

Sustainability Report

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1 Letter from the Chairman

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

In this report, we provide details of the specific steps Cembra has taken towards fostering a culture of corporate responsibility throughout the organisation. It reflects our attitude and our increasing efforts to promote sustainable action within Cembra.

We believe that customers reward our sustainable action through high levels of retention and loyalty. In 2019, we grew our customer base by 130,000, and we are proud that one million customers – or every seventh person above the age of 18 in Switzerland – have chosen Cembra as their financial partner. For us, this is a sign that our customers appreciate our transparent, needs-based products and services. But as a market leader in consumer finance and cards in Switzerland, it is our duty to further improve our sustainability performance.

We believe that our sustainable action is important for all our stakeholders. Our work in this area is guided by five sustainability themes, which you – our stakeholders – confirmed to be important for our future success. The themes emerged from discussions with stakeholders back in 2018. And last year, on the basis of additional input, we added environmental stewardship as another key topic. We also set up a stringent framework to drive further improvements, and defined our commitments and performance measures for each topic. We are currently developing an organisational structure for these actions and we are planning to set up a Sustainability Committee at the Management Board level.

Finally, we believe that our sustainable action can help to enhance our financial performance over the long term. The company's reputation has been included in the criteria for the Management Board's long-term incentive since 2016. Now the Board of Directors has decided to give sustainability a greater weighting in the executive remuneration system. We provide more information on how this will be done in the outlook section of the Compensation Report (page 104).

Your feedback is important to us, and we would like to continue our dialogue with you on sustainability and corporate responsibility and our performance in these areas. Please do not hesitate to get in touch with us if you would like to discuss these matters further.



Dr Felix Weber
Chairman

2 Our approach to sustainability

Aspirations, values and policies

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

Aspiration

At Cembra we generate long-term value, by actively considering the interests and expectations of our most relevant stakeholders, by fostering responsible behaviour and practices and by actively contributing to a more sustainable future. We are aware of the impact of our activities and of our responsibilities towards our customers, business partners, regulators, shareholders, employees and communities. In this way, we always aim to adhere to high responsibility standards from an economic, legal, social, environmental and ethical perspective. As a forward-looking business partner, we share our expertise and innovation capacity in order to develop demand-based and reliable financing solutions. Our commitments:

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

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

Values

The daily work of our employees is guided by our four values: engagement, customer focus, responsibility and diversity. The values were defined and anchored in workshops with 140 employees from all of the Bank's departments and language regions in 2017. Since then, the values have become part of our internal communications for all employees.

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

Policies

Cembra adheres to high standards in corporate governance, risk management and internal controls. Policies guide decisions and the behaviour of all our employees and business partners.

Members of the Management Board are responsible for ensuring full compliance with Cembra's policies. The Legal and Compliance department in particular supports the internal implementation and development of effective policies and guidelines in this regard. The Board of Directors supervises the business conduct of the Management Board through corporate governance mechanisms with effective checks and balances (see section on business integrity, page 47).

We have put in place policies, directives and detailed working instructions. The Code of Conduct and the main policies and directives are described on page 48

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Organisation, reporting and coverage

Organisation

Corporate responsibility matters are addressed periodically by the **Board of Directors**, which regularly reviews the feedback and concerns of institutional investors and other stakeholders. In the reporting period, the Board of Directors dealt specifically with the status of our corporate responsibility activities, how corporate responsibility is organised, and the way forward. Questions regarding remuneration, the Board's composition and shareholder rights are always dealt with transparently.

From 2020 on, sustainability will be overseen by the **Management Board** through a new dedicated committee, which will complement the three existing committees at Management Board level: the Credit Committee, the Asset and Liability Management Committee, and the Risk and Controllershship Committee. The new Sustainability Committee is chaired by the CEO. During the reporting period, a **sustainability coordination group** composed of senior managers from various departments reported to the Management Board on sustainability matters. It is planned that from 2020 on, new sustainability-oriented performance indicators will be added to the criteria for determining the Management Board's long-term incentive (see Compensation Report, page 87)

Reporting

This report was drawn up in accordance with the GRI Standards' Core option and in line with the principles of materiality, transparency and comparability. It follows on from the chapter entitled Corporate Social Responsibility (CSR) in Cembra's 2018 Annual Report (pages 28–40). Our sustainability reporting for 2019 consists of the Annual Report 2019, including this chapter on sustainability, as well as the GRI Content Index 2019 and additional disclosures. All information is available online at www.cembra.ch/sustainability.

Coverage and reporting boundaries

The report describes new developments and the progress made in the area of sustainability in the 2019 financial year. Most data and indicators are available for the three financial years up to and including 2019. Because the acquisition of cashgate AG was not completed until 2 September 2019, **cashgate's activities and figures have not been included in the 2019 sustainability report**. cashgate is currently being integrated into the business and will be included in future sustainability reports. The environmental figures on emissions relate to the headquarters in Zurich, which is the workplace of 79% of all employees. The process of harmonising key environmental figures internally is ongoing and should be completed in 2020.

Stakeholder engagement and influence

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

In 2017, we began discussing various corporate responsibility and sustainability themes with external and internal stakeholders, who then prioritised them for Cembra, resulting in a materiality matrix (see the materiality matrix on page 30 of our 2018 Annual Report). In the reporting period, the focus was on the requirements and expectations of leading worldwide ESG (environmental, social, governance) ratings, which base their criteria on a broad set of stakeholders' interests, including regulation and environmental trends.

During the review process, and based on the feedback provided by external and internal stakeholders, it became evident that environmental and climate-related topics were important, despite the Bank's relatively limited direct environmental footprint as a focused financial services provider that provides payment, lending, and deposit and savings products only in our home market of Switzerland. We therefore now consider environmental stewardship to be a new and highly relevant theme (see section below).

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Most relevant sustainability themes

As a result of our engagement with our main stakeholders, we made some changes to the most relevant sustainability themes in 2019. The four themes identified in 2018 were kept, and environmental stewardship was added:

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

As we have been committed to a number of philanthropic activities since 2003, we also report on the topic of community engagement (section 8). This topic concerns the impact of the Bank's activities on local communities and our engagement with them. An organisation can generate a positive impact through local employment and procurement as well as through social engagement in the community.

Commitments and performance measures

We have developed commitments and performance measures for each of the five most relevant themes. These commitments and measures were defined in the second half of 2019 by the Management Board and approved by the Board of Directors in February 2020.

Most relevant topics	Customer orientation	Quality and integrity of products and services	People and development	Environmental stewardship	Business integrity
Commitment	Satisfied customers reward us through high retention and loyalty	We are a responsible provider of financing products and services	We are a Great Place To Work ¹	We reduce our ecological footprint per employee	We have a reputation for taking a zero tolerance approach to non-compliance
Performance measures	Net promoter score	Quality metrics of lending portfolios	Retention rate	Metrics for emissions, and energy use	Number of resolved complaints, cases, dismissals

¹ www.greatplacetowork.ch

Our five most relevant topics, as well as our community engagement, are described in detail in the following sections.

Sustainability-related opportunities and risks

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

- 95% of Cembra's total assets are in cash (or cash equivalents) or in unsecured and secured loans (net financing receivables) in Swiss francs provided in Switzerland only.
- Loan applications that do not meet our strict standards are rejected (see section 4 on the quality and integrity of products and services, page 34).
- Although we are a bank, we offer no investment funds or financing for international projects.

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

3 Customer orientation

Aim and approach

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

The Bank's goal is to provide our customers with responsible solutions. We have also made customer focus one of four values, thereby underpinning the importance we place on customers' needs. To satisfy the needs of our customers of tomorrow, we invest in forward-looking infrastructure, including the development of a user-friendly, needs-based digital platform. Customer orientation is also furthered by the selection, motivation and training of employees (see page 40). Finally, internal policies govern how employees treat customers. Specific policies on business practices are laid out in numerous internal directives.

Client satisfaction measured by net promoter score

Cembra uses several indicators to assess customer orientation. The most relevant indicator is customer satisfaction for each business, measured by the net promoter score (NPS). 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.

The satisfaction of our customers is measured, and any areas of improvement identified, through regular yearly surveys. NPS data are collected as part of recurring customer satisfaction surveys for Cembra's 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 Managing Director B2C is responsible for this indicator.

In 2019, Cembra's total weighted NPS score was +31, on a range from -100 to +100. Due to definition changes, there is no comparable score for the previous reporting period.

Transparent, needs-based offerings

Premium, personalised service in personal loans

We are a leading player in the personal loans market in Switzerland, offering premium, personalised service. For more on our lending process and services, please see section 4 on the quality and integrity of products and services (page 34).

Personalised and flexible service in auto loans and leasing

We are the biggest brand-independent auto loans and leasing player in Switzerland, and the dedicated sales force and employees at our service centres in the German-, French- and Italian-speaking regions of Switzerland provide a personalised, flexible and efficient service. For the financing of e-vehicles please see section 6 on environmental stewardship (page 45).

High customer value in the credit card business

We offer a range of credit cards through partner programmes with Switzerland's leading retailer Migros and with Conforama, TCS, and Fnac; we also have our own Cembra credit card. There is no annual fee on most of the cards we issue, and in several independent consumer ratings, our credit cards regularly rank among the best in terms of customer value. In the 2019 financial year, the number of cards in circulation increased by 10% to 984,000 (2018: 892,000).

Moving towards widely accessible products

Since 2010, we have been successfully pursuing a long-term strategic shift towards a balanced product portfolio, with credits cards accounting for a sharply increasing share of that portfolio. In all businesses, but particularly in the credit card business, we offer very good customer value for our retail customers. While personal loans and auto leases are usually only granted in certain situations, credit cards are increasingly becoming a part of our daily lives, supporting customers in their daily payment transactions and providing a convenient cashless payment solution. For more information on our share of contactless card payments, see the products and markets section (page 11).

Shift of business mix from 2010 to 2018 (as % of net revenues)

	2010	2014	2019
Personal loans	69%	58%	40%
Auto leases and loans	23%	20%	22%
Credit cards	8%	22%	37%
Other	-	-	1%

NB: 2019 not adjusted (including cashgate revenues for 4 months)

Access to finance

Cembra's products are accessible to a wide range of people across Switzerland. We are proud to serve about one million of the seven million people over the age of 18 living in Switzerland. As our offerings are available everywhere in the country, our customers come from all across Switzerland.

The financial situation of our customers can vary depending on their personal circumstances. Some of our customers need financing for matters such as moving to a new place, mobility or education. Our offerings are voluntary, and we provide customers with financing solutions and a way to stay in control of their finances (since 2004, Cembra has been supporting practice-oriented business training programmes for students, see page 54).

4 Quality and integrity of products and services

Aim and approach

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

Responsible handling of customers in the lending process

We take our responsibility towards customers and society very seriously. We aim to identify and prevent potential over-indebtedness throughout the whole lending process:

- Protection of consumers through the Swiss Consumer Credit Act and through contract terms
- 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
- Monitoring and learning

The process steps are described in detail below.

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

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

The Swiss Consumer Credit Act

The aim of the revised Consumer Credit Act (CCA), which entered into force in 2003, is to protect customers against over-indebtedness. The Act covers various types of consumer credits to natural persons. The main elements of the Consumer Credit Act 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 permissible for consumer credit based on a formula. Lenders must comply with this maximum interest rate. In the 2019 financial year, the maximum interest rate was 10% for personal loans and 12% for credit cards.
- **Right of revocation within 14 days** ("cool-off period"): Customers can cancel the consumer credit contract within 14 days of receiving their copy of the agreement.
- **Advertising for consumer credit may not be aggressive:** Lenders offering consumer financing in Switzerland follow the rules set by members of the industry association, Swiss Consumer Finance (KFS).

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

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 that it must not suggest taking out credit for expensive short-term investments such as holidays. For the credit card business, a similar convention was adopted by the Swiss credit card association in 2016. The conventions are available at www.cembra.ch/sustainability, in German and French. Cembra is a member of these associations and is committed to applying their guidelines. The guidelines and processes concerning marketing activities are detailed in an internal directive on marketing activities and external correspondence (see the section on business integrity on page 47 for details).

The advertising campaign launched at the beginning of 2018 focused on lifecycle events. In other words, a loan should be an appropriate response to life circumstances and events. The campaign addresses certain situations in life when a loan might be considered: education, housing and vehicle purchases. The campaign visuals are available in the corporate sustainability appendix, available at www.cembra.ch/sustainability.

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

Customer information

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

For each contract, information on the Swiss consumer credit organisation's principles for responsible lending is provided. This information is also available on the Bank's website, in German and French (www.cembra.ch/de/kredite).

The guidelines and processes concerning customer information are set out in the internal directive on marketing activities and external correspondence (see page 53).

Evaluation of loan applications and customer behaviour

We carefully and systematically evaluate every consumer loan application. Before a contract is concluded, we assess both creditworthiness and borrowing capacity. In addition, we might get in contact with customers in order to further reduce the risk of customer over-indebtedness and debt repayment (servicing) problems. In order to diligently fulfil the legal requirements, the Bank 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 not only keeps 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 competences that the Bank uses to limit defaults.

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 relies on available customer information. A customer's behaviour can also influence the assessment of creditworthiness.

The **assessment of borrowing capacity** is based on: a) the legal provisions of the CCA; b) available customer data from the Swiss central credit information bureau (ZEK); and c) client-specific characteristics pursuant to internal rules, in addition to the legal requirements. The underwriting process requires detailed **budget calculations** to be made 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 rule-based tools and the in-depth experience of employees ensure consistent and systematic decision-making for all credit products. All **underwriting** decisions take into account the risk tolerance and risk limit requirements applicable throughout the Bank (see Risk Management Report, page 19).

Customer service and repayment

Customers past due or with higher risk 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.

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.

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 so that decisions leading to unwanted outcomes are prevented.

We regularly survey our customers to determine our net promoter score, and the Bank's customer service for credit cards is also regularly reviewed by independent product comparisons and in customer satisfaction surveys, where it often garners top scores (see section on customer orientation, page 32).

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 support 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 addition to chapter 4 of the Code of Conduct (which states that Cembra must react to customer complaints in a timely manner and with respect and fairness), we have a customer complaint resolution process in place for external complaints, with monthly reporting to the Management Board.

Responsible practices in exceptional cases

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

- **Finding affordable repayment solutions:** The Bank always aims to find fair and affordable repayment solutions for all products. Our internal collections department can respond appropriately and quickly to any unusual situations. The experts in Cembra's collections team have an average of 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.
- **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 credit portfolio

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

5 People and development

Aim and approach

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

Responsibilities

The Human Resources (HR) department is responsible for employing and training people, and ensuring effective employee relations. Cembra's HR Learning & Development department is responsible for training and development programmes. Various indicators, such as the results of employee engagement surveys, the retention rate of employees or the average years of employment, are key to measuring our performance in terms of people and development (see table below).

Coverage

The indicators and activities presented below do not include temporary workers (as they do not have a contract with Cembra directly) and **they exclude employees of subsidiaries cashgate and Swissbilling** (see also the section on reporting boundaries, page 30). 79% of all employees work at our headquarters in Zurich Altstetten (excluding 134 employees of cashgate), while the remainder work in our network of branches across Switzerland (excluding cashgate). In 2019, 2% of our employed workers were temporary workers.

Personnel management

Employee key figures	Turnover rate – permanent contracts ¹	Turnover rate – temporary contracts	Average years of employment	New recruits 50+
2015	12%	3%	9.1	8
2016	14%	2%	9.3	8
2017	13%	1%	9.6	5
2018	13%	1%	9.3	19
2019	11%	1%	9.0	16

¹ Turnover rate = reciprocal value of retention rate. Retention rate is the performance indicator in Cembra's corporate responsibility framework

Coverage: Cembra excluding cashgate and Swissbilling

In 2019, the average employee turnover rate declined from 13% to 11% compared with the previous year, mainly due to the effect of the increase in the workforce in the reporting period. The comparatively high average number of years of employment reflects employees' loyalty and engagement. The call centres, which typically represent an intermediary career stage for young professionals, traditionally have a significantly higher turnover rate. The number of new employees over the age of 50 decreased slightly in 2019.

Employee satisfaction surveys and measures to further improve satisfaction

We measure the satisfaction and commitment of our employees every two years. The results of the surveys are discussed by the Management Board and are disclosed to the Board of Directors, and appropriate measures are derived from them. We work with the Great Place to Work organisation to conduct the surveys. Each year, millions of employees in more than 50 countries take part in the Great Place to Work Trust Index survey. The first survey by Cembra, in autumn 2016, resulted in an overall trust index of 67%, with a participation rate of 72%. After we introduced various measures to improve employee satisfaction and engagement, our participation rate increased to 77% in autumn 2018, and the employee trust index rose to 69%. Thanks to this excellent result, in April 2019 Cembra was ranked fifth among the Great Places to Work in Switzerland 2019, in the Large Companies (250+ employees) category.



The results of the 2018 employee survey show that we can still make significant improvements in two areas: Our work together would benefit from even greater trust, and we need to grow together as a team. In 2019, we implemented various measures under the motto of “Trust and Team” in order to further foster a culture of trust and teamwork. These measures included statements by members of the Management Board and other managers, regular information events, specialised talks, workshops for employees and managers, and a review of our performance management system (see below).

Updated staff regulations

The staff regulations form the basis of the company’s interaction with employees, and the Code of Conduct describes the key principles of working together within the company. These policies also specify that our behaviour should be based on mutual appreciation and respect. This includes protecting personal privacy, integrity and employee health. The Bank also ensures that ethical and moral standards are safeguarded. We do not tolerate any discriminatory conduct, in particular on the basis of race, nationality, gender, sexual orientation, religion or age. Nor do we tolerate violations of people’s rights, in particular workplace bullying. The existing staff regulations were updated during the reporting year and will enter into force in the first quarter of 2020. The most important changes concern additional annual leave for employees over the age of 50 and more paternity leave, as we place great emphasis on the issue of work-life balance and the compatibility of work and family life. The staff regulations are made available upon request.

New performance management dialogue

To establish a culture of trust and to transfer more responsibility to managers, the traditional performance assessment process is being replaced by a continuous dialogue between employees and managers. Performance ratings will be abolished in 2020.

This “Dialogue”, as the new approach is called, takes our cultural initiative “Trust and Team” a step further. We promote an open dialogue between managers and employees through continuous feedback in both directions. We communicate openly and honestly as part of this process, learn from each other, and help each other further develop our strengths.

“Dialogue” also places greater emphasis on the ambitions that we as a team want to achieve together. We will therefore define new team goals and derive individual and team priorities from those goals. This makes it possible for all employees to work towards the same goals. Shorter-term milestones will be defined for individual employees so that we can respond in a more agile way to changes. The rules governing bonuses have been aligned with this new performance management process.

In addition to this permanent dialogue, employees can raise their concerns with Human Resources or Compliance directly. And if they prefer, employees may also take advantage of the whistleblowing process that is set out in the Code of Conduct (see section on business integrity, page 48).

Development and training

Mandatory training

Cembra requires **all employees** to complete a number of mandatory online training courses (see section on business integrity, page 47) in order to meet regulatory requirements. These courses cover topics relating to general compliance, operational risk awareness, employees' reporting obligations, anti-money-laundering compliance, bank-wide information security, business continuity management awareness, data protection and governance, insider trading, and conflicts of interest.

All **new employees** attend the mandatory two-day welcome-aboard training course offered during the first days of employment. In addition, those new employees who will be working in an operations role within the Bank also attend a specific onboarding training session. The mostly mandatory functional **training sessions** last between two days and five weeks. They are a mix between classroom and online training, one-to-one coaching, testing, self-study, job-monitoring and other formats. The structure is adapted to the employee's specific needs, and we aim to make the learning content as personalised as possible.

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

The training programmes are developed and carried out by seven internal functional trainers and one lead. In 2019 a total of 1,639 participants were trained through 63 different courses.

Development of management and soft skills

We aim to find a balance that gives employees the opportunity to develop both professional skills and soft skills. By assessing employees' and the organisation's needs, an annual curriculum of management and leadership courses, as well as courses in soft skills, is offered in the areas of communication, business and personal effectiveness, and health and wellbeing. In 2019, 30 training days were offered for courses from the Bank's internal training curriculum and 35.5% of employees had the opportunity to take part in at least one training course.

	2019	2018	2017
Management and soft skills training days	30.0	27.5	29.5
Programmes offered	17	16	17
Number of employees taking part in management and soft skills training sessions	289	267	228
% of employees trained in management and soft skills	35.5%	35.3%	29.5%

Cembra excluding cashgate and Swissbilling

Junior talent development programme

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

In 2018, nine young employees were selected based on their engagement and skills, and all participants successfully completed the programme in 2019. In August 2019, another eight employees were selected and started the new cycle of the Radix programme.

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 nine years, 36 apprentices have successfully completed their programme at the Bank, of which 16 are still employed by us. Four of the apprentices who graduated in 2019 are still working within the Bank, with two of them working part time while they complete their vocational training.

Working conditions

Cembra aims to be an attractive employer by providing attractive 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.

Healthy work environment and work-life balance

We aim to give our employees the opportunity to develop their skills not only professionally, but also personally in order to foster a healthy work environment and lifestyle. In the reporting period, Cembra offered numerous courses and implemented measures all about remaining physically and mentally fit: agility, business networking, conflict management, mindfulness, resilience and stress management, as well as health and leadership, digital detox, sleep, and a free inhouse gym at the head office. There are seminars on various health topics, such as quitting smoking, as well as information sessions and awareness campaigns on topics related to nutrition, well-being and first aid. At headquarters, catering has been improved to offer healthy alternatives (e.g. a larger variety of vegetarian food and take-out options with no plastic). Cembra also has an emergency response system. Emergency first-aiders have been identified in all branches and at headquarters. They receive regular training every two years to refine their skills and stay up to date.

In 2019, Cembra's health and safety management system was analysed externally according to the quality criteria of the Friendly Work Space® best practice benchmark for occupational health and safety management in Switzerland. The assessment showed that Cembra implements a broad range of measures and identified areas for further improvement on which we will be working in 2020.

Line managers ensure that statutory health and safety requirements are met. The HR Director, reporting to the CEO, coordinates the health and safety management activities.

Flexible ways of working

The Bank offers flexible working solutions to foster a healthy work-life balance. The solutions include part-time and telework arrangements, given that the Management Board is convinced that flexible ways of working can increase job satisfaction, employee commitment, productivity and retention. At year-end 2019, 25% of all employees were working part time (see table below). Many of our part-time employees are working parents.

Cembra promotes flexible work arrangements, outlined in our Ways of Working/Flexible Work Arrangement Framework. The key elements of the framework are described on page 53.

Sustainability Report

Part-time work

	2019	2018	2017
Men			
Senior Management	0	0	0
Management	0	2	2
Senior Employees	11	13	8
Employees	28	35	35
Total men	39	50	45
Women			
Senior Management	0	0	0
Management	7	6	6
Senior Employees	34	24	26
Employees	135	142	140
Total women	176	172	172
Total	215	222	217
As % of all employees	25%	27%	28%

Cembra excluding cashgate and Swissbilling

Annual leave and absentee regulation

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

Absentee rate

The absentee rate is an indicator we use to learn about our employees' well-being. In 2019, the absentee rate was 3.3% (2018: 3.1%).

Non-salary employee benefits

Employees are offered various non-salary (fringe) employee benefits. Following a review in 2018, the Bank extended the benefits with the aim of ensuring that all employees gain equally from these benefits. The benefits offered are comparable to those of other banks in Switzerland. Alongside salaries customary for the sector, the benefits contribute to our attractiveness as an employer.

The non-salary benefits include vouchers for public transport, additional financial support for employees with children, and increased amounts for Reka-Checks. An overview of all benefits for employees is made available upon request.

Top-to-median salary ratio

The ratio of the top-to-median compensation is 12.3 (2018: 12.5; 2017: 12.7). The median is based on the annual base salary plus variable target compensation for the previous financial year. The annual base salary is extrapolated to full-time equivalents.

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Diversity

Diversity is one of our four corporate values (see page 29), and Cembra values and promotes diversity in terms of gender, age, nationality and cultural background.

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

Gender and age

Overall, 48% of employees are women. At the employee level (including the employee and senior employee levels), the proportion of female employees is 50%. At the management level (including the management and senior management levels), it is 25%. Female representation on the Board of Directors stands at 29%, or two out of seven members.

Age and gender of workforce according to seniority (headcount):

	2019				2018			
	Age < 30	Age 30-50	Age > 50	Total headcount	Age < 30	Age 30-50	Age > 50	Total headcount
Men								
Senior Management		1	7	8		3	8	11
Management		34	18	52		27	13	40
Senior Employee	6	120	51	177	7	107	48	162
Employee	84	91	43	218	75	103	39	217
Total men	90	246	119	455	82	240	108	430
Women								
Senior Management		1	1	2				
Management		17	1	18		18	4	22
Senior Employee	3	65	21	89	2	52	14	68
Employee	81	159	65	305	74	157	72	303
Total women	84	242	88	414	76	227	90	393
Total at 31 Dec.	174	488	207	869	158	467	198	823

Cembra excluding cashgate and Swissbilling

Definition of Senior Management: as of 31.12.2019: 7 Management Board members plus 3 extended board members

Definition of Senior Management: as of 31.12.2018: 7 Management Board members plus 4 extended board members

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 peer 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 growth, encourage career advancement and foster the exchange of ideas in line with the Bank’s values. A team of ten women contributes to the organisation of the talks, panel discussions with internal and external speakers and events on topics such as diversity, networking and courage. The programme also supports participation in the annual Pink Ribbon Charity Walk to raise awareness of breast cancer and donates to the Zurich Women’s Shelter (see also section on community engagement, page 54). In 2019, the events were organised under the theme “Trust”. The programme is open to all female staff within the organisation, with some events also open to men. The programme is sponsored by a member of the Management Board.

Additionally, Cembra is a founding member of the “Advance” network for gender equality in business. Advance offers its over 100 Swiss-based member companies skill-building and mentorship programmes as well as role-model exposure and best-practice sharing on innovative working models. Advance organises events and leverages the most innovative talent management tools from associated organisations. As a premium member, we have access to 17 exclusive training days for talented women in middle and upper management, the mentorship programme for one selected female employee, and a variety of workshops, seminars, and networking events offered throughout the year.

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 36 different countries (2018: 37, 2017: 38; not counting multiple citizenships) and with diverse cultural backgrounds.

Nationality of workforce	2019		2018	
	Swiss	Non-Swiss	Swiss	Non-Swiss
Senior Management	7	3	7	4
Management	45	25	36	26
Senior Employees	167	99	148	82
Employees	402	121	388	132
Total	621	248	579	244

Cembra excluding cashgate and Swissbilling

6 Environmental stewardship

Aim and approach

As we only provide lending, deposit and savings products in our home market of Switzerland, our environmental footprint is relatively small. However we are committed to using resources in a sustainable manner, minimising the negative impact of our operations, and fostering the transition to a low-carbon economy. This theme is currently being managed using a two-fold approach involving the two most relevant **environmental opportunities**:

- **Operational environmental management:** We are engaged in ongoing efforts to protect the environment by conserving natural resources and preventing pollution, including specific effects from supply chains.
- **Ongoing shift towards financing electromobility:** Electromobility accounts for a growing share of our financing. Considering increasing demand for climate-friendly products, Cembra's strategy includes developing innovative solutions.

As for **environmental risk**, we strive to manage the effects of climate-change-related risks on the business, such as physical, regulatory and reputational risks, as part of our strategic risk management (see Risk Management Report, page 19).

Operational environmental management

Cembra's environmental management is based on the Swiss Environmental Protection, Energy and CO₂ Acts. We ensure environmental stewardship mainly by optimising processes and outputs with an environmental impact. These processes and outputs are addressed within the Bank and in the area of financial services. We also achieve cost reductions by optimising and reducing our use of energy and equipment.

Energy and emissions

Cembra strives to make more efficient use of natural resources and to reduce greenhouse gas emissions. Since 2012, we have been part of the voluntary energy programme run by the Energy Agency of the Swiss Private Sector (EnAW) in Zurich, through which we have committed to actively reduce carbon emissions and optimise energy efficiency. By working with the EnAW, an official partner of the Swiss Federal Government and cantons for energy savings and climate protection, we have been able to cut our energy consumption and save money through cost-efficient measures. In 2013 our target for 2020 was to reach a CO₂ reduction of -14%, which is more than achieved by cutting our gas usage by 62% since 2013 and changing over to 100% renewable energy in our headquarters in 2016.

- **Energy consumption** is the area in which the Bank's operations have the greatest direct impact on the environment. At our headquarters (79% of all employees, same scope as for CO₂) we have been using electric power generated 100% from renewable sources (100% European hydropower) since 2016. Hydropower has the highest lifetime energy payback of all energy generation technologies. Saving energy is essential for Cembra, as it enables us to conserve resources and be cost-efficient. In order to reduce our environmental impact and lower costs, we continuously implement a variety of measures aimed at minimising emissions and the greenhouse effects of energy use.

Since 2013, the consumption of electric power per FTE has declined by 25% and liquid natural gas by 62%.

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

Coverage: Zurich headquarters (79% of total employees in 2019, excluding cashgate)

- **Company fleet:** In 2019, the number of cars declined by 9% to 57 cars (2018: 63). Despite the growing number of FTEs, the total number of kilometres travelled decreased by 4% in 2019 (2018: -9%).
- **Supporting the use of public transport:** We encourage commuting by public transport as part of our employee benefits. We cover a significant part of public transport commuting costs for most employees (see page 42).
- **Flexible ways of working:** Working from home and/or commuting to the workplace during off-peak hours reduces emissions and peak use of public transport. We therefore encourage teleworking and flexible working hours and ensure the necessary conditions and IT infrastructure are in place wherever this is possible. Our "Flexible Work Arrangement Framework" (see page 53 for a summary) defines the various working models offered by the Bank.

Sustainability Report

Materials

We pay particular attention to where we source materials and the use of paper, IT equipment and infrastructure.

- **Energy-efficient IT equipment and infrastructure:** We aim to improve energy efficiency in our own operations but also strive for high standards in our value chain. By law, IT equipment has to comply with stringent standards. We dispose of old equipment through standard Swiss channels and this is included in the purchasing price. We make use of infrastructure services, and the majority of our IT is managed and operated by Swisscom, which runs a strict environmental monitoring programme.
- **Low paper consumption:** Compared with other companies in the same sector, paper consumption in total and per employee is low at Cembra. We use electronic devices (e.g. laptops and video screens in meeting rooms) to a large extent, instead of printing paper for internal work. Employees are encouraged to refrain from printing documents whenever possible. In January 2020, we began using FSC®-certified paper for all printed documents for internal use and customer mailings. Many documents exist in online-only versions.
- **Plastic-free catering:** In order to reduce our environmental footprint, we are working towards more sustainable catering for employees at our headquarters, where 79% of employees work. For 2020, the aim is to significantly reduce the use of plastic and paper cups, and to raise awareness of the importance of sustainability among Cembra employees. This task was assigned to an internal project team as part of our junior talent programme, Radix (see page 40).

Table: Key environmental figures

	Unit	2019	2018	2017
Consumption				
Electricity	kWh	1,553,193	1,453,998	1,332,000
Gas	kWh	513,900	679,500	643,500
Water	m ³	3,342	3,284	3,219
Lease cars (own fleet) ¹	km	1,756,734	1,787,277	1,808,045
Lease cars (own fleet) / FTE ¹	km / FTE avg	2,258	2,355	2,579
Greenhouse gas emissions				
Direct emissions (scope 1)	CO₂ tons	369	396	393
Direct emissions / FTE	CO ₂ tons	0.51	0.59	0.62
Gas	CO ₂ tons	104	137	130
Lease cars (own fleet)	CO ₂ tons	265	259	263
Indirect emissions (scope 2)	CO₂ tons	0	0	0
Electricity ²	CO ₂ tons	0	0	0
Number of employees (emissions scope)	FTE avg	604	552	527

¹ Excluding cashgate and Swissbilling

² Scope: Zurich headquarters (79% of employees in 2019) where Cembra uses 100% carbon neutral renewable energy sources.

Ongoing shift towards financing of electromobility

In 2019, the share of new registered cars in Switzerland equipped with electric engines more than doubled to 4.2% (2018: 1.7%)

The Bank offers loans and leases for electric vehicles on highly favourable terms. Electric vehicle leasing is expected to generate a much larger share of the Bank's total revenues over the long term. Declining prices for electric vehicles and a larger supply of used vehicles will further increase the popularity of electromobility, as will tighter CO₂ requirements and regulations. Ultimately, Cembra's customers benefit from products that enable them to save energy. The strategy is to grow this business.

7 Business integrity

Aim and approach

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

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

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

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

Proven governance framework

The Bank uses the "three-lines-of-defence" framework (see Risk Management Report page 21) to manage risk and monitor compliance with legal requirements and internal policies (see the Risk Management Report on page 20 for more details). Binding, regularly updated processes likewise ensure that the Bank follows all applicable laws and regulations. Various policies are in place to ensure a high level of business integrity and compliant, responsible behaviour.

Mandatory training for employees

Cembra has adopted a comprehensive programme of mandatory training on the Bank's regulatory requirements for all employees. Employees are required to complete this mandatory training once a year and confirm their skills by successfully completing an online test.

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

Cembra's HR Learning & Development department is responsible for ensuring that 100% of the targeted employees complete the training based on internal directives.

Code of Conduct

The Bank introduced a Code of Conduct in 2005 and it has been updated several times, most recently in 2016. The next update is planned for 2020. The Code summarises the vision, ethical principles, professional standards and company values that drive the Bank's long-term success. It describes employees' reporting rights and obligations and the process for reporting any and all suspected breaches of laws, regulations and the Code itself (whistleblowing process). It is available at www.cembra.ch/governance.

Coverage

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

Implementation and training

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

- All new employees are given the Code of Conduct with their employment contract and attend two compulsory workshops on the Bank's corporate values and Code of Conduct.
- All employees are required to attend annual compliance classes that cover key components of the Code of Conduct. They take annual (online) tests to demonstrate that they understand the contents of the Code of Conduct, the whistleblowing process and all related procedures.
- Regular controls based on the three-lines-of-defence model ensure that compliance risks regarding the Code of Conduct are identified and actively mitigated as needed.
- Suspected employee violations of laws, regulations or the Code of Conduct must be reported to the alleged offender's supervisor, the Compliance department, the Human Resources department or the ombudsperson (whether internal or external). Violations by the Management Board must be reported to the Chairman of the Board of Directors.
- Code violations have a negative impact on employee performance reviews and may affect performance bonuses. Code violations may also result in dismissal.
- In 2019, all employees, including all new employees, completed the mandatory online training on the Code of Conduct and pledged to comply with the provisions of the Code.
- For further details on training, see the section on people and development, page 40.

Whistleblowing process

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

- Cembra does not tolerate reprisals against anyone who reports alleged violations in good faith.
- Employees can report suspected violations internally (to their supervisor, Human Resources, Compliance, internal ombudspersons) or to an independent external ombudsperson. An anonymous form is also available on the Cembra website.
- All employees are informed about the ombudsperson and educated about what to do and whom to contact if they uncover possible violations.
- The Bank's operating subsidiaries must submit whistleblowing reports to these individuals and departments as well.
- 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 2019, no cases were reported.

Supplier standards and supplier 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 recently adopted a set of improved supplier standards and values, and in 2020 we are rolling out the corresponding enforcement actions and controls.

Supplier standards

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

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

Supplier management processes

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

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

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

Coverage

Our updated supplier standards aim to cover those suppliers that do not already have their own sustainability programmes. In 2019 our analysis revealed that the vast majority of our suppliers are Switzerland-based companies with extensive supplier standards and that implicitly already fulfil Cembra requirements.

Controls

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

Important suppliers (those classified as "vendors" according to the Cembra Sourcing and Vendor Management directive) are assigned minimum yearly performance assessment ratings covering all critical aspects of supplier performance.

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Training

The Sourcing department consists of senior employees who actively drew up the Cembra directives and the supplier standards (and hence do not require training themselves). New and existing vendor management staff undergo official and department-specific onboarding processes and receive training covering corporate responsibility and sustainability requirements.

Audits

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

Privacy and data protection

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

- The Group has implemented this framework with the overall goal to ensure critical information, personal such as customer data and data processing relevant information technology are protected. This framework covers the protection of the data processing by service providers. Such service providers are diligently selected, instructed and controlled.
- Employee training on data protection: All employees receive regular training on data protection. For further details see the section on internal training, people and development, page 40.
- Cembra has published a Privacy Policy, a declaration about the rulings of data processing in the bank containing the enlisting of the customer rights. The Privacy Policy is published on Cembra's website (www.cembra.ch/en/privacy-policy/) and informs customers about Cembra's data processing and provides all information to exercise their rights.

Ensuring the business integrity of partners

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

Longstanding active relationships

We maintain close, longstanding relationships with our distribution partners. In many cases, partnerships have evolved over several decades. More than 50% of business volumes are transacted through car dealers that have been Bank partners for 20 years or more. The average sales area manager has been with the Bank for 18 years. At year-end 2019, 181 independent intermediaries (including cashgate) were originating personal loans for the Bank. In the auto leases and loans segment, we partner with around 4,000 car dealers. In the credit card segment, we have longstanding relationships in Switzerland with Migros (since 2006), Conforama (since 2008), Touring Club Suisse (since 2011), and Fnac (since 2016, renewed in 2019). In 2019, new partnerships were entered into with Lipo and Migros Bank, a fully owned subsidiary of Migros.

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Processes in place to ensure business integrity and ethical conduct

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

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

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

	Independent intermediaries	Car dealers	Credit card partners
Quality assurance We require our business partners to meet high standards of integrity.	Quality is reviewed monthly, with more in-depth reviews conducted quarterly.	Quality is reviewed yearly or at least every three years.	Our credit card partners already follow very high quality and responsibility standards.
Training We provide regular training to ensure business integrity.	Training focuses on business and product strategies, products, processes and compliance. 140 independent intermediaries receive training each year.	Training focuses on business and product strategies, products, processes and compliance. 70 to 80 car dealerships take part in a centralised one-day training session each year.	Retailer credit card partners receive regular training and additional onboarding training for new partnerships. 30 to 40 point-of-sale training sessions are conducted every year.
Responsibilities and monitoring Various departments (including compliance, underwriting and – through guidelines and escalation processes – risk management) are involved in the quality assurance processes described above. Bank departments handle the budget calculations and underwriting processes internally. The Bank always has the ultimate responsibility for approving a loan or car lease and bears the risk for possible losses due to default.	Specific policies for independent intermediaries ensure professional delivery of services and full compliance with ethics requirements. These policies are included in every business relationship in order to minimise compliance risk.	Car dealers are regularly visited by the Bank's 25 sales area managers, who report their findings via an online tool. Abnormal findings are investigated, and in case of non-compliance of the dealer the partnership is terminated.	Credit card partners and their branches are regularly visited by three employees. They provide support and perform spot checks of customer applications. Any irregularities are investigated jointly with the partners, and are reported internally. Additional training sessions are provided where deemed necessary.

Other policies covering aspects of business integrity

The policies put in place by Cembra include the following. Each policy is reviewed and updated on a regular basis.

Anti-money-laundering policy (AML)

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 formed. In addition to the continuous review of customers, transactions and payment practices are constantly monitored. Suspicious transactions are flagged and reviewed by the Bank's compliance officers.
- All new Bank employees receive introductory training that covers the Bank's anti-money-laundering programme and then attend regular refresher classes in subsequent years (see section on people and development, page 40).

Policy on the prevention of fraudulent practices by external parties

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

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

Policy on the acceptance and presentation of gifts

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

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

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

Policy on sponsoring, contributions and donations

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

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

In particular, the directive states that:

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

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

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

Policy on marketing activities and external correspondence

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

In particular, the policy states that:

- consumer credit contracts (including lease agreements as well as credit and customer cards) may not be advertised aggressively
- it must be ensured, in relation to advertising for products, that the relevant provider (company) is clearly specified and that a calculation example, including the effective interest rate and the total costs, is provided in all cases
- an over-indebtedness warning must be included, referring to the fact that any lending 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 to this effect concerning data protection and processing, in particular for marketing purposes
- appropriate controls must be implemented to ensure compliance with the requirements of the directive and the related work instructions.

The “Flexible Work Arrangement Framework”

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

In particular, the directive:

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

8 Community engagement

Aim and approach

At Cembra, we take our social responsibility seriously and are committed to important social policy issues. By focusing on disadvantaged people, we want to strengthen how Cembra is perceived in the market. We see ourselves as equal partners, and we attach great importance to supporting projects and initiatives for the long term.

Our community engagement has three goals:

- **Understanding for 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.

Projects and initiatives with volunteer participation

We are proud of our long-standing partnerships and the continuing engagement of our employees. Cembra employees have the right to two working days a year for their volunteer commitments.

Partner	Since	Activities	Number of participating employees (2019)	Hours spent (2019)
Theodora Foundation	2015	Children in hospitals The foundation's "Giggle Doctors" bring magical moments to children in hospitals. Every year in June, a Kids' Day takes place, co-organised by Cembra employees	20	130
YES	2004	Business in schools YES supports practice-oriented business training programmes for students. The Bank's employees teach business-related topics at schools to provide students with practical business knowledge	4	50
Childhood Cancer Switzerland	2006	Childhood cancer Our employees work with affected families at the children's holiday camps in Engelberg and Lenzerheide	22	300
Swiss Red Cross	2005	Blood drives We organise blood drives at our headquarters twice a year	154	85
Pink Ribbon Charity Walk	2010	Charity Walk sponsored by Cembra for up to 100 employees with their families, partners and friends. All proceeds go to the breast cancer research done by the Zurich Cancer League	90	0 (outside working hours)