade, we have been successfully pursuing a long-term strategic shift towards a balanced product portfolio. In all businesses we offer very good value for our customers. Credit cards are 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 products see the sections About us (page 5) and Products and markets (page 11).

### Long-term shift in business mix (as % of net revenues)

	2013	2018	2023
Personal loans	61%	39%	34%
Auto leases and loans	20%	22%	24%
Credit cards	18%	37%	32%
BNPL and other	-	-	10%

Since its initial public offering in 2013, Cembra was able to increase the number of bank customers in Switzerland by about 60% to 1.0 million in 2023. The total consolidated number of customers including invoice financing (BNPL) amounts to more than two million customers. This high penetration of customers in Switzerland – a country with about 9 million inhabitants – is reflecting the high customer value of our products, as well as a long-term shift in business mix towards products and services providing simple and secure access to finance. For other information relating to access to finance see the chapters 4 and 7 in this report as well as the Annex to Sustainability Report 2023, section 7.

## 4 Quality and integrity of products and services

### Aim and approach

We aim to be recognised by our stakeholders as a responsible provider of intuitive customer solutions in consumer finance. Comprehensive and transparent information on financial products and related opportunities and risks support and impact customers' decision making process. Our overall goal is to provide customers with the amount of credit that suits their individual situation. Access to financial services, taking into account individual situations, can have a positive impact on customers' personal lives. Cembra aims to prevent customers from taking on too much debt, as this would not only have a negative impact on our customers' personal lives but could also affect Cembra's credit default risk. Additionally, our lending activities are subject to Swiss laws and regulations, requiring us to handle our products and services with adequate due diligence to protect customers. The risk of unforeseen events in the lives of our customers remains, and there is always a chance that this will lead to excessive levels of debt. In such cases, we work closely with our customers to find mutually beneficial solutions. To ensure quality and integrity, we monitor various performance 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 2023

The main economic events in Switzerland in the 2023 financial year were gradual decrease and stabilisation of inflation, increasing interest rates and remaining uncertainty about the economic development in the mid-term. Unemployment remained low throughout the year (see page 10). Cembra did not record a significantly higher number of customers facing financial difficulties and the loss performance in 2023 reflects ongoing normalisation in line with the communicated mid-term targets. Cembra's overall prudent approach to risk management helps to overcome any potential negative economic consequences on customers during economic downturns.

Cembra continued its robust loss performance in 2023 (see the Management Report, page 16) and our asset quality metrics continued to remain solid. Our risk management approach helped us to achieve this performance which is in line with our communicated mid-term targets.

### 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, focusing on:

- 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 Consumer Credit Act (CCA) 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. As a consequence of the increased short-term interest rates in Switzerland (CHF 3-month Saron), the maximum interest rate was increased to 11% (from 10%) for personal loans and further increased to 13% (from 12%) for credit cards in May 2023, and to 12% for personal loans and to 14% for credit cards as per 1 January 2024.
- **Right of revocation within 14 days ("cool-off period"):** Customers can cancel the 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 is committed to act in accordance with applicable laws and regulations, and 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. Legal infringements, if any, have been judged unintended and immaterial in number and significance in 2023 (same assessment as in 2022).

### 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 the section on our sustainability commitment and performance measures, page 32). Through certain features of the products we offer, we aim to protect customers from the negative aspects of consumer loans and debts. We also achieve this 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 and provide them with alternatives towards more sustainable consumption patterns. We embrace digitalisation, striking the right balance between convenience and a strict compliance and risk 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 members of the Swiss Payment Association and took effect on 1 January 2022. This revised convention replaced the previous credit card business agreement of 2016. The agreements are available at [www.cembra.ch/sustainability](http://www.cembra.ch/sustainability) in German. Cembra is a member of these associations and is committed to complying with their guidelines. In 2023, there were no cases or breaches of the guidelines (2022: no cases). The guidelines and processes concerning marketing activities are detailed in an internal policy on marketing activities and external correspondence (see page 70 for details).

Since 2018, our advertising campaigns have focused on lifecycle events. In other words, a loan should be an appropriate response to life circumstances and events. Campaigns address certain situations in life when a loan might be an option, such as education, housing and vehicle purchases.

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. The trainings focus on enabling standardised and compliant advisory and sales processes. 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 (such as 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. In the credit card business we inform our customers both via email as well on the app via push notifications.

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](http://www.cembra.ch/sustainability)). An additional guidance specifically informs young adults (under 25 years) about how to handle budgets and debt. This information also forms part of the contractual agreement with customers under 25 years. It is available at [www.cembra.ch/sustainability](http://www.cembra.ch/sustainability), in German.

The guidelines and processes concerning customer information are set out in the internal policy on marketing activities and external correspondence (see page 70).

### **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 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 prevent over-indebtedness and 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. There are five consumer ratings, each having an implied probability of default based on historical default experience. A customer's behaviour can also influence the assessment of creditworthiness (see page 153-154 for further details).

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 when the customer receives the copy of the agreement), under the condition that the customer has not exercised their 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 of the Code of Conduct on responsible lending – 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 Controllershship Committee.

Maladministration and/or violation of rights are thoroughly investigated and handled in accordance with applicable laws and our internal regulations. The process is formalised in an internal policy. 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 65).

In 2023, the number of complaints amounted to less than 0.2% of the base bank customers of 1.0 million (2022: 0.2%).

#### **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 such as customer payment difficulties.

Monitoring of product and service quality is part of our net promoter score (NPS) assessment. (See chapter on customer orientation, page 41). 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 training sessions and an internal training team provides functional onboarding activities. Know-how transfer regarding policies and regulations is mandatory and standardised. All newly hired employees in departments with customer contact follow tailor-made blended training programmes. These prepare and support new employees in their roles, responsibilities and competencies relating to product safety, and system and process know-how (see pages 50-51 for details on functional trainings).

### 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 page 46).

#### 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, resulting in the decrease in a customer's capacity to make repayments:

- **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's need is assessed and substantiated. Loan extensions or deferrals are used in financially difficult situations to enable the customer to fulfil contractual obligations. Cembra has only minimal exposure to troubled debt restructuring (TDR) and such restructuring would be granted in exceptional individual cases only (see page 142 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 seven years and including the 2023 financial year, our provisions for losses 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 (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 a successful bank 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 attracting, retaining and promoting qualified and responsibly minded staff. We also recognise and consider the advantages of a diverse workforce, be it in terms of gender, age, nationality or cultural background. We strongly believe that diverse teams deliver more diverse solutions, which in turn enables us to offer better solutions to our equally diverse clients. In the areas of work-life balance, wellbeing (including health) promotion, diversity and development our initiatives directly impact the lives of our employees and their families.

### Targets

Our key performance indicator in this area is employee engagement. Our goal is to achieve an Employee GPTW (great-placetowork.org) trust index of at least 70% in bi-annual assessments. In 2023 there was no assessment. In the previous reporting period 2022, Cembra achieved a trust index score of 71% (see table on page 38). In May 2023 Cembra was ranked 12th (May 2021: ninth) among the Great Places to Work in Switzerland 2023 in the category of companies with over 250 employees. The GPTW trust index, which is measured bi-annually, remained stable compared to the last assessment in 2020. Cembra considers this a good result also given the ongoing implementation of the new strategy and cultural transformation (see chapter on Business model and strategy on page 18).

We also set internal targets for a number of other indicators, such as employee retention rates, the absentee rate and diversity. On diversity we have set ourselves a goal of 50% female appointments on management and senior employee levels (hiring and promotions combined). In 2023, 37% of such appointments were female.

### Responsibilities

The People & Culture (human resources) department is responsible for hiring and developing people, for internal training programmes and for ensuring effective employee relations. The head of People & Culture (human resources) reports directly to the CEO.

### Progress in 2023

The main progress in people and development in the 2023 financial year was as follows:

- The Great Place to Work organisation named us as one of the “Best Workplaces Switzerland” and as one of “Europe’s Best Workplaces”.
- We have relaunched our employer branding and now present ourselves with a new career website and a new application process. We call it the 2-minute application, where candidates can also upload application videos.
- We have implemented a new variable compensation structure with effect from fiscal year 2024 for our employees (except Management Board). The structure is designed to ensure that employees share in Cembra’s success and is more transparent, simpler and easier to understand, in line with our efforts towards simplification.
- As part of the the integration of the buy now pay later businesses in CembraPay, the employees at the locations in Switzerland now share office space with their colleagues at Cembra Money Bank. At the same time, the employment conditions and benefits have been aligned with those of Cembra Money Bank and will apply to the subsidiary CembraPay from January 1, 2024.
- We have introduced a new engagement tool that enables us to conduct short and regular surveys among employees. The survey tool allows us to ask survey questions to our employees related to Cembra culture and our employee satisfaction. Line managers can use the tool independently and conduct surveys in their respective areas.

### Coverage

The indicators and activities presented below do not include temporary workers from agencies (4% of headcount; 2022: 6%) 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 subsidiaries CembraPay and Cembra Latvia.

### Temporary workers

Temporary workers are usually employed by a staffing firm that is in the business of supplying temporary labour. These workers are typically engaged to supplement, or provide cover for, existing employees at times of work surges, finite projects or employee absence. The staffing firm pays salary and benefits to these workers, although the Bank or a subsidiary generally provides daily direction and control. At the end of the reporting period the Bank engaged 27 temporary workers (FTE: 25) compared to 81 (77 FTE) in 2022. The increased demand in the previous year primarily related to the development and the launch of our new credit card Certo! as well as various IT projects in the context of our strategic programme Operational Excellence. The majority of these people work either in the call centre or in the technology area.

The majority of employees work at our headquarters in Zurich Altstetten (81%), while the remainder work in our network of branches and service centres across Switzerland (19%).

## 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 <sup>1</sup>	Retention rate – permanent contracts	Turnover rate – permanent contracts	Turnover rate – voluntary <sup>2</sup>	Turnover rate – temporary contracts	Average number of years of employment
2021	88%	12%	9%	1%	9.7
2022	85%	15%	12%	1%	7.4
<b>2023</b>	<b>84%</b>	<b>16%</b>	<b>10%</b>	<b>0%</b>	<b>10.2</b>

<sup>1</sup> Turnover rate and seniority per gender can be found in the Annex to Cembra's Sustainability Report 2023

<sup>2</sup> Only considers resignations on employees' own initiative, excluding dismissals by the employer and retirements  
Coverage: Cembra excluding CembraPay (former Byjuno and Swissbilling) and Cembra Latvia

The slight increase in employee turnover was predominantly among employees leaving the company at an intermediary career level. Details regarding new employees are provided below, in the table on diversity and equal pay.

No large-scale redundancies (i.e., job cuts affecting more than 5% of the total workforce) were implemented at Cembra in 2023 or have been since our initial public offering in 2013.

### 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](https://en.greatplacetowork.ch)).

Employee satisfaction (Great Place to Work)	2022	2020	2018
Trust index	71%	71%	69%
Participation rate	73%	72%	77%

The bi-annual survey was conducted in the previous reporting period 2022 with a participation rate of 73% (2020: 72%), which resulted in a trust index of 71% (2020: 71%). With a Trust index of 71% we achieved the re-certification as Great Place to Work. The next survey is planned for 2024. As a result of our trust index and having passed the audit report assessment by Great Place to Work, in May 2023 Cembra was ranked 12th (May 2021: ninth) among the Great Places to Work in Switzerland 2023 in the category of companies with over 250 employees.

### 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 values (see page 32). It is important to us that potential new employees can identify with our corporate culture. During the interview process, we not only check candidates' technical and functional skills, but we also assess how they would fit into the team and our culture based on the principles of our Code of Conduct.

### Staff regulations

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 wellbeing. 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. In 2023, there were two cases reported (2022: two cases).

### Our "Dialogue" performance management approach

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 aim to promote an open and honest dialogue between managers and employees through continuous feedback in both directions to 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. 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 approach for employees eligible for our variable incentive compensation plan. The "Dialogue" approach was put in place in 2020, and it replaced the traditional performance ratings (management by objectives).

## B. Development and training

Knowledge is an important asset. With Cembra's internal training programme, we support employees of all functional levels in building and expanding their knowledge.

### Mandatory training

Cembra requires **all employees** to complete a number of mandatory online training courses (see pages 64 and 67) in order to meet regulatory requirements. These courses cover topics relating to general compliance, operational risk awareness, employees' reporting obligations, work and rest period provisions in Switzerland, anti-money-laundering compliance, Bank-wide information security, business continuity management awareness, data protection and governance, insider trading, and conflicts of interest. Where necessary, specific groups of employees receive additional mandatory online training covering operational topics or guidance for users with high privileged access.

Key figures mandatory training	2023	2022	2021
Number of mandatory e-learning courses (of which 11 were mandatory for all employees in 2023)	17	20	19
Total average training hours per employee	4.0	4.1	4.2

Coverage: Cembra excluding CembraPay (former Byjuno and Swissbilling) and Cembra Latvia

All **new employees** attend a mandatory Welcome Day usually in the first 2-3 months of employment covering topics such as compliance, our vision and culture, our products as well as employee benefits and the Cembra brand. In addition, all new employees complete various e-learning courses covering topics such as operational risk management, information security and data protection.

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; human skills are also strengthened in order to ensure an excellent customer experience throughout the entire customer journey.

These mandatory **functional training sessions for new employees in operations roles** last between two days and four weeks. They are a mix between classroom and web-based 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. Over the year 2023 the training team introduced blended learning principles in all functional training activities in order to strengthen self-organised learning attitudes of newly hired employees as well as, to open new forms of interrelation between trainer and students and to increase the efficiency and flexibility of the trainers.

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 provided in cases where management identifies skill gaps in customer service employees, e.g. managing complaining customers, negotiation skills and handling retention issues.

The mandatory functional training programmes are developed and carried out by six internal functional trainers and one lead. In 2023 a total of 973 (2022: 1,112) participants were trained through 47 (2022: 50) different courses.

### Non-mandatory training

We aim to find a balance that gives employees the opportunity to develop both professional and soft skills. By assessing the employees' and the Bank's needs, new course offerings are announced regularly. We use a wide variety of learning formats for this purpose: Be it in classroom, virtual, as a lunch and learn, an interactive "moments that matter" session or as a team learning session, Cembra offers relevant, modern and practical training that are aimed to approach tasks more competently and efficiently.

Some of the courses offered in 2023 were: "Coaching for Leaders", "Leading Change", "Strengthen Strengths", "Simplification" as well as absence management and sleep management topics. These topics aimed to enable our line managers to develop personal insight and to address the employees' wellbeing.

### Key figures for non-mandatory internal training

	2023	2022	2021
Courses offered	24	20	12
Number of employees taking part in management and soft skills training sessions	349	224	238
% of employees trained in management and soft skills	39%	24%	25%
Total training costs in CHF 1,000	198	300	32

Coverage: Cembra excluding CembraPay (former Byjuno and Swissbilling) and Cembra Latvia

In 2023, 39% of employees took advantage of the offering (2022: 24%). The large decrease in training costs is mainly driven by higher training costs in 2022 related to the cultural transformation (see chapter Business model and strategy, page 18), such as the development and implementation of specific trainings and coachings by external providers.

### 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.

In 2023, CHF 0.26 million was spent on technical and functional training and certifications by external providers (2022: CHF 0.17 million) and a total of 85 employees received such training. These training courses are generally one to two-day courses to ensure that our employees and specialists can adapt to constantly changing professional and technical conditions.

Furthermore, we support employees in improving their language skills and their professional development. All employees have the opportunity to apply for funding for a course or training session at an external educational institution. In 2023 we reimbursed CHF 0.03 million to a total of 26 employees for language training and CHF 0.13 million to 39 employees for external advanced training such as a MAS (Master of advanced studies), DAS (Diploma of advanced studies), CAS (Certificate of advanced studies) and EMBA.

As a founding member of the “Advance” network for gender equality in business, we get access to various skills-building training courses (for details, please see page 55). In 2023, 17 employees took courses on topics such as Foundational Leadership, Presence & Impact, courage – crush self-doubt, and Experience Genuine Confidence.

#### **Succession planning and talent development**

The development of internal talents 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 at the top management level and one functional hierarchy level below, as well as critical dependencies on single or key people, were discussed for the entire Bank in the reporting period.

#### **Talent development programme**

At the end of 2022, we kicked off our new internal development programme for 18 talented experienced employees (Cembra Impact Programme, or CIP). Through this programme, we aim to develop and retain the targeted talents by offering them assistance in form of different possibilities and tools. The CIP includes an individual development center as a position determination for each participant. This assessment forms the basis for the creation of individual development plans and for the elaboration and enactment of appropriate development measures. In addition, the CIP comprises regular informal exchange meetings, as well as theme-based workshops and trainings.

#### **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.

Over the past 10 years, 43 apprentices have successfully completed their programme at the Bank, of which 11 are still employed. Four of the six apprentices who graduated in 2023 are still working within the Bank.

### **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.

Responsibility for working conditions and ensuring a healthy work environment lies with the Management Board, which regularly reviews the progress made. The head of human resources, reporting to the CEO, coordinates well-being and safety management activities. Line managers ensure that statutory wellbeing 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 support 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 calculated as the percentage of work time that an employee is absent due to sickness or an accident. Sickness includes both short-term and long-term sickness as well as sickness during pregnancy. In 2023, the absentee rate was 3.4% (2022: 4.8%). Cembra has set internal targets with the aim of reducing the absentee rate. In 2023, four training workshop on absence management for 38 leaders were pursued.



### Healthy work environment and work-life balance

Employee wellbeing is important to us, and we are continuously working on improving our wellbeing management. We focus on preventive measures and avoid activities that could put our employees at risk. We encourage our employees to take responsibility for their own wellbeing and support them with appropriate measures. The current measures include:

- **Absence prevention and absence management** workshops for line managers and the senior management including the management board. The training provides managers with a clear process before, during and after an absence due to a personal crisis, an illness or an accident (see also paragraph above).
- Through the company's **wellbeing promotion and prevention programme** numerous sports events are offered throughout the year (such as indoor cycling, boxing, surfing, kayaking or hiking), as well as online and face-to-face events on the topics of nutrition, health and well-being. All of these aim to support employees in finding a healthy balance between work and leisure. 1,488 participants joined 49 sports events during the reporting period.
- The **in-house gym** at headquarters offers fitness courses and yoga classes.
- **Seminar and events** on topics such as "Strengthen Strengths" and sleeping well, have been offered to benefit employees' mental wellbeing and resilience.
- To support employees with the new ways of working models, Cembra provides a dedicated webpage with tips and recommendations for employees to stay healthy while electing to work remote.

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

The size of our 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 matters (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. In 2023, 13 cases were handled by the external provider. For medical issues and in cases of long-term absences, we work with our insurance provider and the related disability insurance office. In 2023, 10 medical and/or long-term absences were handled.

### Flexible ways of working

The Bank offers flexible working solutions to foster a healthy work-life balance. The solutions include part-time and remote work arrangements, given that Cembra is convinced that flexible ways of working can increase job satisfaction, employee commitment, productivity and retention. Most of our employees have the technical prerequisites to be able to work remotely and many of them opt for a hybrid solution. Our policy regarding flexible working models allows employees to work remotely for up to 60% of their work time and to ensure there are no complicated approval procedures for this. The flexible work arrangements are outlined in our ways of working policy. The key elements of the framework are described on page 70.

Many of our part-time employees are working parents. At year-end 2023, 24% (2022: 24%) of all employees were working part time (for the detailed figures please see the Annex to the Sustainability Report 2023).

### Annual leave and absentee regulation

The wellbeing of our employees and their families is a high priority for the Bank. In general, we believe that annual leaves and other days off have positive effects on health and well-being, that they 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. Employees over the age of 50 are entitled to five additional days of annual leave. Moreover, we also grant employees paid days off for various family matters.



**Safety in the workplace and emergency response system**

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 so that all emergency information is provided 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, the duration of which exceeds the legal requirements. Fully paid paternity leave is ten workdays, reflecting the legal requirement. See the Annex to the Sustainability Report 2023 for details.

In the reporting period a total of 11 women took maternity leave (six are still on leave) and 12 men took paternity leave. In the previous year, 18 women took maternity leave and 16 men took paternity leave. Of these 18 women, 17 have returned and 14 were still employed by the Bank at year-end 2023.

**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 offers a variety of benefits including travel vouchers for public transport, financial support for employees with children, meal benefits 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 and originations.

The number of people working for Cembra to address short-term needs represented 4% (2022: 6%) 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".

**D. Diversity and equal pay**

At Cembra, we aim to create a healthy work environment and promote diversity, equal opportunities and personal development for our 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 (See section II. "Cembra's responsibility as an employer").

We believe in the power of our differences and know from experience that diversity across dimensions drives innovation, helps us make better decisions, creates a more engaging workplace, and directly contributes to better outcomes for all stakeholders.

We strive for equal opportunities with regards to gender equality and other diversity, and, of course, equal pay. In the coming years, we will focus in particular on promoting women in management positions. We will achieve this by targeting 50% female appointments on management and senior employee levels (hiring and promotions combined). In 2023, 37% of such appointments were female.

### Gender and age

47% of our employees are women (2022: 48%). At the employee level (including the employee and senior employee levels), the proportion of female employees is 49% (2022: 50%). At the management level (including the management and senior management levels), it is 24% (2022: 24%). For the detailed figures please see the Annex to the Sustainability Report 2023.

### Internal career mobility

HR key figures	2023	2022	2021
Total entries	103	140	101
– of which women	47	51	44
– of which total new employees 50+ (excl. cashgate until 2021)	8	17	9
Internal department changes	21	56	15
Internal promotions (pay grade changes)	65	51	36
– of which women	29	25	21

Coverage: Cembra excluding CembraPay (former Byjuno and Swissbilling) and Cembra Latvia

#### 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 talks, panel discussions with internal and external speakers and events on topics such as diversity, finances and family. The programme is open to all female staff within the organisation, with some events also open to men.

Additionally, Cembra is a founding member of the “Advance” association for gender equality in business. As an Advance Gold Member, Cembra gets access to 17 skills-building training days per year for talented women in middle and upper management as well as to workshops and networking events for best practice sharing on innovative working models supporting diversity. In addition, Cembra can take part in its cross-company mentoring programme, a specific opportunity for female employees’ personal and professional growth.

### 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 more than 40 different countries (not counting multiple citizenships) and with diverse cultural backgrounds. For the detailed figures please see the Annex to the Sustainability Report 2023.

### Equal pay for men and women

In the reporting period 2020, we had 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. The analysis confirmed that Cembra complies with the principle of “equal pay for work of equal value”. The analysis was audited by KPMG as an external entity (see Annual Report 2020). Based on the analysis, Cembra had been awarded the “We Pay Fair” certificate in 2021 by the Competence Center for Diversity and Inclusion of the University of St Gallen. An update of the analysis is scheduled for 2024.

Unlike pay gap models in some other countries, the tool looks at factors that 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 2023, women made up 24.5% of our top earners (i.e., whose pay was in the 1st quartile; 2022 23.8%). 50% of our revenue-producing roles were held by women (2022: 55%).

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

Pay quartile	2023	2022	2021
1st quartile	24.5%	23.8%	24.7%
2nd quartile	41.7%	42.6%	44.8%
3rd quartile	56.6%	58.9%	60.3%
4th quartile	65.8%	65.8%	65.1%

Coverage: Cembra excluding CembraPay (former Byjuno and Swissbilling) and Cembra Latvia

**CEO-to-employee salary ratio**

The top-to-median pay ratio was 12.1 in 2023, in line with previous years (2022: 11.6, 2021: 12.1). The median salary (without the highest salary) was CHF 109,200 in 2023 and the highest salary was CHF 1,323,000. The pay ratio is calculated based on the annual base salary plus variable target compensation and the annual base salary is extrapolated to full-time equivalents. For details on the compensation of the highest salary see Compensation Report on page 128.

## 6 Environmental stewardship

### Aim and approach

Environmental stewardship is an important element of our sustainability aspiration. To minimise the negative impact of our operations, and to support the transition to a low-carbon economy, we are committed to using resources in a sustainable manner. As identified by our materiality assessment, our key stakeholders considered environmental stewardship to have an overall “medium” relevance compared to other sustainability topics (see page 36).

Cembra manages its environmental impact using a two-fold approach:

- **Operational environmental management:** We remain focused on protecting the environment by conserving natural resources and preventing pollution from both our business operations and supply chain partners. In addition, Cembra strives to manage the climate change-related risks on the business and identify any opportunities arising from climate change. Where deemed significant, we include environmental risks and opportunities in our business planning.
- **Ongoing shift towards financing of electromobility:** Cembra is a provider in financing mobility, with electric vehicles representing a growing proportion of vehicles in Switzerland. The increase in demand for climate-friendly products is seen by our business as an opportunity

### Progress in 2023

In the reporting period, our total scope 1 and 2 emissions increased by 7%, and the Scope 1 and 2 emissions intensity increased from 0.34 tCO<sub>2</sub>e/FTE average in 2022 to 0.37 tCO<sub>2</sub>e/FTE average, an increase of 9%. The increase was mainly driven by an higher use of cars consequently an increase in kilometres travelled in the company fleet and the related use of fuel, despite the share of electric vehicles in the fleet increased (see below).

In 2023, Cembra implemented district cooling re-using energy from the ice-hockey stadium near the headquarters. As a consequence of the move of the data centres, Cembra also significantly reduced its consumption of electricity (by 32%) over the course of 2023 relative to 2022.

In our company fleet, we again significantly increased the share of electric-powered vehicles (electric and plug-in hybrid electric vehicles), with these vehicle types making up 58% of the total fleet in 2023 (2022: 22%). Cembra continues to expand the share of electric and other low-emission models in the company fleet in line with its internal targets.

Through an internal working group supported by a specialised consultant, Cembra initiated the development of climate-related mid and long-term targets and actions as part of the TCFD (task force for climate-related disclosures) framework. In 2023, we also continued to refine our GHG emissions assessment (see paragraph below).

### Our approach to carbon footprint assessment

Since 2022, we conduct a full GHG emissions inventory to capture all material scope 1, 2 and scope 3 emissions from our corporate operations (i.e., excluding scope 3 emissions generated from investments, category 15). This included a detailed analysis of emissions from our value chain.

To align with international best practice guidance, including the GHG Protocol: Corporate Standard (2004:2015), the Partnership for Carbon Accounting Financials (PCAF) Financed Emissions (Part A, 2022), and the Science Based Targets initiative’s (SBTi) Financial Institutions (2022), Cembra’s organisational boundary was based on a financial control approach (for details see below under Coverage and boundaries). This approach focuses on elements Cembra can influence, with activities considered significant based on the level of financial control and ability to control processes associated with these activities.

Since 2021, Cembra's **scope 1 and 2** carbon footprint includes all relevant scope 1 and 2 categories. Cembra's **operational scope 3** reporting covers seven materially significant scope 3 categories: purchased goods and services, capital goods, business travel, employee commuting and homeworking, fuel- and energy-related activities, and waste generated in operations (including wastewater). We are currently further refining our approach for the scope 3 emissions associated with our vehicle leasing (investments – category 15 of the GHG Protocol); and we aim to publicly disclose these figures in the future.

The latest SBTi Financial Institutions (2022) guidance suggests that vehicle and personal loans, including credit card loans, are out of scope due to the limited control or influence that a loan provider has over the use of products. As per the SBTi's guidance, Cembra's commissions and fee income as well as personal loans also are not considered applicable for scope 3 emissions reporting because of the inaccuracy in calculating associated emissions.

#### Coverage and boundaries

In line with best practice, including the GHG Protocol (2004:2015) and the SBTi's Net Zero Standard, and to support our carbon reduction initiatives, we have conducted a GHG emissions screening and inventory analysis for all material scope 1, 2 as well as all material operational scope 3 emissions. Our emissions reporting covers the Group excluding Cembra Latvia (consolidated in the second quarter 2023) hence representing 100% of our employees as per 1 January 2023 and more than 95% (full-time equivalents) as per year-end 2023. For some figures, e.g., district heating or electricity, Cembra uses extrapolated average annual numbers.

#### Key environmental figures

Cembra's total 2023 GHG emissions (for scopes 1, 2 and operational scope 3 categories) amounted to 31,832 tCO<sub>2</sub>e. Cembra's 2022 operational carbon footprint was 28,622 tCO<sub>2</sub>e (see table below).

Cembra's scope 1, 2 and 3 operational emissions<sup>1</sup> intensity metrics:

	Unit	2023	2022	2021
Scope 1 and 2 emissions/FTE avg	tCO <sub>2</sub> e	<b>0.37</b>	0.34	0.59
Scope 1, 2 and 3 emissions/FTE avg	tCO <sub>2</sub> e	<b>34.9</b>	31.0	27.0
Scope 1, 2 and 3 emissions/CHF m revenue	tCO <sub>2</sub> e	<b>61.7</b>	57.2	51.2
Number of employees (emissions scope)	FTE avg	<b>913</b>	922	922

<sup>1</sup> Cembra's operational emissions do not include scope 3 emissions generated from its investments (category 15)

## Breakdown of Cembra's scope 1, 2 and operational scope 3 emissions

	Unit	2023	2022	2021
<b>Consumption</b>				
Refrigerants	kg	28	29	30
Vehicle fuel	km	1,717,168	1,016,452	1,583,692
Gas and heating oil	kWh	363,789	342,740	1,255,490
District heating/cooling	kWh	958,150	705,680	8,237
Electricity	kWh	1,115,981	1,641,633	1,704,739
Water	m <sup>3</sup>	3,166	2,822	2,635
Waste	tonnes	351	836	927
Purchased goods	euros	96,127,792	93,049,040	76,893,600
Capital goods	euros	2,752,532	2,359,961	873,906
Fuel- and energy-related activities	kWh	2,437,920	2,690,053	2,968,466
Business travel – transport	p.km	240,846	145,209	61,521
Business travel – hotel stays	room per night	216	132	65
Employee commuting	p.km	6,525,276	6,639,629	6,589,599
Employee commuting – homeworking	FTE working day	84,326	85,804	85,158
<b>Greenhouse gas emissions</b>				
<b>Direct emissions (scope 1)</b>	<b>tCO<sub>2</sub>e</b>	<b>278</b>	<b>253</b>	<b>524</b>
Vehicle fuel	tCO <sub>2</sub> e	166	142	239
Boiler fuel (natural gas and heating oil)	tCO <sub>2</sub> e	72	69	243
Refrigerants	tCO <sub>2</sub> e	39	42	42
<b>Indirect emissions (scope 2)</b>	<b>tCO<sub>2</sub>e</b>	<b>61</b>	<b>65</b>	<b>21</b>
Purchased electricity (location-based)	tCO <sub>2</sub> e	13	20	20
Purchased electricity (market-based)	tCO <sub>2</sub> e	7	10	11
Purchased heating/cooling	tCO <sub>2</sub> e	48	45	0.36
<b>Indirect operational emissions (scope 3)</b>	<b>tCO<sub>2</sub>e</b>	<b>31,493</b>	<b>28,304</b>	<b>24,388</b>
Purchased goods and services (category 1)	tCO <sub>2</sub> e	29,754	26,714	23,372
Capital goods (category 2)	tCO <sub>2</sub> e	1,067	907	333
Fuel- and energy-related activities (category 3)	tCO <sub>2</sub> e	87	90	96
Waste generated in operations (category 5)	tCO <sub>2</sub> e	9	19	21
Business travel (category 6)	tCO <sub>2</sub> e	27	11	8
Employee commuting (category 7)	tCO <sub>2</sub> e	549	563	559
<b>Scope 1, 2 and 3 emissions</b>	<b>tCO<sub>2</sub>e</b>	<b>31,832</b>	<b>28,622</b>	<b>24,934</b>

## Operational environmental management

Cembra's environmental management is based on Swiss law relating to environmental protection, energy and carbon. We continue to ensure environmental stewardship mainly by optimising processes and outputs with a significant environmental impact. We also achieve cost reductions by optimising and reducing our use of energy and equipment.

### Scope 1, 2 and operational Scope 3 emissions

Purchased goods and services (part of Scope 3) was the most significant source of emissions in 2023. Total emissions generated by this category grew by 11% relative to 2022. The increase was predominantly driven by the increase of the EUR/CHF exchange rate in the reporting period (+8%, given standard conversion factors in EUR and almost all purchases made in CHF). Other factors were slight increases of emissions from IT contractors, software licenses and cards plastics while emissions from marketing and postage decreased (see Management Report page 17). Six areas of expenditure accounted for 92% of emissions: IT contractors, software licenses (and maintenance of the software), marketing, postage and paper and cards plastic.

### Use of energy

Cembra aims to reduce its GHG emissions and be more energy efficient. As a participant of the voluntary energy programme run by the Energy Agency of the Swiss Private Sector (EnAW) in Zurich since 2012, we have committed to optimising energy efficiency and actively reducing carbon emissions by collaborating with the EnAW, an official partner of the Swiss Federal Government and cantons for energy savings and climate protection. Cembra continuously implements various measures aimed at reducing GHG emissions associated with energy use to lower our environmental impact and costs. As a result of these measures, Cembra has been able to significantly reduce its energy consumption over the past years, resulting in a kWh/average FTE reduction of 22% since 2019. Overall, this trend continued in the reporting period:

- **Continued strong reduction of electric power, partly offset by increase in district heating and cooling.** Since 2019, the consumption of electricity per average FTE has decreased by 52% and energy used for heating (natural gas and heating oil) decreased by 53%. This decrease was partly offset by the substantial increase in our district heating and cooling intensity, which was mainly caused by the switch to district heating (from natural gas) at our headquarters in 2022, and to district cooling in 2023. An additional effect in 2023 came from the replacement of the majority of fluorescent lamps and light bulbs at the headquarters by more efficient LED lights.

		2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Electricity	kWh/FTE avg	1,222	1,767	1,845	2,317	2,570	2,633	2,525	2,649	2,944	3,188	3,409
Gas	kWh/FTE avg	398	372	1,361	871	850	1,231	1,220	1,695	2,351	1,983	2,679
District heating/cooling	kWh/FTE avg	1,049	765	9	-	-	-	-	-	-	-	-

Coverage: 100% of total employees since 2021, and 76% of total employees until 2020. From 2021, heating includes oil and natural gas. Until 2020, heating consisted of gas heating at headquarters only. Since 2023, district cooling included in district heating/cooling.

- **Energy consumption largely from renewable sources.** In terms of our operations, the energy consumption accounts for the largest impact on the environment. Since 2016, 100% of the **electricity** we consume at our headquarters (accounting for about three quarters of all employees) is generated from renewable sources. Moreover, our branches use a 100% Nativa electricity mix whereby most of the electricity is derived from renewable sources. In 2022, Cembra's headquarters switched to **district heating**, while the majority of our branches consume natural gas for heating, with heating oil used by three branches.
- **The reduction in carbon emissions at headquarters continued in 2023:** The owner of the building where Cembra is headquartered switched to district heating effective since 2022. These environmentally-friendly and energy efficient thermal networks, which are largely powered by waste and biomass, replaced the gas heating at our headquarters. In 2023, the cooling systems at the headquarters were decommissioned, and these were replaced by the local electricity provider's district cooling, re-using cooling energy from an ice-hockey stadium nearby in Zurich Altstetten.
- **Stable procurement of energy.** To ensure our business operations are not impeded, we have a strong interest in maintaining a stable procurement of energy.

- **Company fleet:** In 2020, Cembra had adopted a new internal target to significantly reduce carbon emissions from its own vehicles. In 2023, the number of cars in our fleet amounted to 59 (2022: 58). The share of electric-powered vehicles (EV and PHEV) in our company increased to 58% (2022: 22%). The total number of kilometres travelled by our company fleet increased by 69% from 2022 to 2023, which was the result of higher use of cars, while the previous reporting period was impacted other factors, including a reduced number of branches.
- **Employee benefits to support the use of public transport:** We encourage our people to commute using public transport as part of our employee benefits; in fact, public transport commuting costs are covered by Cembra for most employees (see page 54). In 2023, our employees commuted 6.5 million kilometres representing a carbon footprint of 549 tCO<sub>2e</sub>, or 0.60 tCO<sub>2e</sub> per FTE.

#### Ongoing shift towards financing of electromobility

Cembra is financing electromobility in Switzerland, offering loans and leases for electric vehicles, and electric vehicle leasing is expected to generate an increasing share of Cembra's total revenues, with the supply of used vehicles expected to further rise. Our mid-term strategy is to grow this business in line with the market trend.

In a refined analysis of the emissions associated with our vehicle leasing we observed that the total scope 3 emissions of our vehicle leasing increased by 2% in 2023 despite a strong growth of related net financing receivables in the Auto leasing and loans business in 2023 (+6%). The emissions intensity decreased slightly (i.e. the quantity of GHG emissions emitted per contracted kilometre). The decrease was attributed to changes in the portfolio mix towards a greater share of low-emission vehicles, which reflects the development of the market.

Cembra is continuing to review and improve how Scope 3 including vehicle leasing data is collected and analysed, in line with the Partnership for Carbon Accounting Financials guidance (PCAF 2022).



## 7 Business integrity

### Aim and approach

As an independent bank that has been listed since 2013, we are required to comply with strict regulatory requirements. We continuously aim to 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 foster greater confidence, particularly among customers and other key stakeholders who want to know about the Group's financial and non-financial services, its business practices and the integrity of the senior management. For us, business integrity in many aspects implies going beyond the mere legal requirements that we need to fulfil and act in a way that ensures we are perceived as a transparent and trustworthy business partner, such as ensuring responsible cooperations or supporting customers in financial difficulties.

Due to the nature of our financing products and services, we have to handle a large amount of sensitive and personal data. It is therefore our duty to handle and store data with diligence and take adequate protective measures. Therefore, our business integrity also covers the protection and security of customers' privacy, limiting the potentially negative impacts with regard to their personal data.

Clearly defined structures, responsibilities and processes, as well as their regular review, form the basis of our approach to managing compliance and reputational risks in a highly regulated and competitive market with increasing customer and stakeholder expectations. In this way, we aim to earn the reputation of being a trusted business partner that behaves with integrity and takes a zero-tolerance approach to non-compliance.

This allows us to set ourselves apart in the marketplace.

Cembra operates predominantly 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).

Our commitment "We take a zero tolerance approach to non-compliance" (see table page 38) implies both business and management integrity. It 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, employees gain in-depth knowledge of products, processes and market conditions and can stay on top of the latest trends, innovations and regulations. The company's senior management ensures these standards, and acts responsibly and immediately in case of misconduct.

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

### Progress in 2023

The existing anti-money-laundering (AML) policy was revised and amended (see page 69), and procedures were adapted accordingly.

In 2023, there were no reportable cases on our business integrity commitment (2022: no cases).

### Compliance and risk framework

Cembra has detailed internal policies in place, which aim to prevent bribery and corruption. These include the Code of Conduct and the Business Partners' Principles of Conduct, the policy on fraudulent practices by external parties, the policy on the acceptance and presentation of gifts, and the policy on sponsoring and contributions (summaries of the most relevant policies are available at the end of this chapter). Cembra is fully committed to adhere 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 Group uses the "three lines" framework to manage risk and monitor compliance with legal requirements and internal policies (see the Risk Management Report, pages 20-21, for more details). Binding, regularly updated processes likewise ensure that the Group 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 are set out in various policies (e.g. AML policy, see page 69).

#### Anti-corruption measures

Although Cembra operates predominantly in Switzerland, where there are relatively low risks of corruption compared with other countries Cembra has several policies in place in order to prevent corruption (e.g. Code of Conduct, AML policy, Group Risk policy, policy regarding acceptance and presentation of gifts) which govern the internal regulations, processes and behavior. Furthermore, the Business Partners' Principles of Conduct which are added to contractual frameworks with suppliers following a risk-based approach commit third parties to adhere to the principles given by Cembra in particular to prevent corruption. There are several controls and processes in place to ensure the effectiveness and compliance with the regulations. Employees have to complete regular trainings to raise awareness and assure compliance.

#### Managerial responsibility

The Board of Directors and the Management Board set the tone and create 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.

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

The compliance department is represented on the Management Board by the general counsel.

#### Mandatory training for employees

Cembra has a comprehensive programme of mandatory training based on both regulatory and in-house requirements for all employees (for details see page 50). 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 ten topics:** General compliance, operational risk awareness, reporting obligations for employees, anti-money-laundering compliance, Bank-wide information security, business continuity management awareness, data protection, insider trading, conflicts of interest, and industry data security standard for payment cards.
- **Annual mandatory training for specific target groups:** Credit cards, insurance (intermediation), fraud prevention, identity and access management.
- **Mandatory training for all new employees:** Onboarding day typically at the start of the employment.

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 for ensuring that all targeted employees successfully complete the mandatory training courses.

#### Code of Conduct

Cembra 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, published in April 2020 and reviewed for topicality in May 2022. In our 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 model, see Risk Management Report page 21). The Code of Conduct is available at <http://www.cembra.ch/governance>.

## Coverage

Compliance with the Code of Conduct is mandatory for all 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 Cembra's subsidiaries.

## Implementation and training

Annual training on the Code of Conduct is mandatory for all employees

- All new employees are given the Code of Conduct as part of their employment contract.
- All employees are required to attend annual online compliance training that covers key components of the Code of Conduct. 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 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 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.
- 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.
- All employees in scope completed the mandatory online compliance training including 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 50.

## Whistleblowing process

The Code of Conduct, various policies 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 and 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 department, compliance department 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.
- Cembra's operating subsidiaries have their own whistleblowing processes, and suspected violations can be reported internally and externally.
- Whistleblowers 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 2023, one case was reported (2022: two cases).

## Political involvement

Cembra does not make any political contributions, as stated in the Code of Conduct chapter 3, paragraph 5. 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).

## Sign-off on policies

There is an annual sign-off on 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 intranet, to ensure that all employees are aware of the applicable reporting procedures (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 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 set the frame 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 October 2023, the Management Board reviewed the actual or potential human rights issues and committed to continue fulfilling the UN Global Compact's Ten Principles.

Cembra has several policies in place to facilitate that human rights are respected. These include the Code of Conduct, the Business Partners' Principles of Conduct and the staff regulations which govern internal regulations, processes and behaviour. These policies are binding for all employees and also third parties when contractually agreed. Several controls and processes are in place to ensure the compliance with the requirements.

### 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.

#### Supplier standards

Through our supplier standards (Business Partners' Principles of Conduct, available at [www.cembra.ch/sustainability](http://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). Our supplier standards are based on our values. 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 Code of Conduct. They explicitly cover integrity, anti-corruption and social and environmental standards and are aligned with the principles of the UN Global Compact. With our 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, 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).

#### Coverage

Besides ensuring that our key suppliers are aware of and fulfill our sustainability expectations, our supplier standards also aim to raise awareness and to develop our other suppliers regarding sustainability, especially those that do not already have their own sustainability programmes. The vast majority of our suppliers are Switzerland-based companies with extensive supplier standards and that implicitly already fulfil Cembra requirements. Cembra has updated 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 based on Cembra templates. 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 are

addressed, as needed, e.g. part of the renewal cycle. In those situations where an increased sustainability risk has been identified and the contracting is not based on Cembra templates, we apply a case by case, risk-based approach. We typically strive to include a reference to our Standards unless we see that coverage of our principles is in principle otherwise established (e.g. own sustainability programs).

### Supplier management processes

We rely on a multi-layered enforcement process:

- Our supplier standards are available on our website, and our suppliers will be actively and continuously made aware of our requirements throughout the procurement lifecycle.
- For our key suppliers – i.e. all third parties delivering products or services to the Bank that may directly support the delivery of core banking processes –, the supplier standards are integral part of the contractual framework unless already covered in Partner standard contract governing the business relationship. We continuously extend coverage and include the supplier standards in all relevant supplier agreements by renewing and extending existing contracts, thereby making it a contractual obligation. A very small number of our key suppliers do not accept deviations from their standard contractual language (large software companies and some specific niche product suppliers). In a very small number of related cases Cembra had to accept contracts based on supplier templates. Often these partners run their own sustainability and corporate social responsibility programmes, covering the vast majority of our standards. However, we have identified that there might be a coverage gap to control for substitutions/non-inclusion of our standards whilst still ensuring the underlying risk management by our key suppliers. For those we have formalised our exception process which is effective from 2024 on.
- Our key suppliers are obliged, and all others are expected, to report and mitigate breaches of the supplier standards upon detection of a problem. Breaches are monitored and followed up on by Cembra.
- 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.

Cembra's sourcing and vendor management departments are responsible for continuously raising awareness of Cembra's requirements, enforcement approach and controls among all relevant internal stakeholders.

### Controls

We require our key suppliers to have a robust control system in place in order to detect failures to comply with 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 to carry out periodic checks of key suppliers. 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 secret, confidential or otherwise very 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.

In 2023, we refined our monitoring framework mainly to reflect changes in risk tiering as well as in the exception process regarding substitution or non-inclusion of the Business Partners' Principles of Conduct. The majority of changes are effective from 2024 on. We will continue to work with our partners to continuously improve our control quality and appreciate all related efforts.

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### 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).

### Training

The sourcing and the vendor management department includes senior employees who actively draw up Cembra policies and 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.

### 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 personal data, including customer data. We have implemented a comprehensive framework to ensure data protection, banking secrecy and information security, in order to adhere to applicable legislation and regulations.

- The Bank implements this framework with the overall intent of ensuring that critical information, personal data (such as customer data), and information technology relevant to data processing are protected. This framework also covers the protection of data processed by service providers. Such service providers are diligently selected, instructed and controlled.
- All employees receive regular training on data protection, information security and cyber-crime (e.g. awareness about phishing). For further details see the section on mandatory training, page 50.
- 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/](http://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.

Cembra adheres to 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 2023, Cembra did not report any cyber-attack pursuant to Article 29 para. 2 FINMASA with the regulator.

Furthermore, the Bank has implemented and maintains response plans in line with the requirements of FINMA and the Swiss Federal Act on Data Protection (FADP), namely the notification to the Federal Data Protection and Information Commissioner (FDPIC). This also includes response plans with notification requirements towards the customer.

Cembra conducts regular audits of its information security, cyber-security and data protection frameworks and related process and technology control effectiveness. Audit frequencies are determined in accordance with internal and external policies, and audits are usually conducted at least on an annual basis.

### 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 been developed over several decades. At year-end 2023, about 102 (2022: about 95) independent intermediaries were originating personal loans for the Bank. In the auto leases and loans segment, we partner with around 3,700 car dealers. In the credit card segment, we have longstanding relationships in Switzerland with Conforama (since 2008, renewed in 2022), Touring Club Suisse (since 2011), and FNAC (since 2016, renewed in 2022). In 2019 and 2020, new partnerships were entered into with the retailers LIPO and IKEA Switzerland and in 2022 with SPAR Switzerland. In September 2022, we entered a partnership with the leading Swiss payment app TWINT.

### 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, good 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
<b>Quality assurance</b> 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.	Credit card partners and their branches are regularly visited by a review team.
<b>Training</b> We provide regular training to ensure business integrity.	Training focuses on business and product strategies, products, processes and compliance.  Around 102 independent intermediaries receive training each year. In 2023 all training sessions were conducted.	Training focuses on business and product strategies, products, processes and compliance.  Training is given to our dealers mostly locally by our 26 sales area managers.	Retailer credit card partners receive regular training and additional onboarding training for new partnerships.  The number of point-of-sale training sessions amounts to about 300, reflecting increasing needs, for our partners' about 90 branches. In 2023 the training sessions were conducted both at the partners' locations and virtually.
<b>Responsibilities and monitoring</b> 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 26 sales area managers, who report their findings via an online tool. Abnormal findings are investigated, and in case of non-compliance by the dealer, the partnership is terminated.	Credit card partners and their branches are regularly visited by a review team. 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 e-learning programme which is mandatory for all employees covering the most important topics and other related policies.
- An internal monitoring system is implemented by the control functions (risk and compliance). It is also part of the whistleblowing process, which is used to detect corruption ("ombuds system").
- The policies are relevant for all employees.

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 AML programme and then attend regular refresher training sessions in subsequent years (see the chapter on people and development, page 50).

**Policy on the prevention of fraudulent practices by external parties**

This policy governs the competencies, measures and controls for preventing fraudulent practices including cyber-crime that can adversely affect the Bank.

- Cembra defines the processes, roles and responsibilities needed to prevent suspected cases of fraud by external parties and to investigate such cases accordingly.
- Within the Bank, it is primarily the risk business unit, 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, the risk function is supported by other departments within the business to customer area.

**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 policy 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 covers receiving gifts, presenting gifts and events. In particular, the policy 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. Furthermore, it states that granting or accepting facilitating payments or goods is strictly forbidden. The legal and compliance departments are responsible for any changes to this policy.

**Policy on sponsoring, contributions and donations**

This policy 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; it is applicable 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 policy.

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 policy states that:

- Sponsoring activities are carried out in keeping with the priorities set by some departments as part of their respective communications, marketing and brand strategies.
- Contributions may only be awarded to those institutions and organisations with which goodwill will be created, in the specific interests of the Bank or a subsidiary and its sales channels.
- No support can be given to political parties.
- 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 public relations measures.
- 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 CFO.

#### **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 employees of the Group as well as to the members of the Board of Directors. 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 policy 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 legislation 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 policy 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 policy are also complied with and implemented by such third parties.

In particular, the policy states that:

- Consumer credit contracts (including lease and loan agreements, credit and customer cards) may not be advertised aggressively.
- In product advertising, the relevant provider (company) must be clearly specified and a calculation example, including the effective interest rate and the total costs, must be 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**

The Bank is committed to fostering cooperation based on mutual trust and supports flexible ways of working, provided that the personal needs of employees can be reconciled with company goals. As a result, the Bank has acted on the desire for greater flexibility and to work from home; it has also adapted to changes in working practices. The policy demonstrates various working models offered by the Bank and is the responsibility of human resources.

In particular, the policy:

- 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 focus will not be compromised) and describes different work options (flexible location or time, part-time working, job-sharing). Employees may freely choose their own ways of working in conjunction with their line managers, taking into account the Bank's core principles.
- addresses how to deal with data protection, banking and business secrecy and work equipment and costs when working remote and outside the business premises.

## 8 Community engagement

### Aim and approach

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Our community engagement aims to have a positive impact on society, while is not considered to be a highly material topic by our stakeholders. It is also important for our employees and relations in Switzerland, and we therefore address the topic 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. 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 2023

In 2023, we continued our long-term oriented community engagement activities. Going forward, we see particular potential for creating synergies between social engagement and relevant business skills. In this context Cembra continued to support skills-based volunteering in its collaboration with YES, where employees help enhance financial literacy among schoolchildren and vocational school students. We are in the process to evaluate and re-design community engagement activities in order to enhance the influence and awareness of our various initiatives.

### Projects and initiatives involving volunteers

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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 supports volunteering activities by counting such activities as working time if they take place on weekdays.

Alongside our other activities (e.g. collaboration with Swiss Red Cross by organising blood drives and the Pink Ribbon Charity Walk), 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. Employees supported the Theodora Foundation at the Kid's Day to fund raise the Gigggle Doctors' visits to children in hospitals. With a lot of commitment and fun Cembra volunteers also support the Children's Cancer Aid Switzerland at the holiday camps in Lenzerheide and Engelberg to take care of the children, allowing parents to switch off from everyday life and have time for themselves. For a table with details of the various projects we pursued in 2023, please see the Annex to the Sustainability Report 2023.

Cembra regularly informs all employees about the volunteering activities. We also keep up a constant dialogue with our partners.



# Independent limited assurance report on Cembra Money Bank AG's Sustainability Report 2023

## To the Board of Directors of Cembra Money Bank AG, Zurich

We have undertaken a limited assurance engagement on Cembra Money Bank AG's (hereinafter "Cembra") Sustainability Information in the following sections of the Sustainability Report as part of the Annual Report (pages 30 to 71) for the year ended 31 December 2023 (hereinafter "Sustainability Information"):

- Our approach to sustainability
- Customer orientation
- Quality and integrity of products and services
- People and development
- Environmental stewardship
- Business integrity
- Community engagement

Our assurance engagement does not extend to information in respect of earlier periods or future looking information or to any other information included in the Sustainability Report or in the Annual Report 2023 or linked to from the Sustainability Report or from the Annual Report 2023, including any images, audio files or embedded videos.

## Understanding how Cembra has Prepared the Sustainability Information

Cembra prepared the Sustainability Information using the following criteria (hereinafter referred to as the "Sustainability Reporting Criteria"):

- Article 964b of the Swiss Code of Obligations
- Global Reporting Initiative (GRI) Standards

Consequently, the Sustainability Information needs to be read and understood together with these criteria.

## Our Limited Assurance Conclusion

Based on the procedures we have performed as described under the '*Summary of the work we performed as the basis for our assurance conclusion*' and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Sustainability Information in the above mentioned sections of the Sustainability Report 2023 is not prepared, in all material respects, in accordance with the Sustainability Reporting Criteria.

We do not express an assurance conclusion on information in respect of earlier periods or future looking information or to any other information included in the Sustainability Report or in the Annual Report 2023 or linked to from the Sustainability Report or from the Annual Report 2023, including any images, audio files or embedded videos. Our conclusion does not extend to the requirements of Swiss Code of Obligations article 964 (d-I).

## Inherent Limitations in Preparing the Sustainability Information

Due to the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur in disclosures of the Sustainability Information and not be detected. Our engagement is not designed to detect all internal control weaknesses in the preparation of the Sustainability Information because the engagement was not performed on a continuous basis throughout the period and the audit procedures performed were on a test basis.



## Cembra's Responsibilities

The Board of Directors of Cembra is responsible for:

- Selecting or establishing suitable criteria for preparing the Sustainability Information, taking into account applicable law and regulations related to reporting the Sustainability Information;
- The preparation of the Sustainability Information in accordance with the Sustainability Reporting Criteria;
- Designing, implementing and maintaining internal control over information relevant to the preparation of the Sustainability Information that is free from material misstatement, whether due to fraud or error.

## Our Responsibilities

We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether the Sustainability Information is free from material misstatement, whether due to fraud or error;
- Forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- Reporting our independent conclusion to the Board of Directors of Cembra.

As we are engaged to form an independent conclusion on the Sustainability Information as prepared by the Board of Directors, we are not permitted to be involved in the preparation of the Sustainability Information as doing so may compromise our independence.

## Professional Standards Applied

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board (IAASB).

## Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our work was carried out by an independent and multidisciplinary team including assurance practitioners and sustainability experts. We remain solely responsible for our assurance conclusion.

## Summary of the Work we Performed as the Basis for our Assurance Conclusion

We are required to plan and perform our work to address the areas where we have identified that a material misstatement of the Sustainability Information is likely to arise. The procedures we performed were based on our professional judgment. Carrying out our limited assurance engagement on the Sustainability Information included, among others:

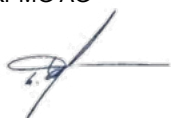
- Assessment of the design and implementation of systems, processes and internal controls for determining, processing and monitoring sustainability performance data, including the consolidation of data;
- Inquiries of employees responsible for the determination and consolidation as well as the implementation of internal control procedures regarding the selected disclosures;



- Inspection of selected internal and external documents to determine whether quantitative and qualitative information is supported by sufficient evidence and presented in an accurate and balanced manner;
- Assessment of the data collection, validation and reporting processes as well as the reliability of the reported data on a test basis and through testing of selected calculations;
- Analytical assessment of the data and trends of the quantitative disclosures included in the scope of the limited assurance engagement;
- Assessment of the consistency of the disclosures applicable to Cembra with the other disclosures and key figures and of the overall presentation of the disclosures through critical reading of the Sustainability Report 2023;
- Check that the Sustainability Report 2023 contains the information required by the Swiss Code of Obligations article 964b (1) and (2) to understand the business performance, the business results, the state of the undertaking, and the effects of its activity on material topics of environmental matters, social matters, employee-related matters, respect for human rights, and combating bribery and corruption.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

KPMG AG



Silvan Jurt  
Licensed audit expert



Fabio Zandonella  
Licensed audit expert

Zurich, 20 March 2024