

2021 Sustainability Report



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Context for this report

This is Avaloq's third sustainability report and documents our performance and achievements related to environmental, social and governance (ESG) factors.

This 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) summary in the appendix, where we outline the actions we have taken to integrate the United Nations Global Compact principles into our business strategy, culture and daily operations. For further detail, please refer to the relevant sections in the main body of this document.

The scope of this report includes information about Avaloq and its fully owned or major operating subsidiaries, providing an overview of our framework, priorities and selected initiatives from 1 January 2021 to 31 March 2022.

If you have any questions about this report, please contact sustainability@avalog.com.



About Avaloq

Avaloq's 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 is a premium provider of wealth management technology and services for financial institutions around the world. Our clients include private banks, wealth managers and investment managers, as well as retail and neobanks. We develop software that can be deployed flexibly through cloud-based Software as a Service (SaaS) or on-premises. We also support banks' back-office requirements with Business Process as a Service (BPaaS), which automates manual servicing and business processes.

We have been supporting financial institutions in every segment for nearly 40 years. Avaloq's first product was a core banking platform developed back in 1985, which has evolved into the Avaloq Core Platform — the leading product for private banks and wealth managers.

Recently we have launched three standalone digital product lines, which seamlessly integrate with any core banking platform to support front-office functions, allowing banks to digitalize their front-to-back operational needs. Based in Switzerland, with over 2,500 colleagues delivering unbeatable banking services to 150+ clients in 35 countries.

Avaloq is a subsidiary of Japan-based NEC Corporation, a global leader in the integration of IT and network technologies. Avaloq benefits from NEC's significant R&D investment in the fields of artificial intelligence, blockchain technology, cybersecurity and biometrics. At the same time, NEC benefits from Avaloq's strong expertise in the financial industry to fulfil its purpose to orchestrate a brighter world where everyone has the chance to reach their full potential.



Our locations



Avaloq in numbers



2,500+
colleagues



70+
nationalities



10
global locations



150+
clients



CHF 4tn
client assets managed



25%
revenue spent on R&D

A message from our Co-CEOs

Dear reader,

2021 was a year of change and new opportunities for Avaloq. We built a solid foundation for our growth ambitions as part of NEC and defined a strategy that outlines how we want to deliver against our vision to be the leading provider of cutting-edge banking software and services.

Continuous innovation is part of our DNA, and in 2021 we invested 25% of our annual revenue into research and development for wealth management and banking solutions. Among others, this investment helped us develop an ESG solution to help our clients meet the growing regulatory and market demand for sustainable investment. Our solution enables financial institutions to provide highly personalized, compliant investment advice that addresses their customers' individual sustainability preferences.

In line with our commitments as a signatory to the United Nations Global Compact, this year Avaloq continued to operate in a way that reflects our responsibilities in the areas of human rights, labour, environment and anti-corruption. A key project was the enhanced environmental and ethical expectations of business associates that we have set out in our new *Code of Responsible Business Conduct in Supply Chains*.

The impacts of climate change were felt across many countries, ecosystems and economies this year, with the Intergovernmental Panel on Climate Change (IPCC) calling for more ambitious action in the face of "widespread, rapid and intensifying" impacts worldwide. We recognize the escalating global climate emergency and are proud to support climate action by offsetting our greenhouse gas emissions and procuring 100% renewable energy for our global operations.

We maintained a significant reduction of 67.8% in greenhouse gas (GHG) emissions from our 2018 baseline. However, we are conscious that much of this reduction was driven by the changes to working habits brought

about by the COVID-19 pandemic. So, as life returns to the new normal, we are committed to cementing our progress with tangible improvements to the sustainability of our operations.

To demonstrate our commitment to gender equality, we have set and continue to work towards targets in this area. In April 2021, we completed an externally audited pay gap assessment in our Swiss entities to identify and resolve any gender-driven pay disparity. As we move into 2022 and beyond, we believe Avaloq has the opportunity to be at the forefront of encouraging a diverse talent pool to enter traditionally male-dominated fields.

Avaloq remains fully committed to the principles of the United Nations Global Compact, and we are looking forward to continuing our journey to becoming a more sustainable business, in close collaboration with our colleagues, clients and partners.



Martin Greweldinger
Co-Chief Executive Officer

Thomas Beck
Co-Chief Executive Officer

Sustainability at Avaloq

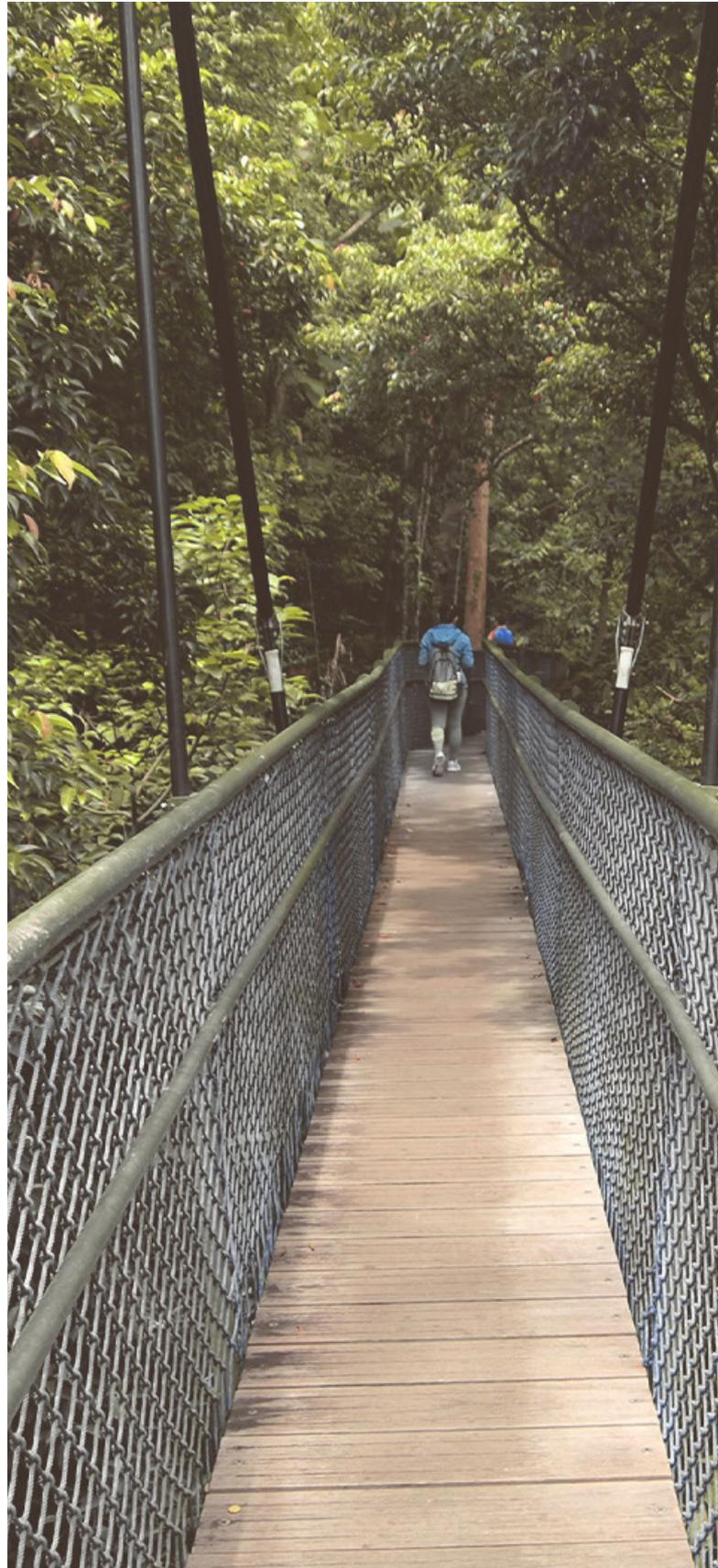
Avaloq is preparing for the future by acting on sustainability. For Avaloq, this means providing people around the world with more access to efficient and valuable financial solutions, while managing our environmental impact and making a positive contribution to society.

Our focus on responsible business is a core part of our approach to sustainability. The fundamentals of sound governance and ethical practices are vital to both our continued success and our contribution to healthy, sustainable economies.

As a participant in the United Nations Global Compact, we are committed to incorporating universal principles of human rights, labour, environment and anti-corruption into our business strategy, policies and practices.

We are taking global frameworks like the United Nations Sustainable Development Goals (SDGs) into account as we build on our strategy with action and initiatives. The SDGs provide an urgent call-to-action to address the most relevant problems facing our world today and help businesses like ours prioritize our activity.

On the following page, we present our priority sustainability topics and the progress we have made towards achieving our goals. We selected these topics based on an assessment of stakeholder concerns, business impact, regional needs, industry trends and our commitments to the Ten Principles of the UN Global Compact.



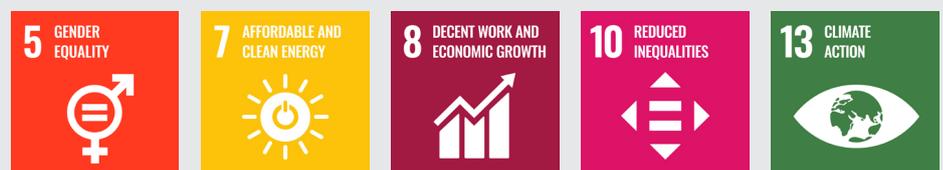
Our priority sustainability topics

	Topics	Goals	Progress	Key achievements
ENVIRONMENT	<ul style="list-style-type: none"> Climate action Sustainable operations and procurement 	<ul style="list-style-type: none"> Remain carbon neutral Power operations with 100% renewable energy 	<ul style="list-style-type: none"> ✓ ✓ 	<ul style="list-style-type: none"> Powered operations with 100% renewable energy Maintained carbon neutrality Reduced emissions by 67.8% from 2018 baseline Secured new environmentally friendly Zurich headquarters
SOCIETY	<ul style="list-style-type: none"> Our people Community impact 	<ul style="list-style-type: none"> Increase number of women in workforce to 30% by 2022 Double the number of women in senior management positions by 2025 	<ul style="list-style-type: none"> — — 	<ul style="list-style-type: none"> Facilitated 57 hours of training per colleague on average Completed annual pay review and independently audited pay gap assessment Increased participation in mentorship programme Lean in at Avaloq 6x
BUSINESS	<ul style="list-style-type: none"> Sustainable products and services Responsible business conduct 	<ul style="list-style-type: none"> Help financial institutions direct the flow of capital to sustainable investments Engage supply chain with responsible business and sustainability standards Maintain robust standards of business ethics 	<ul style="list-style-type: none"> ✓ ✓ ✓ 	<ul style="list-style-type: none"> Developed new product module to support the shift of capital to sustainable investments Enhanced expectations of business associates with new <i>Code of Responsible Business Conduct in Supply Chains</i>

✓ Achieved
 — In progress



The Sustainable Development Goals (SDGs) provide a blueprint for a better world, and the private sector has a vital role to play in achieving them. Our activity is aligned with the following SDGs:



Environment

We are continually building our understanding of the impact our business activity has on the environment. We are taking responsibility for our greenhouse gas emissions and are making changes to the way we work to improve the environmental sustainability of our operations.

2021 Highlights

- Powered operations with 100% renewable energy
- Maintained independently verified operational carbon neutrality
- Reduced emissions by 67.8% from 2018 baseline
- Secured new environmentally friendly headquarters in Zurich

Climate action

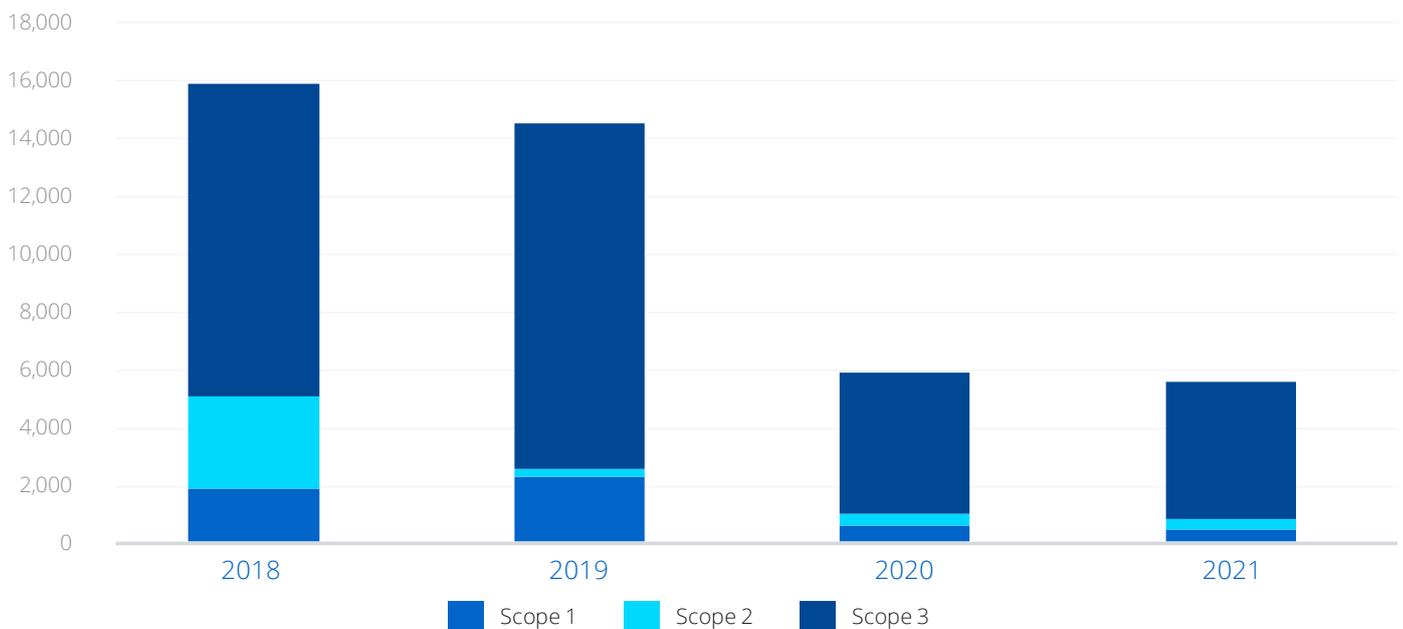
As awareness of humanity's impact on the environment grows, so too does our collective responsibility for action. At Avaloq, we recognize our responsibility to help meet the climate crisis challenge and are using our platform to support climate action, engage our colleagues and develop solutions to reduce our greenhouse gas (GHG) emissions.

We are a certified Climate Neutral Company and offset the total GHG emissions we produce. Being Climate Neutral means that we are taking responsibility for the emissions we produce today. At the same time, we know that offsetting alone will not be sufficient to tackle climate change. Therefore, we are taking steps to reduce our carbon footprint, for example through:

- reducing our energy use and switching to renewable energy
- creating a hybrid working model for colleagues in all regions
- encouraging less carbon-intensive means of business travel
- implementing measures to improve the energy efficiency of our data centres

The total GHG emissions produced by our operations in 2021 were 5,535 tonnes carbon dioxide equivalent (CO₂e), representing a 67.8% reduction in GHG emissions from 2018, the year we began measuring our carbon footprint. Avaloq's most significant source of GHG emissions is purchased goods and services, representing 39.5% of our total emissions profile in 2021.

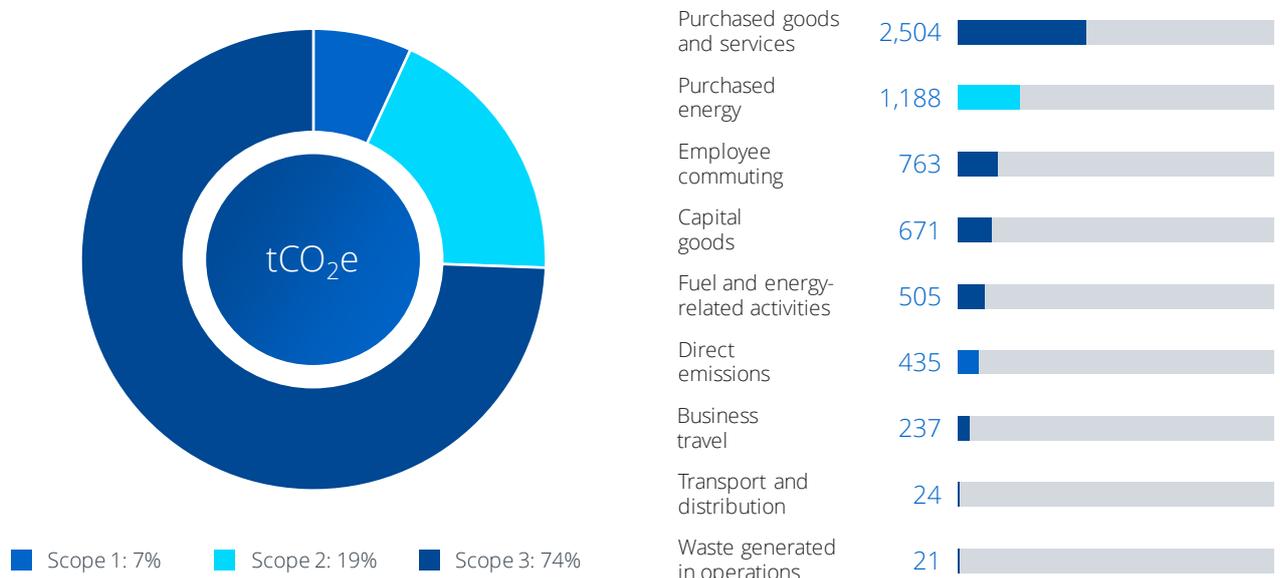
Avaloq's greenhouse gas emissions over time, tonnes CO₂e



GHG emissions include Scope 1, 2 and 3 emissions using the GHG Protocol methodology and operational control approach. The emissions in this graph are market-based and include reductions from the purchase of Energy Attribute Certificates (EACs).

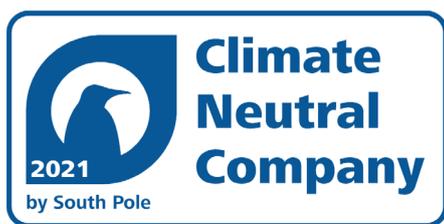
We saw a significant reduction in GHG emissions in 2020 due to the upheaval in business behaviour caused by the COVID-19 pandemic, most notably the shift to home working and the pause in business travel. These factors remained relevant in 2021, and we maintained the reduction in our GHG emissions achieved in the previous year.

Avaloq's greenhouse gas emissions by scope and source, tonnes CO₂e



Gross GHG emissions before reductions from the purchase of Energy Attribute Certificates (EACs).

As pandemic restrictions ease, we must be mindful that our GHG emissions do not rebound alongside our business activity. We are committed to collaborating across our global teams and applying a data-driven approach to identify GHG emission hot spots and carry out targeted interventions to mitigate our climate impact.



We are operationally carbon neutral and have been awarded the South Pole Climate Neutral Company label, which is closely aligned with PAS 2060, the leading international standard for demonstrating carbon neutrality. We purchase verified carbon offsets using approved methodologies. In addition to offsetting carbon, the projects we support through verified offsetting schemes support the SDGs and make a positive impact on a range of environmental, social and economic measures such as biodiversity, gender equality and employment.

Powered with renewable energy

We are 100% powered with renewable energy. This is achieved through the purchase and retirement of Energy Attribute Certificates (EACs) equal to our total megawatt hour (MWh) consumption. Each EAC represents proof that one MWh of renewable energy was produced and injected into the grid. By purchasing EACs, we signal to the market that we prefer to consume renewable energy, the ultimate ambition being to accelerate renewable energy development.

Green data centres

As a data processing powerhouse, c.9% of our emissions in 2021 came from energy used in our data centres. To facilitate the shift to greener data centres, we have implemented measures to improve the environmental impact of our data centre activity:

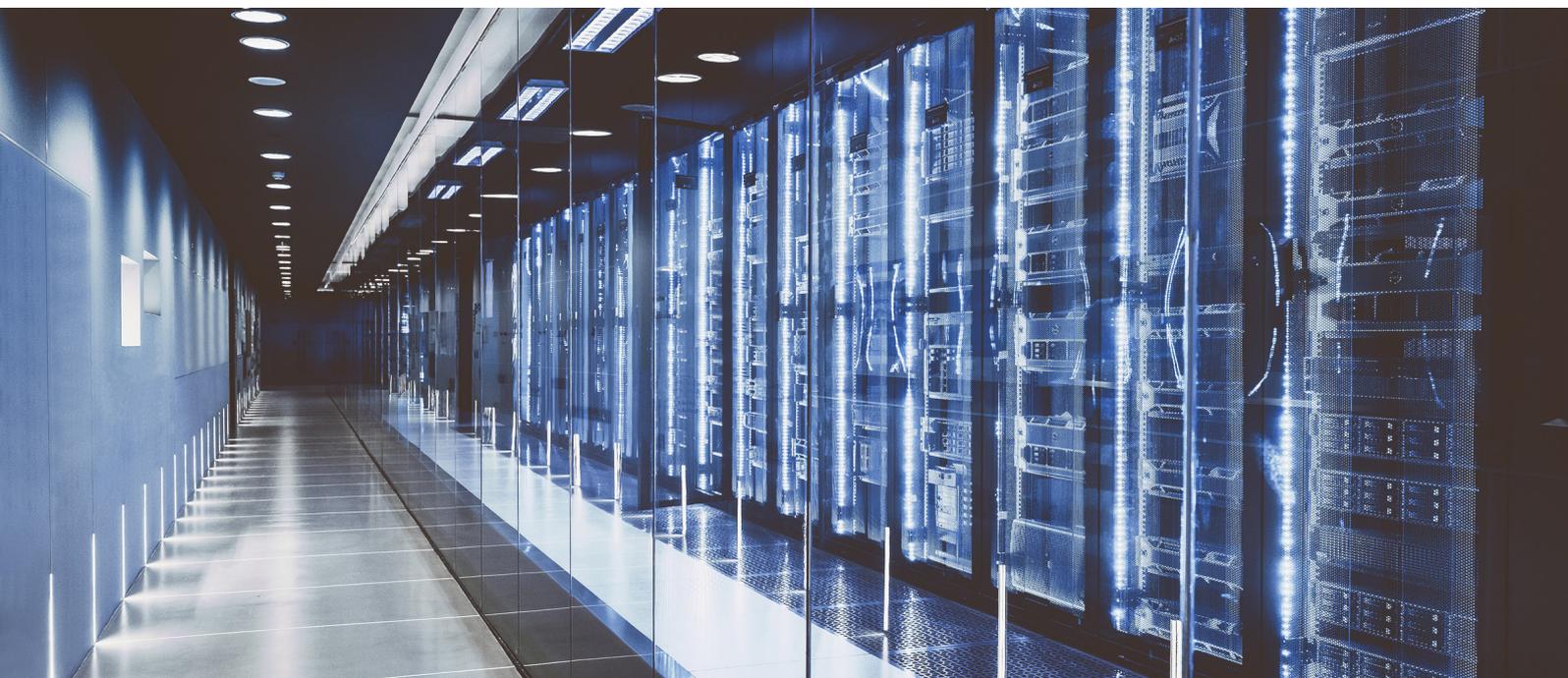
- consolidating data centres
- exiting legacy data centres and moving to more efficient, modern data centres with sustainable technology including cold-aisle technology with a lower and improved power usage effectiveness ratio (PUE)
- working together with our suppliers to source more environmentally sustainable IT equipment, such as LED illumination
- achieving fundamental energy-efficiency improvement potential through enabling the shift to public cloud

The shift to public cloud

In 2021, we began offering our products on the public cloud with our cloud partner Amazon Web Services (AWS).

AWS data centres offer environmental economies of scale with a focus on power and cooling efficiency, and advanced modelling methods to optimize data centre design.

Studies show that AWS is up to 5x more energy efficient than EU enterprise data centres.



Sustainable operations

With over 2,500 colleagues in ten countries, even small improvements to the way we acquire, design and use our workplaces can improve our environmental impact and help engage our colleagues with the topic of environmental sustainability.

We are working to relocate our headquarters to new offices in the Manegg Green City, Zurich. All buildings in the Green City, including our headquarters, are designed to meet the highest energy standards. New smart-grid technology optimizes energy consumption, and heating and ventilation systems are run entirely with renewable energy. Subsequently, our new headquarters have a range of environmentally sustainable adaptations, including:

- rooftop greenery and 450 m² of solar panels
- conveniently located for public transport and a restricted number of parking spaces to encourage alternative travel choices
- recyclable carpets with significant proportions of recycled material, produced with 100% renewable energy
- a fleet of 40 e-bikes that are free to use for colleagues

“As colleagues return to offices after the pandemic, it’s more important than ever that we make sustainable choices in how we operate. Our new headquarters are a brilliant illustration of the positive difference Zurich’s Green City strategy is making, and we are proud to operate out of a building that embodies the future of the sustainable built environment.”



Petra Merkt
Head of Real Estate



Society

Avaloq is forging an industry-leading workforce where all our people can prosper fairly. With more than 2,500 colleagues representing over 70 nationalities, teams at Avaloq foster a wide range of perspectives that drive our dynamic culture. The bright and talented minds at Avaloq are critical to our success, and our investment in them strengthens our business. We are focused on making enhancements and improvements to our workplace culture, diversity, equity and inclusion (DEI), and colleague development.

2021 Highlights

- Facilitated 57 hours of training per colleague, on average
- Completed annual pay review and an independently audited pay gap assessment
- Increased participation in mentorship programme "Lean in at Avaloq" 6x

Connected workplace

The change to working habits brought about by the pandemic and continuing into 2021 highlighted the importance of colleague engagement. We use a range of communication channels to facilitate connection across teams and ensure we give our colleagues a voice and opportunities to contribute to our strategy, including:

- news and information on myAvaloq, the company intranet
- monthly all-company meeting
- regular business area Townhalls for focused updates
- monthly business area newsletters
- colleague-led Yammer conversations
- four additional NEC-focused Townhalls in 2021, enabling our colleagues to submit questions to NEC's leadership



Measuring engagement

Our colleague survey helps us track engagement and gives our people an opportunity to provide feedback on a range of metrics – exploring their views on company culture, career development, benefits and the overall business strategy.

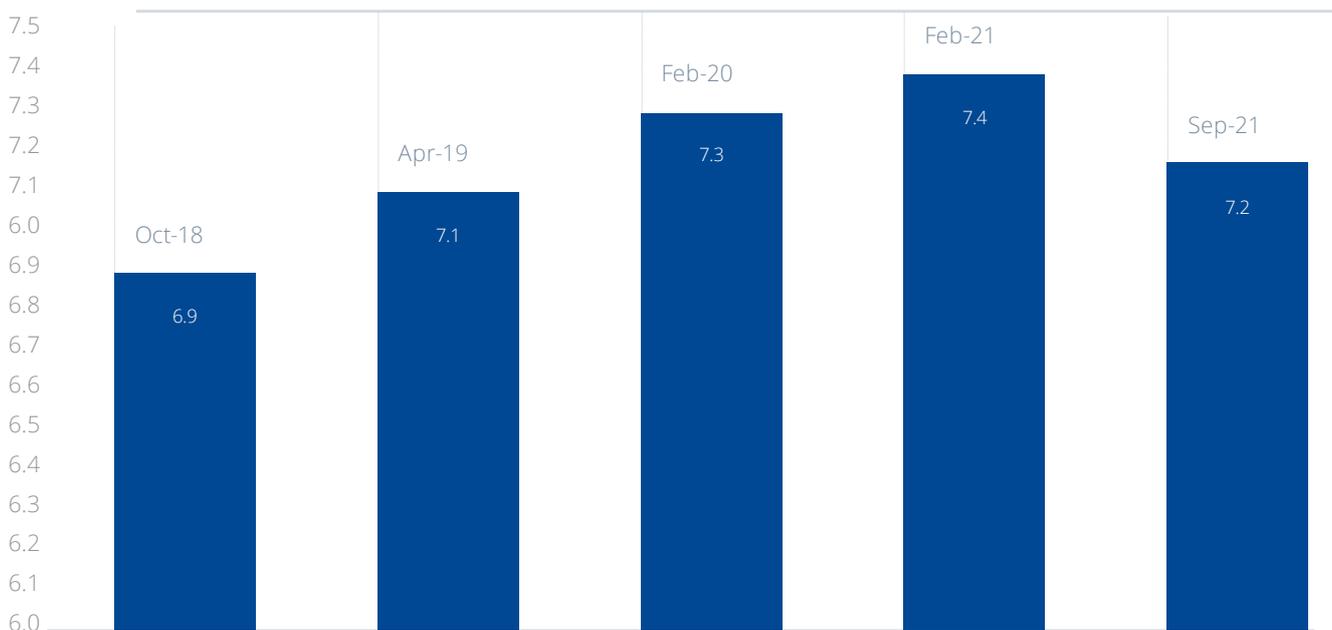
The GDPR-compliant survey is highly functional and interactive – managers can acknowledge comments and have a dialogue with team members, with anonymity guaranteed. Results are shared transparently with all colleagues. In 2021, these informed the development of a company-wide action plan, with each business area defining priorities for action.

The survey was first conducted in October 2018, with engagement levels trending upwards since then. The

engagement score is calculated based on colleague responses for the two questions “How likely is it that you would recommend Avaloq as a place to work?” and “Overall, how satisfied are you working at Avaloq?”. Our average engagement score has increased by three points since the first survey.

Breaking that down further, we see an improvement in individual scoring, with a 2% growth in promoters – defined as people who score Avaloq an average of 9/10 for these questions and comprising almost a third of our workforce. Promoters are shown to approach work with enthusiasm and resilience and take it upon themselves to improve how things are done, they are our ambassadors. As we foster our culture, we aim to shift more colleagues into the promoter category.

Colleague engagement



Average engagement score from our colleague survey, over time

Culture of fairness

Avaloq believes that a diverse and inclusive culture drives innovation, creativity and productivity. We are a truly global company, with over 70 nationalities represented in our workforce and operations across Europe and APAC, serving clients in 35 countries.

To succeed, we must value the unique contributions of our colleagues across the globe. Doing so will not only improve our DEI performance but will help us better serve and understand the varied needs and perspectives of our diverse client base.

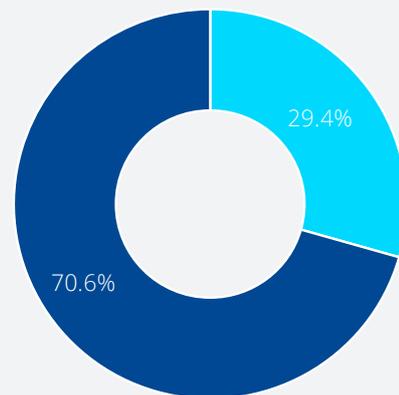
Advancing female colleagues

In addition to our overarching commitment to diversity and equal opportunity, we recognize that the fintech industry faces significant challenges with gender diversity, particularly in technical roles. We see these patterns reflected in our own business, which is why we have prioritized gender as part of our DEI strategy.

In 2019, we published targets that demonstrate our commitment to improving our performance in this area:

- achieve 30% female representation in our workforce by the end of 2022
- double the number of women in leadership positions, from a 2019 baseline of 32 to 64 by the end of 2025

Total workforce diversity by gender

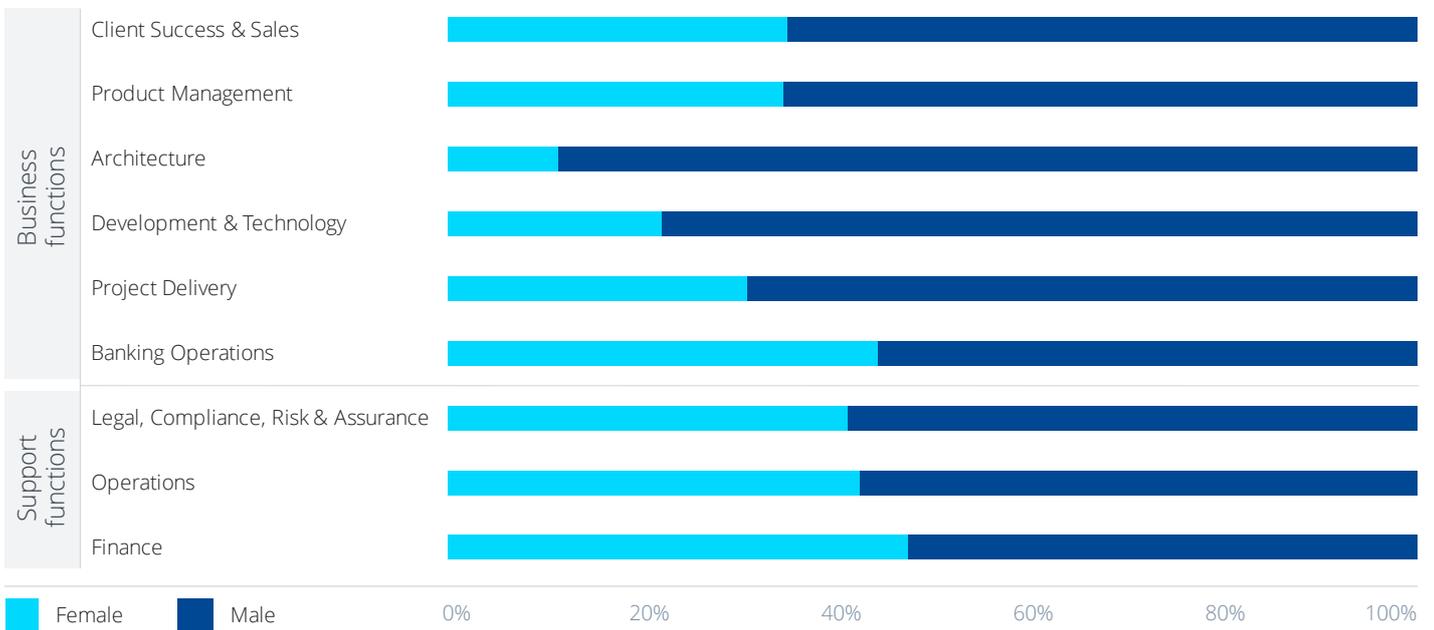


Female Male

Data as at March 2022



Percentage of female and male colleagues by business area



Data as at March 2022

“Building a truly diverse and inclusive workplace is a marathon. It requires high motivation and relentless focus. At Avaloq, we are proud to have successfully made a number of improvements in 2021. We recognize the challenges we face and are energized by all the opportunities we have to make a greater impact in terms of Diversity, Equity and Inclusion, for our workforce and beyond.”



Elodie Lhuillier
Head of Human Resources

Female colleagues represented 29.4% of our total workforce and 43.3% of new hires over the reporting period. By assessing gender diversity by business area, we start to see a more detailed picture of diversity across teams at Avaloq. Encouragingly, seven out of nine business areas at Avaloq have met or exceeded the 30% target, with our BPaaS and finance teams nearing 45% female representation.

However, our more technical teams continue to face challenges in this domain. Representing a large part of our workforce, these teams have a significant impact on our overall gender diversity ratio. Armed with this knowledge, we can develop targeted initiatives designed to support women into tech careers at Avaloq.

We believe that diverse leaders bring different perspectives and approaches to business, resulting in higher levels of inclusion and performance. We aim to double the number of female leaders in our organization from the 2019 baseline by 2025.



We are monitoring our progress against our targets and implementing focused initiatives designed to attract and retain female talent and boost female leadership in all business areas.

Using data to inform strategy

- Monitor gender KPIs and report to the Avaloq Group Executive Board
- Identify and reduce pay gaps to ensure equal pay for equal roles
- Perform an annual review of gender impact on remuneration and career moves

Boosting recruitment

- Use gender-neutral language for job vacancies
- Use gender-blind candidate profiles that prevent interviewers and recruiters seeing candidate gender, unless a name is present on the CV
- Train hiring managers on unconscious bias

Fostering an inclusive culture

- Promote the Lean in at Avaloq mentorship programme to colleagues
- Offer flexible working arrangements, including most Development & Technology roles at 80% FTE

Closing the pay gap

We continue to monitor the gender pay gap at Avaloq and are committed to closing any gaps. We work to ensure fair pay through an annual review of salaries, remuneration and career moves. Looking ahead to 2022, this review process will be based on a merit matrix to further support salary increases in a consistent and structured way, with an emphasis on closing existing gender pay gaps.

In April 2021, we carried out a formal equal pay analysis for the colleagues employed by our Switzerland-based legal entities, Avaloq Evolution and Avaloq Sourcing (Switzerland & Liechtenstein). The analysis was carried out in accordance with the Switzerland Gender Equality Act and audited by KPMG.

The analysis assessed pay levels for equivalent roles and indicated a good result for Avaloq. No gender effect on pay was identified at Avaloq Evolution, where we found an unexplained 1.6% wage difference between males and females. This figure is not considered statistically significant and is well below the national average of c.10%, published by the Swiss Federal Statistical Office. There was a 3.4% gender effect on pay identified at Avaloq Sourcing – this is, however, within the tolerated range of less than 5%.

Our commitment to diversity and equal opportunity

Our global diversity and equal opportunity policy defines our approach to diversity and our commitment to providing equal employment and advancement opportunities for all colleagues, regardless of background.

We believe that everyone should be treated with respect and do not tolerate discrimination due to protected characteristics such as ethnicity, gender, sexual orientation, disability or religious beliefs.

Our commitment to equal opportunity and fairness extends across recruitment, benefits, promotion, training and performance management.

We provide multiple channels to handle discrimination claims or complaints and we prohibit retaliation against any colleague making a complaint in good faith.

Lean in at Avaloq

Avaloq fosters and supports participation in colleague-led initiatives like the Lean in Circles – an employee programme from the Lean in Foundation, founded by Sheryl Sandberg. The circles are active in 184 countries and more than 3,000 companies. Motivated colleagues launched the Lean in Circle programme at Avaloq in 2020 with ten members, and participation has grown organically since then. Today, there are 63 participants from all levels of our organization.

Our Lean in Circles provide participants with small group mentoring that boosts levels of female inclusion and plays an important role in our overall DEI strategy. The circles centre around a variety of topics including leadership, work-life balance and professional strength assessments, with the ambition to:

- form a community of female colleagues from varied backgrounds and business areas
- discover fresh solutions to shared challenges
- give and receive actionable advice
- define and work towards achieving personal and professional objectives

I joined Lean in at Avaloq in 2020 during the COVID-19 pandemic. It was an amazing experience making connections with colleagues across Avaloq globally, especially so when we were isolated due to the pandemic restrictions. My circle has had meaningful conversations on a huge range of subjects. Lean in is a great community and gives me the opportunity to bond with colleagues that I wouldn't have met during my day-to-day work."



Laura Moranduzzo
Business Information Security
Officer



Colleague development

We are accelerating our colleagues’ personal and professional development by delivering high-quality learning experiences calibrated for different levels of need and skill requirements. Our approach is based around five pillars of learning and development:

Base	Human	Talent	Expert	Community
Fundamental learning resources available on our online learning platform Udemy	Personal growth and productivity programmes available on the Unmind app	Special individual development programmes for key talent and specific roles	Deep knowledge building in an area of technical expertise with the Avaloq Academy	Collaborative peer-learning forums that foster the democratization of knowledge

In March 2022, our line managers attended interactive “Writing feedback and setting objectives” training sessions, run by Avaloq’s Talent Management team. The purpose of these sessions was to support our line managers with a structured approach to meaningful conversations with their team members, introduce useful tools and ensure a clear understanding of how we want to provide feedback and assess performance at Avaloq.

Developing future talent

Avaloq participates in the Swiss vocational and professional education and training (VPET) scheme, an integral part of the education system that helps young people enter the workforce and equips them with in-demand skills. Apprentices divide their time between work experience at Avaloq and vocational training at school. In 2021, we had eight apprentices in Zurich and Bioggio in the fields of banking, commercial, and information and communications technology.



Colleagues completed an average of **57** hours training each



698 colleagues received career skills training with Avaloq Academy



1,384 colleagues active on Udemy with access to **2,932** courses

Community support

Our colleagues are passionate about contributing to social and environmental causes. While our official volunteering programme remained on hold due to the pandemic, we contributed to a number of non-profit organizations that make a positive difference addressing the needs of the international community.

Social aid in Romania

Working with Oberli AG in Switzerland, we donated six truckloads of furniture from our office to the St. Daniel Charitable Foundation, a social aid project in Romania. Reuse of the office equipment helps lengthen its life cycle and mitigates the environmental impact of sending items to landfill. The donated items will make a positive difference to hospitals, orphanages and social institutions.

Our donation included 182 desks, 156 sideboards, 33 tables, 30 office chairs, 20 stools, 10 wardrobe cabinets and various office supplies, including whiteboards and flipcharts.

Care and protection for children in need

We continued to provide financial support to SOS-Kinderdorf, which provides children's aid in over 135 countries worldwide. Our support went towards their vital work enabling families and children to shape their own future and programmes that develop safe and supportive communities.

Ukrainian war response

In March 2022, we responded quickly to support Ukrainian refugees fleeing Russian military aggression, to demonstrate the solidarity our colleagues felt for the Ukrainian people facing this ongoing humanitarian crisis. Our donation to Swiss Solidarity helped meet the urgent need for supplies and support like food, water, medical care, shelter and information for Ukrainian refugees.

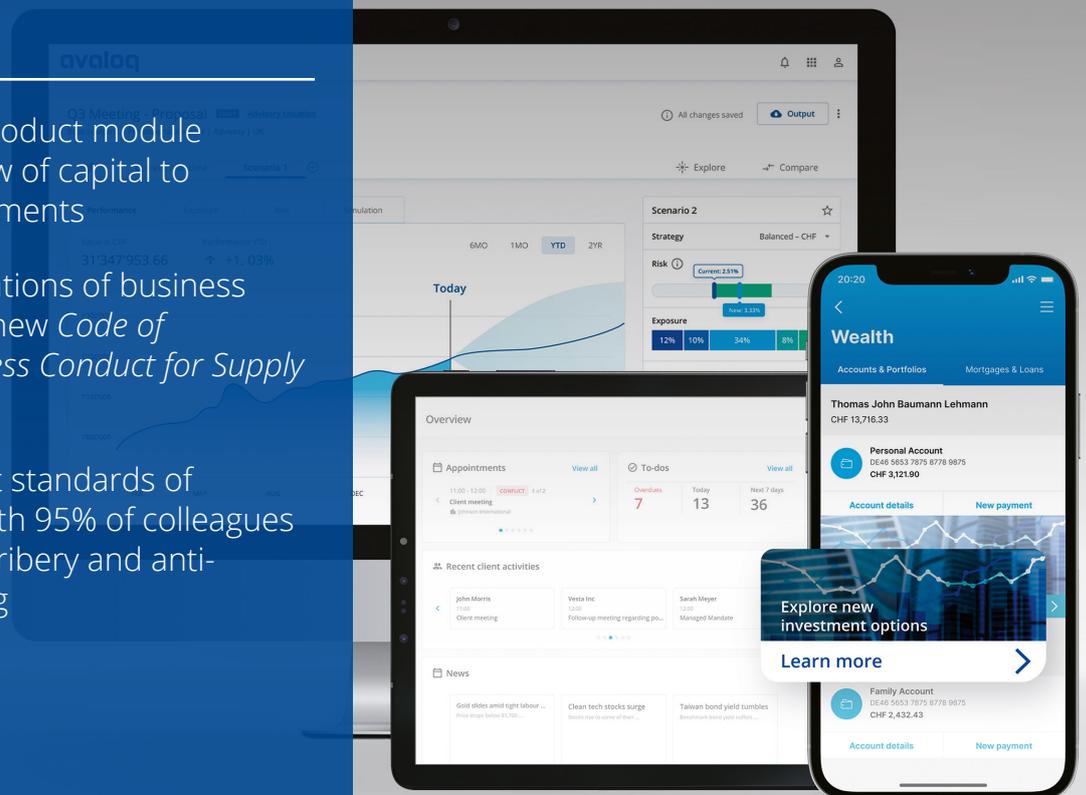


Business

We are leveraging our digital expertise to support the growth of sustainability in finance. We launched new solutions that enable our clients to deliver ESG investment services to their customers. As our reach grows, we are offering more groups access to efficient, digital banking solutions in line with our mission to democratize access to wealth management.

2021 Highlights

- Developed new product module to support the flow of capital to sustainable investments
- Enhanced expectations of business associates with a new *Code of Responsible Business Conduct for Supply Chains*
- Maintained robust standards of business ethics with 95% of colleagues undergoing anti-bribery and anti-corruption training



Shift to sustainable investing

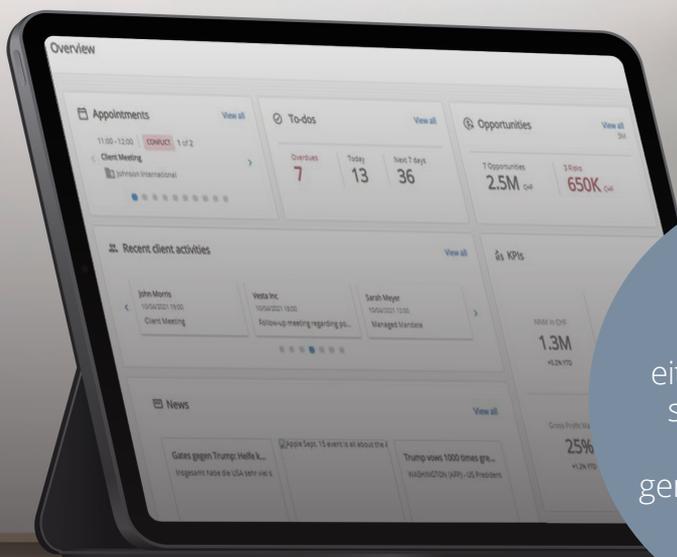
As a leader in financial services software, we see the way technology is rapidly changing society and our industry. Customers increasingly expect advanced digital banking capabilities, and there is a growing demand for sustainable investing. Avaloq is at the forefront of digitalization in finance, and our products and services are well placed to meet these demands.

We have developed a module for our Avaloq Core Platform that gives banks and wealth managers the ability to capture their customers' ESG preferences, evaluate ESG implications when creating proposals, and analyze and monitor portfolios using ESG criteria.

This solution enables our clients to meet regulatory requirements and investors' growing demand for investment portfolios that align with their values. In doing so, it supports the flow of global capital to investments that create long-term value for society.

Changing investor demands

We know that investor demands and preferences are changing. We found that 58% of investors would like to be able to define their ESG preferences, including being able to set preferences for specific factors, such as carbon emissions, diversity or political contributions. We also found an increasing demand for access to digital banking services, reflecting the shift towards digitalization and highlighting how our products can facilitate broader access to the most in demand wealth management services.



44%

are already making investment in ESG opportunities

71%

either require or would switch to a bank that offers computer-generated/robo-advisory services

47%

consider a state-of-the-art mobile app a must-have financial service



Interview with
Michele Sasso
Product Manager,
Product Management Regulatory

What were the drivers behind the development of Avaloq's ESG solution?

In August 2022, the European Securities and Market Authority (ESMA) Financial Markets Directive (MiFID) II came into force.

This amendment to MiFID II requires financial institutions to determine their clients' sustainability preferences during the advisory process.

Identifying sustainability preferences will become a mandatory part of investor suitability assessments. Our products are designed to help our clients seamlessly integrate the requirements of MiFID II into their offering.

Although a major consideration, MiFID II is only one of the driving forces behind the need to promote ESG in investing. The other is the rising interest among investors themselves for more tailored and accurate advice about the sustainability performance of investment opportunities.

ESG investments are the fastest-growing asset type in the world, and banks and wealth managers are well advised to ensure they have the technological capability to meet regulatory and market demands.

How much of an impact will the MiFID II directive have on sustainable investing?

This changing regulatory landscape will give ESG investing a much-needed overhaul and align it with the preferences and expectations of investors. Most financial institutions already offer their clients access to sustainable funds and products; however, the onus is often on investors to ask about these offerings.

Research repeatedly shows that only a minority of investment advisers proactively discuss ESG issues with their clients. As a result, although a large majority of clients would in principle be interested in sustainable investment opportunities, ESG still plays far too small a role in advisory discussions.

In wealth management, portfolio discussions have been primarily about allocation, performance and risk. The changes brought about by MiFID II will soon make sustainability preferences a routine component of the investor profile, turning ESG concerns into real transactions.

What is one of the key challenges wealth advisers and investors face when thinking about sustainable investing?

Failure to fully utilize the potential of ESG investments is in part related to a shortcoming in rating standards. Because ESG data has not yet been standardized or normalized, this makes comparisons between investment opportunities a real challenge for advisers and investors.

The lack of standards means that the various rating providers use different assessment methods. This in turn means that the same company can receive vastly different ratings from the various ESG rating providers. Precisely because there is not yet a “single point of truth” platform for ESG ratings, it is important to optimize access to the available ESG data.

If financial institutions really want to respond efficiently to the ESG needs of clients, it is important to fully integrate external ESG data into advisory systems so that relationship managers or their clients can access it seamlessly. Ultimately, all this information provides a basis for sound ESG investment decisions and the best way to do so is with the help of modern technology.

This requires reliable ESG ratings and a new generation of data management platforms. In other words, ESG is also a digitalization challenge.

How are we leveraging our digital expertise to help overcome these challenges and support sustainable investing?

ESG investing is as much a technological challenge as it is an ethical imperative. Even the best value proposition can fall short of the mark if the technology behind it is not up to scratch – and the same applies when incorporating new guidance from regulators.

Our digital expertise is helping banks and wealth managers make the complex ESG landscape manageable for their clients so that they can make informed investment decisions.

Avaloq's ESG module facilitates the reliable capture of client ESG preferences, connects to ESG data providers, allows ESG data to be managed in Avaloq and enables relationship and asset managers to develop personalized offers that correspond to their clients' values.



Responsible business conduct

Throughout the year we remained focused, as always, on the fundamentals of responsible business ethics and compliance that are core to our success as a trusted provider of wealth management technology.

Avaloq's *Code of Business Conduct and Ethics*, a constitutional document and fundamental building block of our compliance framework, promotes and respects the Universal Declaration of Human Rights and other international human rights standards.

We prohibit the use of all forms of forced labour, child labour and any form of human trafficking.

Avaloq has zero tolerance for bribery and corruption, as set out in our "*Global Policy on Anti-Bribery and Anti-Corruption*." We assess the risk of corruption when doing business and extend our robust anti-corruption standards to agents, intermediaries and consultants.

Our colleagues are encouraged to speak up if they spot violations of our code and have access to a range of channels to do so. These include processing issues through their 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.

We do not tolerate any retaliation against individuals reporting a complaint in good faith. Our position on the protection of the rights of colleagues to report breaches of business conduct and ethics, without negative retaliation, is outlined in our *Global Policy on Whistleblowing*.

95% of colleagues completed training on the following topics to ensure compliance with our principles of responsible business conduct:

- anti-bribery and anti-corruption
- conflicts of interest
- anti-money laundering
- fraud prevention
- whistleblowing

Enhanced supply chain expectations

We are committed to improving the sustainability of our supply chain by carrying out our procurement process with consideration for environmental and social performance.

We expect our business associates to comply with all applicable laws, regulations and standards in the regions where they operate. We have increased our focus on the environmental and social responsibility of our supply chain with the development of a new *Global Code of Responsible Business Conduct in Supply Chains* that aims to support the sustainable growth of Avaloq and our business associates.

The code of conduct sets out our expectations for business associates to respect human rights and labour practices, minimize health and safety risks, strengthen information security, take proactive steps to tackle global environmental issues and maintain high standards regarding fair trading and ethics.

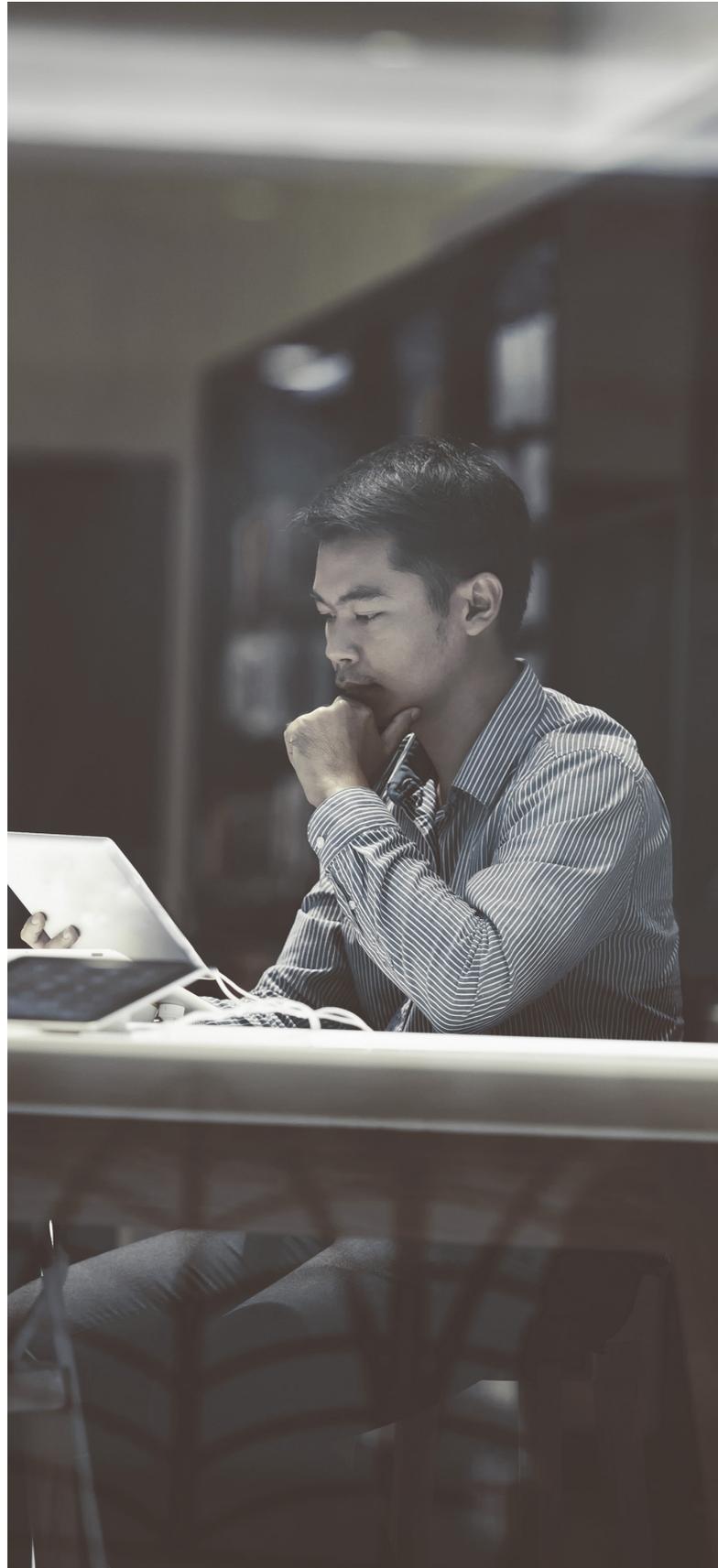
As part of our procurement process, we have begun asking our existing business associates to commit to understanding and adhering to our code of conduct, not only within their own organizations but among their suppliers as well. This project is ongoing and will be integrated into our onboarding process as it progresses.

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 resides at the core of Avaloq's business.

To ensure Avaloq meets the highest privacy standards and provides a stringent and future-proof approach for our worldwide clientele and their banking clients, we:

- have a comprehensive *Global Policy on Data Protection*, which describes the basic principles and responsibilities, designed to ensure Avaloq adheres to legal and regulatory data protection requirements
- have a global data protection function including local 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)
- joined the International Association of Privacy Professionals (IAPP), the world's leading privacy association, and follow industry developments closely
- raise data protection awareness within our organization by training our staff on a regular basis
- closely monitor the data flows in our systems and are firmly committed to maintaining the resilience of our data protection measures



Appendix

Global Reporting Initiative (GRI) Index

GRI standard	Number	GRI disclosure	Reference
Organizational profile	102-1	Name of the organization	Avaloq Group Ltd.
	102-2	Activities, brands, products and services	Our website: www.avalog.com/about-us
	102-3	Location of headquarters	Allmendstrasse 140, CH-8027 Zürich, Switzerland
	102-4	Location of operations	Avaloq's 2021 Sustainability Report, page 5
	102-5	Ownership and legal form	Private Limited Company (Ltd)
	102-6	Markets served	Our website: www.avalog.com/about-us
Strategy	102-14	Statement from senior decision-maker	Avaloq's 2021 Sustainability Report, page 6
Ethics and integrity	102-16	Values, principles, standards and norms of behaviour	Avaloq's 2021 Sustainability Report, pages 20, 28–29
Governance	102-18	Governance structure	Our website: www.avalog.com/about-us/leadership-team
Stakeholder engagement	102-40	List of stakeholder groups	Avaloq's 2021 Sustainability Report, page 36
	102-41	Collective bargaining agreements	Avaloq's 2021 Sustainability Report, page 33
	102-44	Key topics and concerns raised	Avaloq's 2021 Sustainability Report, page 36

GRI standard	Number	GRI disclosure	Reference
Reporting practice	102-47	List of material topics	Avaloq's 2021 Sustainability Report, page 8
	102-48	Restatements of information	None
	102-49	Changes in reporting	None
	102-50	Reporting period	01/01/2021 – 31/03/2022, transition year to fiscal year reporting which will commence from 01/04/2024
	102-51	Date of most recent report	30/11/2021
	102-52	Reporting cycle	Annually
	102-53	Contact point for questions about this report	sustainability@avalog.com
	102-54	Claims of reporting in accordance with the GRI standards	This report is aligned with the GRI standards
	102-55	GRI content index	This table constitutes the GRI content index
GRI 305 Emissions	305-1	Direct (scope 1) GHG emissions	Avaloq's 2021 Sustainability Report, pages 10-11
	305-2	Energy indirect (scope 2) GHG emissions	Avaloq's gross scope 2 emissions for 2021 were 1,188 tCO ₂ e. This is reduced to 377 tCO ₂ e through the purchase of Renewable Energy Attribute Certificates (EACs) equal to our total energy use.
	305-3	Other indirect (scope 3) GHG Emissions	Avaloq's 2021 Sustainability Report, pages 10-11
	305-4	GHG emissions intensity	2018: 6.46 tCO ₂ e/FTE 2021: 2.39 tCO ₂ e/FTE
	305-5	Reduction of GHG emissions	Avaloq 2021 Sustainability Report, page 10

Communication on Progress summary

UN Global Compact

Avaloq continues to support the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-corruption. This table summarizes the actions we have taken to integrate the Global Compact and its principles into our business strategy, culture and daily operations.

Topic	Action and policy	Measurement of outcomes during reporting period
<p>Human Rights</p>	<p>Action to support</p> <ul style="list-style-type: none"> • Ensure colleagues have safe and suitable working facilities • Protect workers from discrimination and offer anonymous avenues for complaint • Require our business associates to adhere to human rights standards <p>Relevant policy</p> <ul style="list-style-type: none"> • Global Policy on Whistleblowing • Code of Business Conduct and Ethics • Code of Responsible Business Conduct in Supply Chains • Global Policy on Health and Safety 	<ul style="list-style-type: none"> • Health and safety incidents: 0 • Number of reports related to whistle blowing procedure: 6 • 80% by spend target for business associates to agree to understand and adhere to <i>Avaloq's Code of Responsible Business Conduct in Supply Chains</i>: c.90% achieved in reporting period

Topic	Action and policy	Measurement of outcomes during reporting period
Labour		
<p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p>	<p>Action to support</p> <ul style="list-style-type: none"> • Protect colleagues' right to freedom of association • Engage colleagues in decision making and utilize multiple two-way communication channels • Offer colleagues fair wages, working hours and benefits • Require business associates to adhere to labour laws including prohibition of all forms of compulsory labour and child labour • Enforce non-discrimination policies and adhere to all applicable laws • Parental and sick leave in compliance with regional regulations • Targets to improve gender diversity 	<ul style="list-style-type: none"> • Dedicated workers council in all three German offices • Elected Employee Commission representing 100% of colleagues in Avaloq Sourcing (Switzerland & Liechtenstein) SA • Two anonymous all colleague surveys. 72% participation, a 7.2 engagement score, and over 7,500 comments received for the second survey in September 2021 • 80% by spend target for business associates to agree to understand and adhere to <i>Avaloq's Code of Responsible Business Conduct in Supply Chains</i>: c.90% achieved in reporting period • 29.4% female representation in our workforce
<p>Principle 4: The elimination of all forms of forced and compulsory labour;</p>		
<p>Principle 5: The effective abolition of child labour; and</p>		
<p>Principle 6: The elimination of discrimination in respect of employment and occupation.</p>	<p>Relevant policy</p> <ul style="list-style-type: none"> • Global Policy on Diversity and Equal Opportunity • Code of Responsible Business Conduct in Supply Chains • Code of Business Conduct and Ethics • Global Policy on Whistleblowing 	

Topic	Action and policy	Measurement of outcomes during reporting period
Environment		
<p>Principle 7: Businesses should support a precautionary approach to environmental challenges;</p> <p>Principle 8: Undertake initiatives to promote greater environmental responsibility; and</p> <p>Principle 9: Encourage the development and diffusion of environmentally friendly technologies.</p>	<p>Action to support</p> <ul style="list-style-type: none"> • Mitigate the climate impact of our operations • Implement sustainable office initiatives • Move towards greener data centres and facilitate the shift to the more energy-efficient public cloud • Set requirements for the environmental performance of our suppliers <p>Relevant policy</p> <ul style="list-style-type: none"> • Code of Responsible Business Conduct in Supply Chains • Code of Business Conduct and Ethics • Global Directive on Business Travel • Global Policy on Whistleblowing 	<ul style="list-style-type: none"> • Carbon neutral organization with 100% of emissions offset using verified offsets • 100% renewable energy procured through the purchase of Energy Attribute Certificates (EAC)

Topic	Action and policy	Measurement of outcomes during reporting period
Anti-corruption	<p data-bbox="98 528 259 568">Principle 10:</p> <p data-bbox="98 571 734 647">Businesses should work against corruption in all its forms, including extortion and bribery.</p> <p data-bbox="757 528 981 568">Action to support</p> <ul data-bbox="779 584 1491 855" style="list-style-type: none"> <li data-bbox="779 584 1491 660">• Deliver mandatory anti-bribery and corruption training to all colleagues <li data-bbox="779 676 1491 753">• Impose strict anti-corruption requirements for business associates <li data-bbox="779 769 1491 809">• Have zero-tolerance for bribery and corruption <li data-bbox="779 825 1491 855">• Facilitate anonymous whistleblowing process <p data-bbox="757 871 949 911">Relevant policy</p> <ul data-bbox="779 927 1491 1110" style="list-style-type: none"> <li data-bbox="779 927 1491 967">• Global Policy on Anti-Bribery and Anti-Corruption <li data-bbox="779 983 1491 1023">• Code of Responsible Business Conduct in Supply Chains <li data-bbox="779 1038 1491 1078">• Code of Business Conduct and Ethics <li data-bbox="779 1094 1491 1134">• Global Policy on Whistleblowing 	<ul data-bbox="1527 544 2134 711" style="list-style-type: none"> <li data-bbox="1527 544 2134 632">• 95% of colleagues receive training on anti-bribery and corruption training <li data-bbox="1527 647 2134 711">• Number of confirmed incidents of corruption: 0

Our sustainability ecosystem



Key stakeholder interests

Clients

- Climate change
- Community investment
- Diversity, equity and inclusion
- Ethical business conduct
- Sustainable product offering

Colleagues

- Benefits, training, work culture
- Diversity, equity and inclusion
- Community impact
- Digital accessibility
- Environment

NGOs/civil society

- Ethical business conduct
- Environmental and social impact
- Funding, volunteering, and strategic partnerships

Government and regulatory bodies

- Climate change
- Diversity, equity and inclusion
- Ethical business conduct

Media and industry

- Accurate and relevant information

NEC

- Climate change and environmental management
- Ethical business conduct and human rights
- Sustainable product offering and digitalization

Suppliers

- Climate change
- Ethical business conduct

Contact us

If you have any questions about this report, please contact sustainability@avalog.com.

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