

ESG SUMMARY GUIDE

FEBRUARY 22, 2022

BANQUE DE COMMERCE ET DE PLACEMENTS



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INTEGRATING ESG FACTORS INTO THE DAILY CONDUCT OF OUR CORE BUSINESSES IS INCREASINGLY IMPORTANT

As a responsible banking institution, BCP has a duty to act in the best interest of its customers and various stakeholders, while playing an active role in building a sustainable economy that respects planetary boundaries.

We acknowledge the urgency of the transition towards a sustainable future, which necessitates the joint efforts of all actors of the economic value chain. Our bank is fully aware that the path towards sustainability is full of challenges and requires time to fully align operations with the ESG objectives that constitute the foundations of sustainability. Fully engaged on this path, BCP is committed to promote acceptance and implementation of ESG factors both internally through its own processes and policies, and externally in the conduct of its core businesses.

Two key elements form the backbone of BCP's roadmap to further enhance sustainability, as presented in more details in this document:

OUR ADHERENCE TO AN ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE APPROACH OF BUSINESS

Being fully aware of the footprint that our present financing decisions as well as investments should have on the long term, BCP is willing to bring a positive contribution towards a more sustainable future, by always further integrating global sustainability, respect of human rights, and climate goals objectives within its operations.

A GOVERNANCE FRAMEWORK AIMING AT ENHANCING ADOPTION OF ESG BEST PRACTICE RECOMMENDATIONS

- 1** | BCP's corporate bodies, in particular the Board of Directors and General management, work hand in hand to further develop and implement BCP's ESG strategy and ensure its effectiveness.
- 2** | BCP is an active member of the Swiss Trading and Shipping Association (STSA), interacting on best recommendations and actions applicable to CTF industry players.
- 3** | BCP is also a partner of Sustainable Finance Geneva and a member of Swiss Sustainable Finance.

1/ COMMODITY TRADE FINANCE TAKING AN ESG APPROACH TO FINANCING

A) ESG AT THE CORE OF OUR DUE DILIGENCE PROCESS

ESG factors are a full part of our comprehensive Know Your Customer (“KYC”) and Know Your Transaction (“KYT”) assessment.

ESG issues, even though of heterogeneous nature, have in common their direct effect on risk management, as well as their impact on our financing decisions. As such, we are working to build a sustainable long-term approach within our core commodity trade finance activity, by setting long-term values aiming at protecting fundamental human rights, and transitioning towards an economy with a neutral impact on the environment.

Hence, in order to foster the construction of a more resilient world, and prioritize risk management in our financing decision making, we notably analyze and evaluate the companies through the lenses of the following various strategic standards of good practice:

UNITED NATIONS GLOBAL COMPACT

This strategic initiative supports companies to do their business responsibly by aligning their strategies and operations with ten major principles on human rights, labour, environment and anti corruption. We privilege companies which conduct their activities in full conformity with those ten principles.

NATIONAL GOVERNANCE CODES

Other universal sustainability principles are combined into various codes of best conduct enacted by many countries. Our analysis process aims at privileging companies operating according to the framework established by such codes.

CORPORATE GOVERNANCE CODES

Many companies have taken steps to incorporate ESG criteria into their corporate governance internal directives, hence demonstrating their commitment to shape their business around more sustainable factors.

“By integrating Environmental, Social, and Governance criteria into our financing decision-making process, we are committed to an approach aimed at a positive and responsible impact for a more resilient world over the long term.”

B) SUSTAINABILITY PILLARS IN OUR FINANCING DECISION-MAKING PROCESS

Embedding sustainability criteria into our daily financing decision-making process is inherent to our commitment of being a responsible bank. The commodity transactions we finance aim at meeting the demand in raw materials, agriculture, metals, and energy needed at all levels of our everyday lives. While facilitating the intermediation of these fundamental products, our aim is to promote the responsible sourcing of commodities, while favoring whenever possible transactions with a positive environmental impact.

Hence, besides the governance framework that applies to all operations of the Bank, monitoring the fundamental pillars associated with the environmental and social impact of the transactions our Bank finances is part of our long-term view to sustainability. We have selected below some of the main elements which form part of our ESG approach to financing solutions.

The various items described over the following pages are not a comprehensive list of each ESG pillars and actions adopted by BCP, but constitute the cornerstones of our ESG framework, and are meant to evolve over time. With those elements forming a backbone at all levels of the value chain in our CTF core business, we have the ambition to participate, with our various internal and external stakeholders, to a more sustainable economy and a more resilient future.

ENVIRONMENTAL

The environmental challenge that we face for the future is twofold:

First, it goes with contributing at our level to build the path to a more resilient and self-sufficient circular economy, in order to preserve natural resources, biodiversity and ecosystems. To do so, we are committed to lower the rate of environmental degradation induced by the transactions we finance, thanks to a certain number of concrete decisions.

Secondly, we aim at aligning on the long-term our priorities and targets with the objective defined in the historic 2015 Paris Agreement which established the goal of containing the global temperature warming this century well-below 2°C above pre-industrial levels. The Paris Agreement provides a roadmap for climate actions in line with the UN Sustainable Development Goals which we regard as an important reference. Accompanying the energy transition is also part of our commitment and vision for the long-term. their activities in full conformity with those ten principles.

With these challenges in mind, our ambition is to help facilitate the transition to a less carbon intensive economy, while taking a responsible approach to the necessary financing of sources of energy bearing a higher environmental impact.

With the objective of bringing our contribution to tackling climate change and progressively reducing the impact of the operations we finance on the environment, we have since several years adopted concrete measures.

BCP has for instance already suspended all financing support to the palm oil industry. BCP has also drastically reduced its support to thermal coal financing. As of November 2021, the Glasgow Climate Pact has settled on the “lowest common denominator” consisting notably to phase down unabated coal power and inefficient subsidies for fossil fuels. Turning our adherence to UNFCCC principles into actions, we have decided to further phase down our thermal coal financing going forward.

In addition, BCP encourages greener energy financing. The Bank supports initiatives linked to cleaner gas (LNG/LPG), waste oils transformation and related business (UCOME).

BCP is finally favouring clients who develop carbon emission solutions within their businesses.

SOCIAL

Our financing decision-making process integrates a key criterion aiming at encouraging our clients to adopt a transparent approach linked to the social components of their operations.

Due to the complexity of the supply chain in the commodity trade finance environment, it is incumbent on all stakeholders of the industry to enhance transparency in order to demonstrate that the commodities at the core of a transaction are sourced or produced in an ethical and responsible manner.

At BCP, we request from the companies we finance to operate according to a responsible business conduct, in particular in the areas of human and labor rights. We hence encourage an alignment of the supply chain with UN Global Compact Principles with that respect, for fundamental rights to be respected and ensured at all stages.

We view transparency obligations on non-financial matters as an important element which determines our decision to enter into a transaction with our customers. We expect our clients to commit to operate according to a strict due diligence process to ensure an engagement with partners minimizing social risks.

In the field of commodities coming from mining extraction in particular, we regard the ICMM (“International Council on Mining and Metals”) and the EITI (“Extractive Industries Transparency Initiative”) as important global standards promoting an accountable management of oil, gas and mineral resources.

2/ TAKING AN ESG APPROACH TO INVESTMENTS

Taking into account the exposure of our investments and our clients' investments to ESG criteria is a way of improving the resilience of portfolios over the long-term, while offering opportunities to the various markets' stakeholders to contribute to a more sustainable future, by encouraging best standard practice.

INTEGRATION OF ESG CRITERIA IN OUR TREASURY INVESTMENTS

With the objective of further enhancing its sustainable approach, BCP has decided to consistently and progressively increase the percentage of green and sustainability bonds within its Nostro Portfolio.

The proportion of green, social and sustainability financial instruments available on the market is more and more important. As such, our Treasury specialists carefully select instruments the proceeds of which are used to finance the transition towards a low carbon economy and / or have a positive impact on society, according to a transparent and authentic framework.

As of today, 7.5% of our nostro fixed-income portfolio is constituted of green and sustainability bonds. Our objective is to gradually increase the proportion to 15% at the end of 2022 and to reach 25% at the end of the year 2025.

INTEGRATION OF ESG CRITERIA IN OUR WEALTH MANAGEMENT ACTIVITIES

True to a customer-centric way of doing business, BCP's Wealth Management team follows an advice-driven and open architecture approach, putting the best interest of each client at the core of its allocation process.

In its quest for performance, BCP seeks the best solutions available on the market while increasing the proportion of assets integrating ESG criteria.

As of today, around 10% of our discretionary mandates are composed of assets compatible with the ESG criteria defined by Bloomberg. Bloomberg has indeed established a proprietary score based on the extent of a company's environmental, social, and governance (ESG) disclosure. Our objective is to gradually increase the proportion to 15% at the end of 2022.

The same objective applies to our in-house BCP Emerging Markets Fixed Income Fund.

3/ BCP IS COMMITTED TO EMBEDDING SOCIAL WELL-BEING AND ENGAGING EMPLOYEES IN SUPPORTING SUSTAINABILITY IN THE WORKPLACE.

As in our core businesses, it is part of our culture, as a corporate institution and an employer, to act according to well-defined ethical and sustainable standards. Our way of doing business is grounded in the idea that our actions shall have a sustainable impact while encouraging diversity and integrity amongst our workforce.

ECOLOGY IN THE WORKPLACE

As documented in our “Ecology in the workplace” internal directive, we have the objective to participate to the environment’s protection and sustainable development by encouraging BCP’s members of staff to adopt sustainable practices at work, in the area of resources and energy consumption.

All recommendations contained in this directive aim at improving environmental awareness and behavior within the workplace, by:

- reducing waste to preserve the resources (paper, plastic, office stationary...)
- encouraging and facilitating recycling and sorting of waste, and
- reducing unnecessary energy consumption.

SOCIAL WELL-BEING AND ETHICS IN THE WORKPLACE

Our Bank also strives to offer its workforce a safe and respectful working environment based upon a set of internal regulations and practices promoting an ethical way of doing business, as well as equality and diversity amongst our staff members, and a set of comprehensive measures aimed at health protection.

BCP’s internal Code of Conduct, defines the standards of business conduct and ethical values that the Bank expects the members of its Board of Directors and employees to endorse, in order to maintain a transparent and ethical relationship between its various stakeholders. This Code serves as a reference point in all aspects of employees’ working relationships and fosters a culture where responsible behavior is ingrained in a way that protects our people as well as our clients.

Our Code of Conduct is complemented by other internal directives such as the Swiss staff Manual, and Remuneration Policy, which together establish the basis of a fair, equitable, and responsible treatment of all staff members.