

# Corporate Social Responsibility

2020 Report

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01

# About Avaloq

**Our mission is to orchestrate the financial ecosystem and democratize access to wealth management.**

**Our vision is to be the leading provider of cutting-edge banking software and services, enabling financial institutions to responsibly manage clients' wealth.**

Avaloq leads the world's financial industry with advanced digital banking solutions, core banking software and wealth management technology. We serve financial institutions with powerful solutions through Software as a Service (SaaS), Business Process as a Service (BPaaS), and on-premises software. In 2020 over 150 wealth managers and banks globally trust our products.

Throughout our 35 years of existence, Avaloq has matured into an industry leader without losing its entrepreneurial mindset. This has allowed us to lead the transformation and automation of the financial services industry.

Driven by our 2,400 employees across 22 offices in 11 locations across Europe and Asia Pacific, these bright and ambitious people are responsible for identifying emerging needs, exploring ideas for meeting them, developing new and innovative solutions to enhance our clients' businesses, and run the Avaloq software for our clients.

In 2020 NEC Corporation, a global infrastructure and technology leader based in Japan, acquired Avaloq. This created a joint value proposition, coupling Avaloq's outstanding digital finance solutions with NEC's cutting-edge technologies and global business network.

With over a century of expertise, NEC is the perfect home for Avaloq to continue driving the change in financial services. This is supported by our similar culture and a shared belief in the NEC Way, which is made up of four elements – purpose, principles, code of values and code of conduct – that form the basis for how the extended NEC Group conducts itself.

These elements form a foundation in which we can orchestrate a brighter world by leveraging our knowledge and our expertise to act as an organization. For Avaloq, this means providing the world with more access to efficient and valuable financial solutions, while positively impacting society and the environment.

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# Context for this report

This is Avaloq's second Corporate Social Responsibility (CSR) report and documents our performance and achievements related to environmental, social and governance (ESG) factors.

The report reaffirms our support for the principles of the United Nations Global Compact, which guides companies around the world to adopt sustainable and socially responsible policies. Avaloq has been a proud participant in the United Nations Global Compact since October 2019.

We share our communication on progress (CoP), in which we describe the actions we have taken to integrate the United Nations Global Compact principles into our business strategy, culture and daily operations.

The scope includes information about Avaloq and its fully owned or major operating subsidiaries, providing an overview of our framework, priorities, and selected initiatives for 2020.

If you have any questions about this report, please contact:

 [CSR@avaloq.com](mailto:CSR@avaloq.com)

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# A message from our co-CEOs



Dear readers,

Avaloq remains firmly committed to the United Nations Global Compact's principles and we are happy to share our second CSR Report with you. We are delighted to share that we have made significant progress on our key focus areas of business, society, and environment – especially considering the unexpected challenges we faced.

For all of us, 2020 will be remembered for many things, most notably the rise of COVID-19 and the impact it has had on society at large. This includes the rapid adoption of home office, the adjustment to private and public spending, and the way we interact in our personal and professional relationships. When reflecting on the year, we could not be prouder of our people, for their reliability, resilience and flexibility.

In this situation our priority was steadfastly focused on our clients, employees and partners. This meant we could execute business continuity plans across all of our 22 offices in 11 countries. This immediate response ensured the continuity of our operations throughout the COVID-19 crisis period. We were also able to mitigate the risk of infections by shifting 98% of our worldwide workforce to home office within a week. Thanks to our strong IT infrastructure across the whole company, the move to home-based productivity went smoothly. Finally, we segregated our three service centres in Switzerland, Germany and Singapore. Thus, ensuring our services were delivered without any interruptions to our clients, despite a steep increase in market volatility and trading volumes.

Our commitment to responsible business practices remains stronger than ever. In 2020 we successfully developed an ESG solution to support investors with more flexibility around sustainable investments, we participated in the United Nations events for an open dialogue on corruption, and addressed all gender pay gap cases, in addition to increasing the gender diversity of our organization. We were also able to reduce our greenhouse gas emissions by 63% compared to our 2018 baseline and achieved the Climate Neutral company label.

It is also worth mentioning that NEC Corporation took ownership of Avaloq in 2020. Together we share a similar outlook on the world we operate in, and we believe we can have a positive impact through the products and services we create and the way we conduct our business.

**Martin Greweldinger**  
Co-Chief Executive Officer

**Thomas Beck**  
Co-Chief Executive Officer

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## Our CSR focus

As a leading software and service provider in the financial industry, we are reinventing finance for the people to make a difference in society. This is in line with Avaloq's mission to be the orchestrator of the financial ecosystem and to democratize access to wealth management. All made possible by the products and services we provide, allowing a broader group of people access to previously unavailable financial solutions. We also aim to facilitate awareness around ESG investment solutions by providing products that match an investor's sustainability goal.

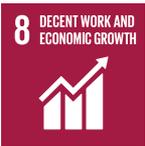
We conduct our business in the interest of society in many ways, one of which is by assuring more people have a chance to prosper fairly. This is done through active measurement of equality factors around pay and promotions. Due to the personal impact of COVID-19, we also focused on topics of wellbeing and employee engagement to minimize the negative impact of extended periods of isolation during lockdowns.

It is our belief that we can provide the world with more access to efficient and valuable financial solutions at minimal cost to the environment. Due to the nature of our business, our carbon footprint is relatively small compared to other sectors of the economy, but we still keenly observe and adjust our operations to function on renewable energy and achieve climate neutrality.

As an organization, our desire and approach to have a positive direct and indirect impact is clear, and our leadership are the driving force behind our business operations, that shape our contribution to business, society, and the environment.

Our CSR strategy is focused on the three key areas of business, society and environment, which are all linked to specific Sustainable Development Goals (SDG) of the United Nations. These goals include reducing inequalities, gender equality, decent work and economic growth, affordable and clean energy, and climate action.

We have set precise sustainability targets – some of them quantitative, others qualitative. Below, we present our goals, what we achieved in 2020, and their connection to the United Nations SDGs.

	BUSINESS	SOCIETY	ENVIRONMENT
<b>Our goals</b>	<ul style="list-style-type: none"> <li>• Create and promote new solutions to democratize access to wealth management</li> <li>• Help financial institutions capitalize on the market shift towards sustainable investing</li> </ul>	<ul style="list-style-type: none"> <li>• Perform a regular pay review every year to maintain equal and fair pay</li> <li>• Increase the number of women in our workforce to a minimum of 30% by end of 2022</li> <li>• Double the number of women in senior management positions from 2019 by the end of 2025</li> <li>• Support the personal resilience of our employees during the COVID-19 pandemic</li> </ul>	<ul style="list-style-type: none"> <li>• Switch to 100% renewable energy for our operations</li> <li>• Remain a climate neutral company</li> </ul>
<b>Key achievements in 2020</b>	<ul style="list-style-type: none"> <li>• Launched three innovative stand-alone products aimed at democratizing access to wealth management</li> <li>• Developed an ESG solution that facilitates the creation of portfolios matching investors' sustainability goals</li> </ul>	<ul style="list-style-type: none"> <li>• Performed regular review and addressed all pay gap cases</li> <li>• Exceeded the industry average of 29% female employees</li> <li>• Increased the number of women in senior management positions by 21% over 2019</li> <li>• Rolled out Unmind, a workplace mental health platform, for all employees</li> </ul>	<ul style="list-style-type: none"> <li>• Powered our operations with 100% renewable energy</li> <li>• Achieved the South Pole Climate Neutral company label</li> <li>• Reduced our greenhouse gas emissions by 63% compared to our 2018 baseline</li> </ul>
<b>Link to the UN SDG</b>		 	 

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# Business: Sustainable business practice through innovation



Performance YTD  
+1.03%

Today

MAY 2019    AUG 2019    DEC 2019    FEB 28 2020    MAY 2020    AUG 2020

[View in Analytics Hub](#)

**Scenario 1**

Strategy: Balanced - CHF

ESG: [Progress indicators]

Risk: Current [Progress indicator]

Exposure: 12% 10% 34% 8%

Checks: 3/3 ✓  
Issuer concentration ✓  
Client checks ✓

Costs: Number of trades: 6

[Checkout](#)

Output

# 2020 highlights

-  Launched three innovative standalone products aimed at democratizing access to wealth management
-  Developed an ESG solution that facilitates the creation of portfolios matching investors' sustainability goals

**Our focus on business is related to the sustainable development goal of reducing inequalities (SDG 10).**

By providing innovative tools that enable financial organizations to offer sustainable investment opportunities and provide financial support to a wider range of investors, we can drive the democratization of access to wealth management.



“I enjoy working at Avaloq because I get to develop innovative products while learning new technologies, and helping financial institutions reach new client segments.”

**Shardul Paricharak**  
Senior Data Scientist,  
Zurich

## Wealth management and sustainability

Financial inclusion goes beyond simply opening a bank account, many who have one are still excluded from certain financial services. Through our offering we can support different financial segments to gain access to more financial services, which is in line with our commitment to contribute to more financial inclusion.

In 2020 we launched three new product lines that help us achieve this:

- Avaloq Engage enables relationship managers to serve their clients on their preferred messenger apps, securely and compliantly
- Avaloq Wealth supports wealth managers with state-of-the-art advisory and portfolio management tools, increasing the service level and scale wealth managers can provide
- Avaloq Insight leverages big data and automation to provide highly intelligent services and identify unforeseen opportunities

We also developed an ESG solution that facilitates portfolio alignment with investors' sustainability goals. The demand for sustainable investment solutions has grown significantly over the past few years as investors, businesses, governments, and a range of stakeholders look to address critical challenges such as climate change, social inequality, and discrimination.

ESG investments also have excellent characteristics for the long-term investor because ESG can be seen as a measure of the quality of a company's management, who are building organizations that are reliable and resilient.

Our mission to democratize access to wealth management has also led us to explore the opportunities available with blockchain, more specifically the tokenization of non-bankable assets (nBAs). Through the tokenization of nBAs, a broader group of investors gain investment opportunities to previously unavailable assets, due to their high-cost barriers, while also supporting portfolio diversification to reduce risk.



## Democratizing access to wealth management through the tokenization of non-bankable assets

### What are non-bankable assets (nBAs)?

Simply speaking, nBAs include many types of illiquid assets in existence today. They can come in a variety of forms such as fine art collections, classic cars, exclusive real estate, private equity or intellectual property.

### What is the current status of the nBAs market?

nBAs account for about one third of global private wealth. Investing in them often comes with high entry barriers for investors, but at the same time, they are also providing significant investment opportunities including portfolio diversification. In general, dealing with nBAs often comes with several challenges which hinder their broad adoption, so there is an ask for solutions to overcome them, e.g. efficient valuation of nBAs, increased accessibility, and liquid markets.



**Interview with  
Dr Nils Bulling**  
Head of Digital Strategy  
and Innovation, Zurich

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**How can tokenization improve access to nBAs?**

The capital required to invest in nBAs often exceeds the purchasing power of many, mostly private, investors. Let's take the art market as an example. The sale of a piece of art on the market usually takes place in the form of an atomic transaction – the whole piece of art changes ownership against payment. Representing a piece of art by tokens, however, makes it possible to reduce the investment ticket at will. Thanks to the increased efficiency provided by fully digitized token issuing, the face value of each token can be arranged at low amounts, providing access to luxury or illiquid assets to a broader class of investors previously excluded from investing in nBAs. You no longer need to be a millionaire to invest in a Picasso painting.

**What about the excessive amounts of energy that crypto currencies consume?**

Clearly, when talking about sustainability in the context of crypto currencies, we cannot let their energy consumption and carbon footprint pass without comment. Bitcoin and other blockchain-based solutions can be made more environmentally sustainable by fuelling their networks with green energy; some estimates suggest that this is true of up to 75% of their consumption already, but the exact proportion is hard to determine. The technology itself is also evolving to be more energy-efficient. New consensus algorithms, which are at the heart of blockchains, promise to drastically reduce energy requirements. This could mean a reduction of up to 99% for some blockchains. As it seems reasonable to believe that blockchain technology is here to stay, measures such as these should reduce their carbon footprint sustainably.

**What is Avaloq doing to enable nBA investing?**

At Avaloq we enable financial organizations to offer crypto and digital assets investing to their clients. We provide the technological foundation in the form of a standalone crypto asset solution with crypto custody, brokerage and AML capabilities – the latter offered together with pre-integrated partners. Moreover, we have completed a tokenization solution in proof-of-concept stage which enables the tokenization of assets including nBAs as discussed above. We see blockchain and tokenization as a means to develop new, innovative products and banking business models. The key is to enable our clients' crypto journey to be an end-to-end offering, creating a seamless user experience.

The creative thinking and development of innovative products is driven by the personal professionalism and entrepreneurial behaviour of our colleagues. This activity is ethically conducted, with a strong understanding of the importance of privacy and zero tolerance for corruption and bribery.

## Code of business conduct and ethics

We believe that sound corporate governance is a key driver to integrate sustainable practices throughout Avaloq's activities, ensuring successful long-term relationships with our stakeholders.

Personal professionalism and entrepreneurial behaviour are the foundation of our success. These principles – our Code of Business Conduct and Ethics – are based on:

- **Competency:** We use our knowledge and skills to choose the best and most efficient course of action and take responsibility for what we do
- **Confidentiality:** We protect the confidentiality of both Avaloq's information and the information of its clients and business associates
- **Compliance:** We ensure that our business decisions and activities comply with applicable laws and regulations
- **Respect:** We strive to act as good corporate citizens and treat our colleagues, clients, business associates and any other stakeholders with respect and courtesy

We promote transparency and integrity in all our business dealings to avoid any improper advantage and/or the appearance of questionable conduct.

Our colleagues are encouraged to speak up if we know of possible violations of this code. We will not tolerate any retaliation against any individuals for reporting a good-faith complaint to management or control functions.

## Privacy and client trust

Avaloq is a data processing powerhouse. We handle personal data when providing services to clients, interacting with partners, and running our own business. The protection of this data is a fundamental right of all individuals and is at the core of Avaloq's business.

To assure Avaloq meets the highest privacy standards we:

- Have a comprehensive Global Data Protection Policy, which describes the basic principles and responsibilities to ensure Avaloq adheres to legal and regulatory data protection requirements
- Appointed data protection officers (DPOs) in Germany, Switzerland, Singapore and the Philippines to assist our clients, partners and employees with data protection
- Ensure compliance with domestic (single-state) data protection laws and regulations in parallel with, and in addition to, the EU's General Data Protection Regulation (GDPR). By doing so, we provide the most stringent and future-proof approach to serve our worldwide clientele and their banking clients
- Joined the International Association of Privacy Professionals (IAPP), the world's leading privacy association, and followed industry developments closely

Avaloq continues to monitor the data flows in its systems closely and we are firmly committed to maintaining the resilience of our data protection measures.

## Zero tolerance for bribery and corruption

Bribery and corruption undermine every aspect of the United Nations Global Compact, as it is detrimental to business, society and environment. For these reasons Avaloq has a strict zero tolerance policy and actively guards against it at all levels of our operations.

Not only are all Avaloq employees responsible for completing mandatory compliance training courses, such as anti-bribery, corruption, and whistleblowing, Avaloq also:

- Assesses the risk of corruption when doing business
- Established adequate internal policies and procedures to comply with relevant laws and regulations
- Extends anti-corruption standards to agents, intermediaries, and consultants

To foster these best practices, Avaloq has established a “speak-up” culture and all employees are given several channels to report questionable activity. These include processing issues through a line manager to HR, a whistleblowing tool which is located on external servers and is managed by the compliance team only, and the independent Ombuds Office.

Infractions seldomly occur, but when they do, investigations are carefully conducted, and remediation is planned and executed as required.

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# Society: Paving the way to a brighter future

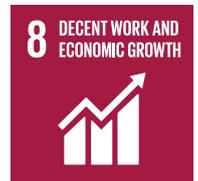


# 2020 highlights

-  Performed regular reviews and addressed all gender pay gap cases
-  Exceeded the industry average of 29% female employees
-  Increased the number of women in senior management positions by 21% over 2019
-  Rolled out Unmind, a workplace mental health platform, for all employees

**Our focus on society is related to the sustainable development goals of gender equality (SDG 5) and decent work and economic growth (SDG 8).**

By actively measuring equality factors around pay and promotions, focusing on topics of wellbeing and employee engagement, especially during the COVID-19 crisis, we created an environment for our people to prosper fairly.



“I enjoy being part of Avaloq because it provides a living culture where people support each other. Resulting in a rewarding and fun place to work.”

**Minco Domingo**  
Head of Development  
Centre Manila

## Lessons learnt from the pandemic

The tight restrictions our society faced during the COVID-19 pandemic did not stop us from continuing to function and innovate as an organization. We found new ways to work together safely while remaining engaged and motivated.

The wellbeing of our employees became an absolute priority and we quickly enforced full-time work from home conditions, while also offering flexible working schedules to help reconcile personal and professional needs. We rolled out free and unlimited access to Unmind, an innovative workplace mental health platform. This supported users in establishing mindfulness under these new conditions through learning techniques to manage stress, improve sleep and regain focus.

On top of this, we invested into life-long learning for all employees, ensuring personal and professional development through a wide range of training opportunities. Employees have access to the Avaloq Academy and to Udemy, our new e-learning platform, with over 7,000 top-rated, engaging courses across more than 75 categories. We are proud to report that the average hours of training per employee averaged 50 in 2020.



“The need for action was urgent and I am proud of how Avaloq has responded.”

**Dörte Nedo**

Head of Total Rewards, Berlin

## Lean In Circle

As well as acting from a management level, we also support bottom-up initiatives from our employees. Inspired by the Lean In Foundation – a non-profit organization founded in 2013 by Facebook’s former Chief Operating Officer Sheryl Sandberg – we created the first Lean In Circle at Avaloq in 2020. It was dedicated “to offering women the ongoing inspiration and support to help them achieve their goals”. In 2020, 16 participants from different offices met once every six weeks to define personal and professional objectives and achieve them.



“What I enjoyed the most with the Lean In Circle was learning from other's experiences, getting to know inspiring women at Avaloq that I would have otherwise not met, and pushing myself to work on personal and professional development actions.”

**Djata Sigam**

Business & Technical Consultant, Zurich

## The value of diversity and inclusion

Avaloq is home to more than 2,400 bright and ambitious people, drawn from over 66 nationalities, who work in our 22 offices around the world. The people bring a wide range of offices and perspectives to Avaloq's dynamic culture. This diversity drives our innovation, so it is essential that everyone at Avaloq feels heard, respected, and included, regardless of their background, gender, race, ethnicity, sexual orientation, or any other categorization.

Gender imbalance remains a challenge within our industry. On average, only 29% of the workforce in the financial and technology sector is female. However, as the industry is projected to grow considerably in the coming years, we feel we have an excellent opportunity to further drive gender equality at Avaloq.

In 2020 there were some key achievements and we are on track to reach our long-term goals:

- **Achieved equal gender pay**  
The gender pay gap was addressed with the 2020 salary review. We are committed to continuously monitor pay and act upon gender pay gaps
- **Increase the percentage of women in our workforce to at least 30% by the end of 2022**  
We are proud to be on track with this goal, thanks to our focus on:
  - Recruitment: We post job openings that are gender neutral, and we proactively target "best tech" female talent at educational institutions, job fairs and communications' programs, such as Women in Tech in London. These efforts have been effective: 34% of our new hires in 2020 were female
  - Training: Several courses on unconscious bias are available for all employees, all hiring managers attended a training course focusing on unconscious bias in hiring. Refresh sessions are held periodically
- **Double the number of women in senior management positions by the end of 2025**  
The below initiatives successfully increased the number of women in senior management by 21% last year, and we expect them to continue to produce results:
  - Retention: After determining that female retention decreases steadily after the age of 36, we addressed this by offering a flexible working environment. We also proactively tailored leadership pathways for women with notable growth potential
  - Promotion: We have reviewed and adjusted our promotion process to grant equal opportunities for women and men

## Volunteering worldwide

We understand volunteering initiatives in the wider communities we operate in will help us achieve our goal to have a positive impact. Unfortunately, because of COVID-19, most of the selected projects did not take place in 2020, although we were still able to contribute to two key initiatives. We will resume other volunteering initiatives once the pandemic situation allows.

In March 2020, 11 of our colleagues based in Zurich had the opportunity of making a meaningful contribution to improve flooding resilience in Zambia by mapping buildings across remote areas of the country. Two representatives of the Swiss Red Cross guided our colleagues to trace maps on their computer over satellite pictures of Zambia, using a tool called OpenStreetMap.

These maps have been confirmed by experienced remote mappers and are now used by humanitarian organizations to plan risk reduction and disaster response. Avaloq volunteers marked more than 5,700 buildings during a Mapathon in Zambia, boosting the project's completion ratio from 61% to 75%.

Avaloq is proud to support our very own Doing Well by Doing Good (DWDG) social engagement programme, which sponsors twelve employee-created volunteering projects each year. The initiative encourages our colleagues to fully engage in a project for up to two weeks. We sponsor initiatives that focus on environmental issues, knowledge-sharing, well-being or gender equality.





## Supporting children in Nepal

### Why did you apply to the DWG project?

This was a great opportunity that resonated with me personally. I love travelling for one thing, but also helping out with projects – especially helping less fortunate people. We sometimes forget just how lucky we are living and working in Zurich.

### What project did you propose?

I decided to help with the renovation of some school facilities in Nepal – the Deeya Shree English Boarding School in a small town called Lokanthali, which lies in the border between Kathmandu and Bhaktapur. Nepal has long fascinated me – I had heard the people were extremely nice and the geography has always looked very beautiful. It is also the birthplace of Buddhism. I chose this particular opportunity because I wanted to get involved in building, repairing and craft work – something I like to do but never have the opportunity to. When I got there, however, I realized quickly they did not need help with this!



### Interview with Adrien Born

Product Strategy &  
Research Specialist, Zurich

### So, what did you do?

At first, I was involved in painting the playground. However, the Dean, Keshab, made me understand that teaching the children could have a much bigger impact, especially as there was no one able to teach IT. So I started with one class, then two, three, four – at the end I was involved in five classes a day, teaching kids aged between 6 to 12 years old. At the beginning, it was tough, especially with the younger kids because they have so much energy and thousands of questions. Using a laptop was very exciting for them – it felt more like a game or something much more fun than their usual maths, English and science classes. My focus in terms of teaching was on how to use the internet, Google slides and Google docs – basics such as typing, copy and pasting, importing images, cropping images, aligning objects, and presenting their work to their classmates.

### What impact did this project have on the community?

One and a half weeks of teaching basic IT is rather a short amount of time but I hope it gave them the basis to continue learning by themselves. I also carried on with the painting – this may make the playground more appealing and fun as before it was just a metal wall. In addition, one day we undertook a “climate protest” in the neighbourhood to highlight how important it is to pick up litter and keep the environment clean. The initiative followed guidelines sent to all schools in Kathmandu from the government. The thing is that there is not any infrastructure in which to place litter so everything ends up on the floor, in the river, in the fields...

### What about the impact on you?

I saw that the poorest people in society are not the saddest, nor the most selfish – indeed, rather the opposite. I had great admiration for the Dean, Keshab, and his colleague Manoj, the two founders of the school. They have dedicated their lives to it. They have reached a very good level of education for Nepalese standards – they could probably earn more money, but money is not what drives them. Their only goal is to give a better chance to these kids. My awareness that education is probably the most important social aspect to enhance and foster if we want to have a better world also grew. The experience made me see just how important it is.

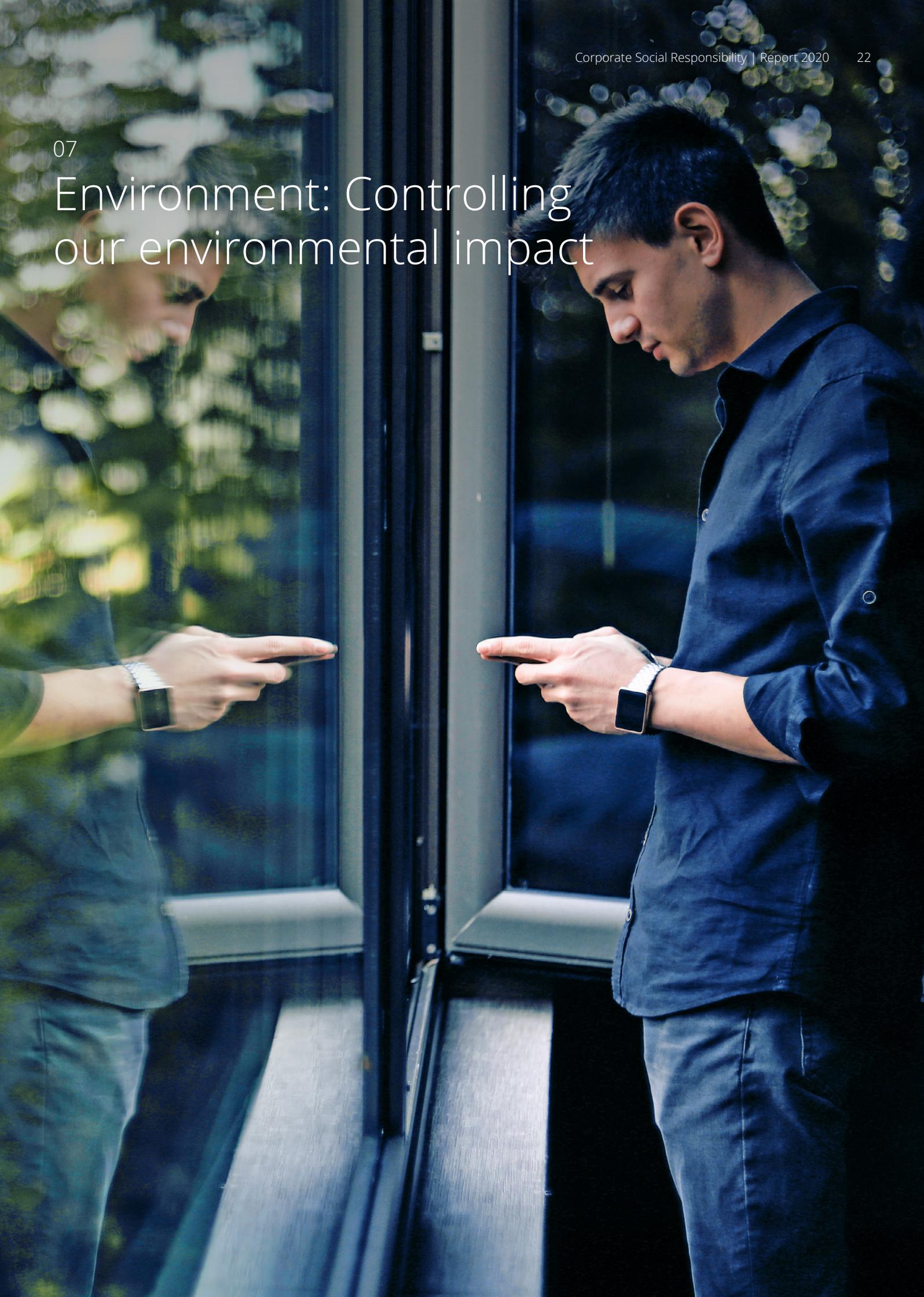
### So what is next?

I now give money to the school on a yearly basis, knowing it is a good “investment” and a well-spent donation. I’m even more convinced about one of my long-term goals of enhancing education where needed. And I would like to go back there and teach again – or do a similar project elsewhere. It feels good to remember those times. It was such a great experience.

**i** **Note:** This project took place in early 2020 when there were no COVID-19-related travel restrictions yet

07

# Environment: Controlling our environmental impact



# 2020 highlights

-  Powered our operations with 100% renewable energy
-  Achieved the Climate Neutral Company label
-  Reduced our greenhouse gas emissions by 63% compared to our 2018 baseline

**Our focus on environment is related to the sustainable development goals of affordable and clean energy (SDG 7) and climate action (SDG 13).**

By actively measuring our annual carbon footprint, running our operations with renewable energy, and offsetting our unavoidable emissions, we can provide the world with more access to efficient and valuable financial solutions at minimal cost to the environment.



“We can act on climate change, and so we will.”

**Thomas Widmer**  
Chief Operating  
Officer, Zurich

## Our environmental approach

Due to the nature of Avaloq's business, our carbon footprint is relatively small compared to other sectors of the economy, but this is no excuse for inaction. Instead, we aim to create a sustainable, low-carbon future by remaining a climate neutral company, powering our operations with 100% renewable energy and raising environmental awareness within our community.

The most important step is to reduce the creation of greenhouse gas emissions. We do this by encouraging telecommunication over unnecessary travel and limiting flights in business class to specific cases. On top of this, Avaloq aims to continuously reduce the use of paper in all our offices and offers e-bikes for business and personal purposes.

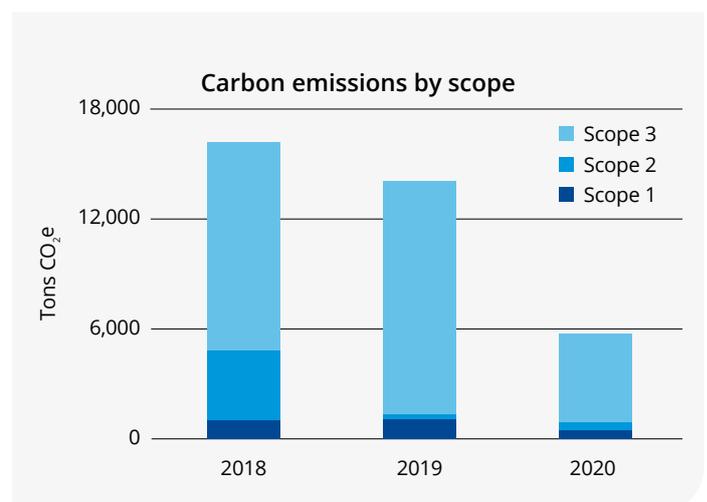
Our other option is offsetting. It entails neutralizing unavoidable emissions by financing carbon offsetting projects. These consist of purchasing carbon credits that represent the removal or avoidance of one metric tonne of carbon dioxide (or its equivalent) from the atmosphere. These credits will finance much-needed climate mitigation action and support the global transition to a zero-carbon future.

## Managing our carbon emissions

We keenly observe and adjust our operations to function on renewable energy and achieve climate neutrality. Our carbon emissions arise primarily from business travel and the energy consumed in our offices and data centres. We measure our carbon footprint annually with the Greenhouse Gas Protocol's Scope 1, 2, and 3 system:

- Scope 1: Direct emissions from owned or controlled sources (e.g. fuel combustion, company vehicles, fugitive emissions)
- Scope 2: Indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company (e.g. purchased electricity, heat and steam)
- Scope 3: Other indirect emissions that occur in a company's value chain (e.g. purchased goods and services, business travel, employee commuting, waste disposal)

We set 2018 as our baseline year, and in 2020, our relative emissions were 63% lower. Scope 1 (direct) and Scope 2 (indirect) emissions were 970 tonnes of CO<sub>2</sub> equivalent (CO<sub>2</sub>e) and represented 17% of our total footprint. Our Scope 3 emissions topped 4,900 tonnes of CO<sub>2</sub>e, mostly from business travel.



## Business travel emissions

While the pandemic reduced our business travel emissions by 69%, it remains our single largest source of CO<sub>2</sub> emissions, representing 32% of our total carbon footprint in 2020.

The pandemic has offered a unique opportunity to reassess our business travel norms and client delivery approach. Aside from our staff working from home during the pandemic, we also successfully transitioned internal business functions – like recruitment, learning and development, and global events such as the Avaloq Community Experience 2020 – to the digital space, with outstanding outcomes. This suggests that we can retain some of these gains without sacrificing business excellence.

To further raise awareness, our online travel-booking tool now shows the greenhouse gas emissions per flight prior to booking and promotes the selection of less carbon-intensive travel options.

## Powering Avaloq with renewable energy

In 2020, we focused on sourcing clean, renewable energy and improving efficiency throughout our operations. In fact, 100% of the electricity we consumed from the grid was procured from renewable sources.

Our target is to purchase 100% of our electricity from verified renewable sources for our 2021 operations too. We can achieve this ambitious target through the purchase of Energy Attribute Certificates (EACs) equal to our total megawatt hour (MWh) consumption. Each EAC represents proof that one MWh of renewable energy has been produced and injected into the grid. Therefore, by purchasing EACs equal to our total grid consumption that is not green, we can be confident that all our grid-sourced electricity came from renewable sources and was generated with zero carbon.

## Climate neutral designation

Although our focus is reducing our carbon footprint, we also want to minimize the climate impact of those emissions we cannot yet avoid. Therefore, we purchase and retire an equivalent volume of independently verified carbon credits on the voluntary carbon market for Scope 1, Scope 2, and Scope 3 unavoidable emissions. This is how we achieved the Climate Neutral Company label by South Pole in 2021, related to 2020 operations. We are committed to achieving the same recognition for our 2021 operations.

