

Socially responsible investment (SRI) policy

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Purpose and scope of our SRI policy



The purpose of this SRI policy is to present BCV's principles regarding environmental, social, and governance (ESG) criteria and to describe how we apply ESG criteria to investments.

By formalizing these principles in a responsible investment policy, we aim to guarantee transparency for our clients and other stakeholders, including creditors, the Vaud cantonal government, the Swiss federal government, Vaud residents, and society as a whole. This policy sets out the rules of conduct we follow in applying SRI principles to our asset management activities.



By publishing this SRI policy, we meet our commitments under the United Nations Principles for Responsible Investment (UNPRI), which require signatories to disclose their global approach to responsible investment and their guidelines on ESG integration in a publicly available policy statement. In publishing this policy, we are also following the recommendations of the Asset Management Association Switzerland (AMAS) and Swiss Sustainable Finance (SSF). Those recommendations, which are endorsed by the Swiss Bankers Association (SBA), state that it is important to “anchor the principles of a sustainable investment process firmly in an overarching investment policy.”¹

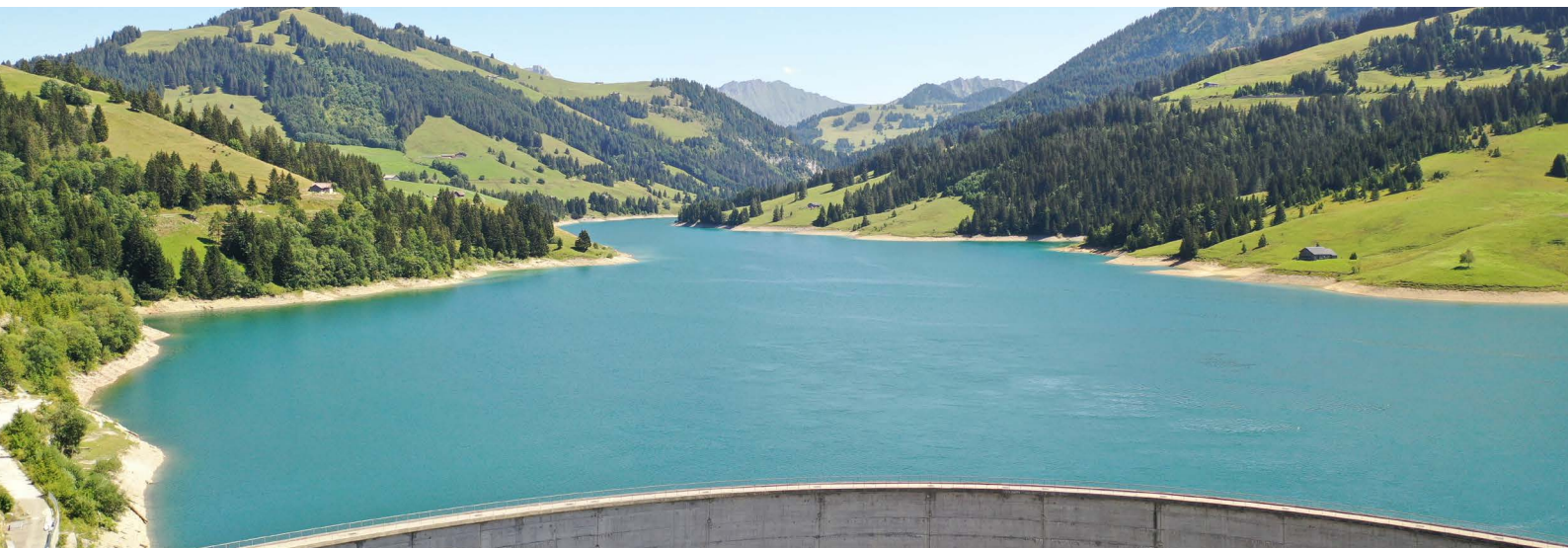


BCV's SRI policy covers all our investment products and services that relate to sustainability, including:

- investment funds managed by BCV
- discretionary management agreements
- advisory agreements
- structured products managed by BCV.²

¹ [Recommendations on transparency and minimum requirements for sustainable investment approaches and products, AMAS and SSF, December 2021](#)

² This policy does not apply to structured products issued by BCV but managed by a third party.



Introduction

Sustainable development is written into our articles of association.³ As a full-service bank with a local focus, we aim to maintain our position as the bank of choice for the people and businesses of Vaud Canton and as a key player in the Swiss banking sector. As such, we are committed to working for the sustainable development of society. Since 2007, the Cantonal Act Governing BCV (LBCV) has specified that, in our role as a cantonal bank, we will “have particular concern for the development of the Canton’s economy, in keeping with the principles of economically, environmentally and socially sustainable development.” The various dimensions of sustainability are thus an integral part of our business model, across all of our activities.

“ We have particular concern for the development of the Canton’s economy, in keeping with the principles of economically, environmentally and socially sustainable development. ”

As part of our corporate social responsibility (CSR) strategy through 2025,⁴ we aim to:

- proactively offer our customers a wide range of responsible investment solutions in line with market best practices;
- play a major role in financing the energy transition in Vaud Canton;
- work to preserve the environment and continue reducing our environmental footprint;
- play an active role in the community and, as a benchmark employer, foster diversity and equal opportunity.



Our Sustainability Report⁵ presents the many steps we have taken toward these goals, including:

- creating socially responsible investment solutions;
- contributing to Vaud’s economic development;
- offering attractive financing options to encourage Vaud residents to carry out energy-efficiency renovations;
- reducing the environmental impact of our operations;
- promoting training, equal opportunity, and diversity in the workplace;
- supporting cultural and sports activities and outreach initiatives.

In managing our clients’ investments, we employ a comprehensive process that takes into account all dimensions of sustainable development, and we aim to implement approaches that incorporate ESG criteria throughout our asset management processes. In line with our corporate mission and our duties as the bank of choice for half of Vaud’s people, we manage our clients’ investments responsibly.

³ [Articles of Association of Banque Cantonale Vaudoise](#), Article 4

⁴ [2021 Sustainability Report](#)

⁵ [2021 Sustainability Report](#)

Our approach to SRI

In this SRI policy, we present BCV's three main ambitions, which are based on our principles and strong values.

Ambitions

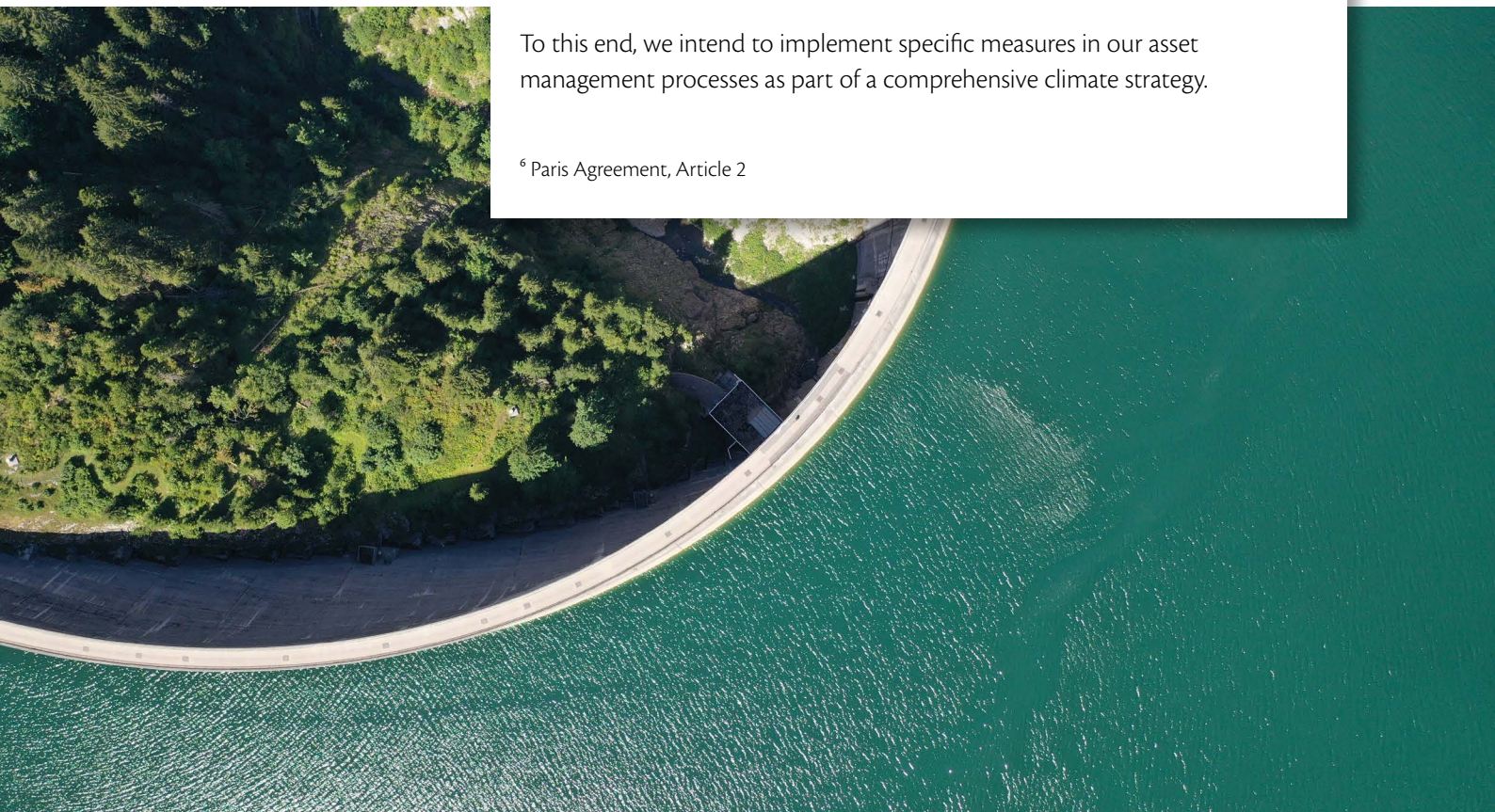
We aim to proactively offer our clients a wide range of responsible investment solutions in line with market best practices, while generating competitive returns over the long term. We intend to take a leadership position in the market of socially responsible investments in Vaud Canton and in Switzerland as a whole. One way we are accomplishing this is by working with local and national entities through research conducted in collaboration with the University of Lausanne (UNIL) and through our partnership with SRI specialist Ethos Foundation.

We are progressively integrating SRI into our existing investment products while at the same time adding to our dedicated range of products that incorporate SRI approaches. We are also committed to adapting and strengthening the use of ESG criteria in our asset management processes in line with evolving standards and advances in SRI research.

In our investment business, we intend to put into practice the Swiss federal government's commitments under the 2017 Paris Agreement, which aims to "hold the increase in the global average temperature to well below 2°C above pre-industrial levels and [...] make finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development."⁶

To this end, we intend to implement specific measures in our asset management processes as part of a comprehensive climate strategy.

⁶ Paris Agreement, Article 2



Our approach to SRI

Principles and values



Fiduciary duty

To best serve the interests of our clients, we consider it our fiduciary duty to incorporate ESG approaches into our investment policy. By doing this, we can decrease our clients' exposure to ESG risks and improve their portfolios' risk-return profiles over the long term.



Transparency

AMAS notes that, "in implementing sustainability criteria, transparency is key." And transparency indeed lies at the heart of BCV's values.⁷ We undertake to communicate on all our SRI efforts in a transparent, clear, and simple way. In that same vein, we consider the fight against greenwashing crucial so that we can ensure our clients are effectively protected and our stakeholders are kept informed. We intend to be transparent not only with respect to our asset management activities but also in our SRI communication in general.



Commitment to sustainable development

As a cantonal bank, we are responsible for carrying out asset management activities that meet the needs of future generations. We undertake to do that in a variety of ways. First, we exclude from our investment universe the most problematic companies with regard to ESG. We also raise our clients' awareness of SRI issues and, based on their expectations, guide them toward investment solutions that, for example, address climate change or have a positive impact on society. And we make every effort to apply best practices in ESG integration when exercising our shareholder voting rights and engaging in dialogue with the companies we invest in.



Investor expectations

We aim to meet investors' sustainability expectations and to offer them the investment solutions that best align with those expectations. To do that, we systematically ask them about their preferences in this area. We are also expanding our range of in-house ESG products so we can provide our clients with solutions that address sustainable development issues. We have further solidified our position in this market by entering into a partnership with Ethos Foundation; today, BCV's asset management team manages a range of investment funds covering the main asset classes, with Ethos serving in an advisory role.

⁷ [Sustainable Asset Management: Key Messages and Recommendations of SFAMA and SSF, June 2020](#)

Our approach to SRI

Principles and values



Awareness-raising, training, and education

Through our various efforts and joint initiatives, particularly at the local level, we aim to actively raise awareness of SRI issues among all our stakeholders and provide them with training in this area. In 2019, we entered into a partnership with UNIL to promote research that will allow institutional investors to better incorporate sustainability considerations into their investment strategies. As a result of this partnership, various studies on the integration of ESG criteria into indirect real-estate investments in Switzerland have been published through the Center for Risk Management at UNIL's Faculty of Business and Economics (HEC).

BCV's advisors endeavor to regularly provide our retail and institutional clients with clear, objective information on ESG issues and the ESG implications of their investments.



SRI governance

SRI roles and responsibilities

We have set up a dedicated governance structure in order to apply our SRI policy uniformly and consistently across our asset management activities.



Corporate Social Responsibility Committee (CSR Committee)

Our CSR ambitions and strategy are set by the Executive Board and approved by the Board of Directors.

The CSR Committee submits recommendations to the Executive Board on the objectives and approaches that BCV should adopt on all CSR-related topics. It is responsible for identifying and assessing sustainability-related opportunities and working with BCV's different departments to determine the measures we will adopt in each business line.

The committee is chaired by the CEO and includes the heads of our Asset Management & Trading Division, Credit Management Division, and Private Banking Division, as well as the head of Corporate Social Responsibility and representatives from the business lines in question.



SRI Committee

The SRI Committee has decision-making authority on SRI-related matters. It steers BCV's SRI policy, identifies priorities in this area, verifies that projects are consistent with each other, ensures that the SRI policy is implemented in our investment policy and methodology and approves our SRI documentation. The SRI Committee is chaired by the head of our Asset Management & Trading Division and reports on its activities to the CSR Committee.

The SRI Committee collaborates with working groups and teams from the various business lines to grow our product offering, implement our SRI policy, and manage risks.

Shared understanding across the Bank

We take a number of approaches to managing socially responsible investments as part of our asset management activities. The Asset Management & Trading Division:

- ensures that all teams responsible for investments understand the various approaches we take, in particular by providing clearly defined SRI-related terminology;
- adopts a holistic approach so as to be able to assess risks in a variety of areas.

Explanatory documents (e.g., procedures, processes, and methodologies) must be clear, unambiguous, and available to all BCV employees.

Investment process for each management style

Discretionary asset management (investment funds, management agreements, and structured products)



Institutional, retail, and professional clients with a discretionary management agreement entrust investment decision-making to BCV, relying on the Bank's expertise in asset management and on our investment policy in particular.

Asset allocation decisions are made in line with the Bank's SRI policy. This means that we integrate the guiding principles of our SRI approach into our discretionary management solutions. We offer discretionary management agreements, as well as a range of investment funds and structured products, that incorporate ESG criteria. We have also integrated thematic and targeted solutions that comply with stricter ESG standards into our discretionary management product ranges to meet the needs of clients with higher ESG expectations. Our asset managers and advisors regularly check that our clients' portfolios are aligned with their expectations and with the financial and SRI objectives set for each range of investment solutions.



For institutional, retail and professional clients with a multi-asset discretionary management agreement, we build portfolios using an open-architecture approach that ensures our clients can invest in a broad range of both in-house and third-party SRI products, as well as thematic products designed to address environmental and social issues. In addition to using conventional financial analysis, the fund selection team in our Investment Policy Department has an exhaustive process in place to determine each fund's level of SRI integration. As part of this process, we ask fund promoters to complete an SRI survey; we use their answers together with ESG ratings to categorize financial products based on the extent to which they factor in ESG criteria. Our aim is to be transparent about the funds we select and, when choosing from among funds with similar financial analysis results, to favor funds that best integrate ESG criteria.

Investment process for each management style

Advisory service



We provide an investment advisory service to clients that wish to be actively involved in managing their portfolio.

For individual clients, SRI is integrated into the advisory process in keeping with SBA guidelines.⁸ As responsible service providers, our advisors undertake to regularly raise our clients' awareness of ESG issues and the ESG implications of their investments. However, because BCV's service is strictly advisory in these cases, we cannot require our clients to apply our SRI policy in their final investment decisions.

Our advisors help clients determine their SRI preferences through an open dialogue and by drawing on clearly written, accessible documents. These preferences are added to the individual client's investor profile, which also sets out the client's level of expectations and the associated SRI approaches.

When checking whether the client's portfolio is aligned with their investor profile, our advisors look at non-financial criteria in order to monitor the SRI approaches adopted, particularly regarding investment themes to favor and business activities to avoid. Through our portfolio analysis and reporting process, we provide our clients with a transparent view of how their ESG expectations have been integrated into their investments.

⁸ [Guidelines for the financial service providers on the integration of ESG-preferences and ESG risks into investment advice and portfolio management. SBA, June 2022.](#) The guidelines take effect on 1 January 2023 and include transition periods to give financial service providers time to fully implement all of the recommendations.



Product range

Our investment offering consists of a standard product range and two ESG-specific ranges. We use different investment approaches and sustainability objectives for each of these ranges in order to meet our investors' respective expectations. We integrate ESG criteria as much as possible in our range of investment vehicles and intend to gradually increase the number of products that factor in sustainability criteria so that our ESG range eventually becomes our main product range.

In our standard range, investment decisions are made based primarily on financial objectives. ESG-related constraints are not systematically taken into account. However, non-financial criteria may be factored in for some product types.

With our ESG range, we consider companies' exposure to ESG risks and how those risks are managed. This helps make our portfolios more resilient to ESG risks over the long term and also incentivizes companies to improve their ESG practices, thereby creating a virtuous circle.

For our ESG Ambition range, we apply the same approach as for the ESG range but go one step further by allocating part of the assets to investments that will help drive positive change. One of the main ways we do this is through thematic products, where we invest in companies that offer solutions to environmental and social challenges in line with one or more of the 17 UN Sustainable Development Goals. Some of the multi-asset funds and management agreements in the ESG Ambition range, in addition to investing in thematic products, also use ESG criteria that are stricter than those applied to our ESG range. Financial products that seek to create positive change, such as those that actively promote shareholder dialogue, are also included in this range.

⁹ <https://www.un.org/sustainabledevelopment>

Product range

The main features of these ranges are listed in the table below:

		ESG Ambition	
		ESG	
		Standard	
Objectives	Investment decisions are made primarily based on financial objectives and criteria.	Investment solutions in this range take ESG risks into account while seeking to effectively manage financial risk. These solutions are less exposed to controversial business activities and aim to improve the risk/return profile over the long term.	Investment solutions in this range take ESG risks into account and are less exposed to controversial business activities. They also allocate a portion of the portfolio to companies that help drive positive change in the economy, society, and the environment, while reducing financial risk.
Examples of SRI approaches used	<ul style="list-style-type: none"> • Illegal activities are excluded. 	<ul style="list-style-type: none"> • Sector- and standards-based exclusions • ESG integration • Positive screening • Best-in-class selection • AGM voting based on ESG criteria • Shareholder engagement* 	<p>Approaches used for the ESG range, plus:</p> <ul style="list-style-type: none"> • Additional exclusions • Thematic investments • Advanced shareholder engagement* • Investments aimed at driving positive change (e.g., funds compatible with Paris Agreement objectives)*

* Under development

SRI approaches

This section describes the core approaches we use to incorporate sustainability factors into our investment selection and management processes.

Negative screening



Negative screening is one of the numerous approaches we use to implement our SRI policy. We conduct in-house analyses to screen out companies whose activities do not comply with regulations or whose practices we deem incompatible with our SRI approach. This helps to limit portfolio risk, since companies that are out of step with ESG standards may experience sharp declines in the value of their assets, or may even have their assets frozen, if changes are made to the regulatory environment.

For our discretionary management services (including both direct investments and funds), we exclude companies that belong to certain sectors or that do not comply with certain standards. We have two levels of restrictions, one for our ESG range and the other for our ESG Ambition range.

The following activities are excluded:

- controversial weapons
- thermal coal¹⁰
- unconventional fossil fuels
- companies that do not comply with the UN Global Compact
- other controversial sectors, such as tobacco and adult entertainment (for the ESG Ambition range).

For more information on the levels of restriction and how we apply exclusion criteria, see the appendix to this policy on our [website](#).

We apply these exclusions to all products incorporating an ESG approach. Additional exclusions may apply to our ESG Ambition range or to specific products. Information about them can be found in the relevant sub-fund's investment policy as set out in the fund prospectus.

ESG integration



With this approach, ESG risks and opportunities are systematically integrated into traditional financial analysis and investment decisions on the basis of carefully chosen information sources.

¹⁰ Companies that engage in thermal coal mining or coal-fired power generation are excluded.

SRI approaches

ESG integration is primarily used in discretionary management agreements and asset allocation funds, through the quantitative and qualitative product-selection process described in the “Discretionary asset management” section of this policy.

For Swiss indirect real-estate investments in particular, we systematically take into account available ESG information during the selection process by considering sustainability measures taken by the fund alongside financial analyses. In our dialogue with the management teams of the vehicles selected for our portfolios, our real estate teams require fund promoters to be transparent with regard to various ESG criteria, particularly any climate measures taken.

Positive screening and best-in-class selection

Here, the investment decision is based on quantitative ESG scores or metrics, with the aim of favoring companies that meet high ESG standards in various areas. As part of our SRI efforts, we apply this approach in several ways:



- **positive screening:** we select companies with good ESG scores in order to build a portfolio with an ESG score higher than that of the benchmark index;
- **best-in-class selection:** we select companies that outperform their peers on ESG metrics with respect to a given threshold.

For a portion of our equity and bond funds, the manager’s objective is to build a portfolio with a higher ESG score and a smaller carbon footprint than a selected benchmark index. To achieve that objective, the manager defines the investment universe based on benchmark ESG indices that apply a positive screening approach. These indices form the starting point for the product selection process, and the manager factors in the ESG scores of the securities included in the investment universe when building the portfolio.

Ethos uses best-in-class selection for its funds by focusing on companies with the best ESG and carbon ratings according to its non-financial assessments. It does this by excluding companies whose scores are too low and underweighting companies whose scores are at the defined minimum threshold.

SRI approaches

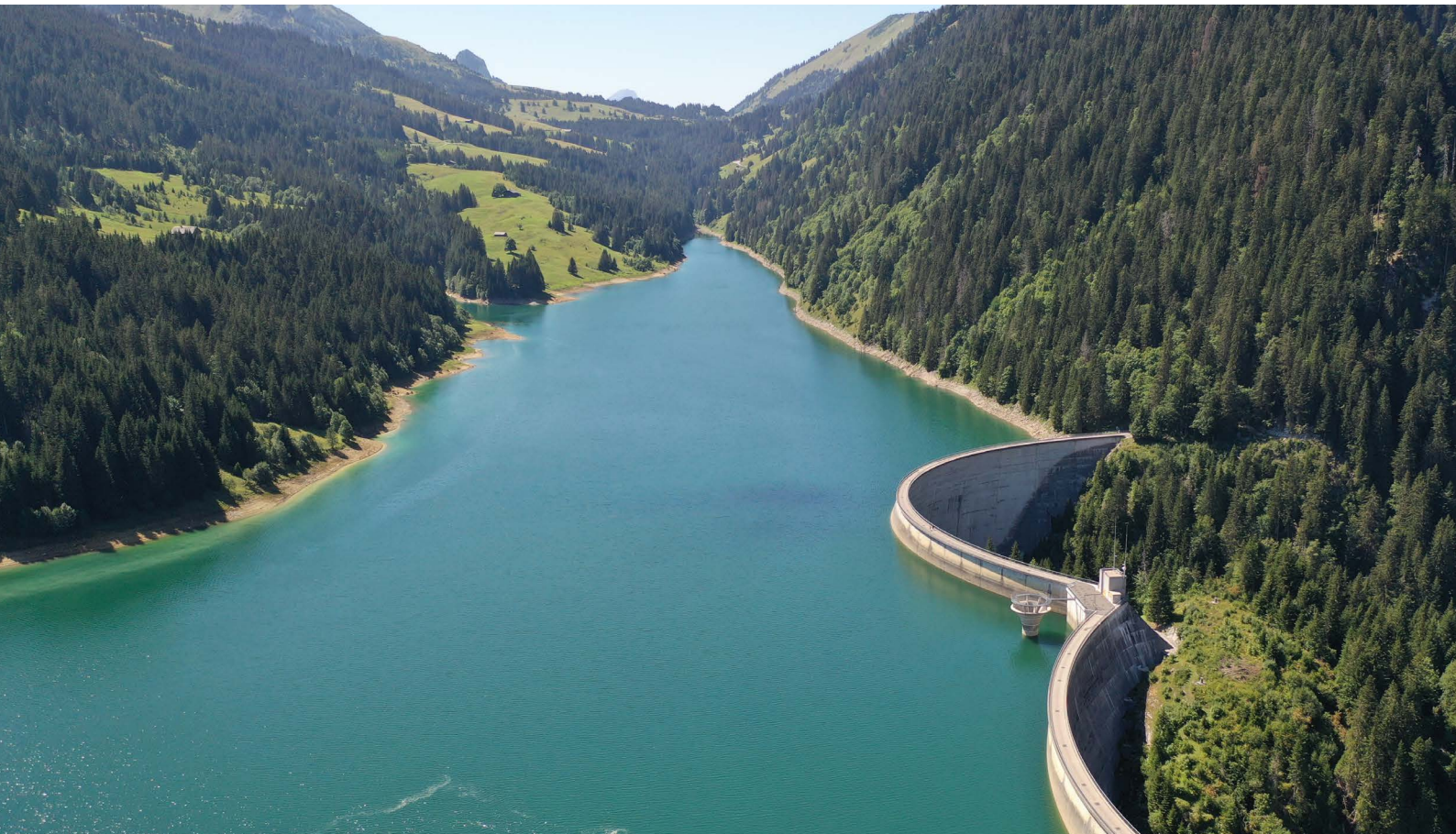
Thematic investments



These are investments in companies that provide solutions to environmental and social issues. With regard to environmental issues, this could include investments in renewable energy, energy efficiency, clean technology, low-carbon transportation infrastructure, water treatment, or resource efficiency. In terms of social issues, this could include investments in education, health-care systems, or poverty reduction.

We offer thematic investment solutions created and managed by our Asset Management Department, as well as third-party products. For example, we offer certificates that invest in themes related to combating climate change and other Sustainable Development Goals.

Thematic funds can also be combined with a multi-asset allocation strategy that incorporates ESG criteria. Such combinations offer a high degree of diversification, which reduces traditional investment risks and creates strong resilience to ESG risks.



Stewardship (active ownership)

We believe that stewardship (active ownership) practices and initiatives can be a major driver of positive change in the overall direction of a company.

Engagement



The purpose of shareholder engagement is to preserve and increase the long-term value of investee companies for all stakeholders. The aim is to ensure that companies develop a solid business model by measuring their progress and adapting to the transition to a sustainable and resilient economy.

In order to develop as effective an approach as possible, we have identified two main types of engagement as fundamental in view of our asset-management business model. We intend to base our activities in this area on the following forms of engagement:

- a direct approach, in which BCV carries out its own dialogue with the funds, companies, and foundations we invest in. Engagement is conducted on an individual and targeted basis in order to align our efforts with this SRI policy;
- an indirect approach, in which engagement activities are delegated to and carried out by external service providers. Dialogue can also be conducted collaboratively with other investors through pooled thematic initiatives.

Based on regular analyses of our means of action, we intend to develop our shareholder engagement activities and formally set out the principles underpinning our approach in an in-house engagement policy.

Voting



As part of our fund management activities, we have established a voting policy¹¹ with regard to Swiss companies. Our Asset Management Department is guided by this document when exercising BCV's voting rights for Swiss companies whose stocks are held by our investment funds. Based on Ethos' proxy voting recommendations, the policy defines BCV's position on each of the items submitted to a vote at the general meetings of Swiss companies. A committee within BCV, drawing on Ethos's recommendations and analyses, makes the final voting decision with respect to each item on the general meeting agenda of companies in our portfolio. A report of voting decisions taken by BCV at general meetings of Swiss companies is published for all the funds concerned on the website of our fund manager, Gérifonds.¹²

¹¹ [Voting policy regarding Swiss companies in BCV investment funds](#)

¹² [Gérifonds - BCV Funds](#)

Internal control system and transparency

Internal control and risk management

To ensure that this policy is properly implemented across all our business lines, SRI considerations have been incorporated into BCV's internal control system. The goal is to ensure that managers and advisors act in accordance with the principles set out in this document while also meeting our clients' SRI expectations.

Specifically, we integrate SRI into our internal control system and risk management processes in three main ways:



The first, *risk compliance*, involves ensuring that our various SRI activities incorporate and comply with SRI-related regulatory and contractual obligations.



The second, *risk controlling*, entails monitoring the internal limits set and reviewed each year by the SRI Committee. These limits are based on ESG indicators and are intended to ensure that our products are aligned with their SRI objectives.



The third, *investment risk management*, involves continually monitoring the different sources of ESG risk, identifying and analyzing problematic situations, and running scenarios and stress tests. This means we can strengthen our use of risk management measures by incorporating ESG factors in addition to risk/return metrics. Given the high degree of complexity of ESG risk models and the lack of standardization in this field, our efforts in this area have followed an iterative, step-by-step trajectory.



Internal control system and transparency

ESG reporting



Transparency is an essential component of our SRI policy. We are committed to communicating as transparently, clearly, and comprehensively as possible with all our stakeholders, including our clients.

Our ESG reporting takes place at two levels: at bank level and at product level. Each year, we publish a [sustainability report](#) detailing our efforts and progress on sustainability issues. This report is designed to provide all the information necessary to keep our various stakeholders abreast of developments in our SRI practices and performance. As mentioned above, a report on BCV's voting decisions at the general meetings of Swiss companies held by BCV investment funds is publicly available. Similarly, we plan to create a record of our shareholder engagement activities and publish a summary report every year. And since reporting practices are constantly and rapidly evolving, we undertake to adapt to market best practices.

In 2019, we signed the United Nations Principles for Responsible Investment (UNPRI). As part of our commitments under this document, each year we produce a report of our various SRI activities. This process provides us with an opportunity to fulfill our internal and external responsibilities through a standardized disclosure tool.

At product level, we create and analyze reports and information sheets for each ESG product and send them to investors. These documents include a range of sustainability-related information, such as the product's ESG rating, the SRI approaches and methodology used, and climate-related indicators for the investments. This means that clients can check at any time whether their portfolio is aligned with their ESG expectations. The reports also give investors a data-based perspective on the financial and non-financial performance of their investments.

Important legal information:

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