

Sustainability.

We are the region's forward-looking bank. Sustainability is the norm for us, and lies at the heart of our vision and business strategy.

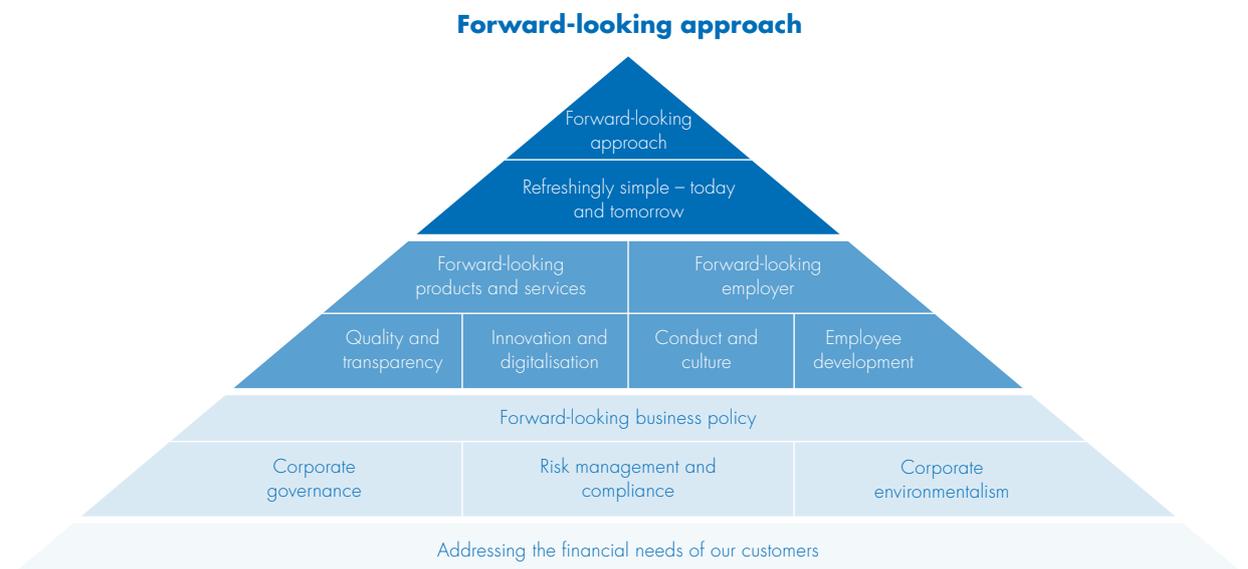
Forward-looking approach systematically embedded.

In 2018, Basellandschaftliche Kantonalbank (BLKB) worked systematically on explicitly anchoring the sustainability concept within its products and services, internal processes, as well as culture and communications.

Our public service mandate requires us to produce benefits for the economy and people of the canton. To meet this requirement even more effectively in the future, we refined our understanding of the key sustainability drivers in 2018. Taking the internally revised 2017 materiality analysis as a basis, we identified three focal points and seven areas of action for sustainability management at the start of 2018 (see illustration "Forward-looking approach"). These action areas are the levers that enable us to create added value for the bank, the economy and the people of the canton – both today and tomorrow.

Anchoring our forward-looking approach

We consequently derived concrete targets, measures, responsibilities and budgets for all these action areas. The following pages provide information on where we worked on our forward-looking approach in 2018, and about the outcome. In line with the concept of integrated sustainability management, implementation takes place in various departments and processes. The aim is for all employees to live our forward-looking approach. To ramp up this process, we relaunched our existing network of internal sustainability ambassadors in the year under review. Thirty "champions" from all areas of the business are driving the integration of our forward-looking approach in their capacity as internal contact points, architects and role models. To this end, they were familiarised with BLKB's clear positioning in the year under review and involved in strategic projects and working groups.



Standardised reporting

This sustainability report is published for the first time based on the latest generation of standards (2016) of the Global Reporting Initiative (GRI). These standards are applied internationally and recognised by the Swiss Exchange as a set of rules for transparent, comparable sustainability reporting.

FORWARD-LOOKING PRODUCTS AND SERVICES

Within the banking business and in particular with regard to investments, pensions and loans, two factors are crucial to our forward-looking approach: the quality of existing products and services and the creation of new ones. We believe our customers are increasingly looking for banking products that not only make a positive contribution in themselves but also play a positive role in relation to the environment and wider society.

Increased advisory capability

The bank's certification programme for customer advisers began in 2017, having been tailored to its requirements in cooperation with the Banking Advisory Centre in St. Gallen. The programme is divided into a section covering all aspects of the theory behind the provision of advice in the banking sector and a practical section comprising three different simulated consultations. Following the completion of training for the nearly 100 customer advisers from the Corporate Banking and Counter areas in 2017, the remaining 200 or so advisers from the Customer Centre, Retail Banking and Private Banking areas received training in the year under review. Recertification is to take place every three years.

External certification was also accompanied by investment in our advisory processes, which were standardised, focused on life events (see management report, p. 18) and supplemented by clear standards for conducting client discussions. This was complemented for the first time by a training laboratory for regular internal training sessions on advisory services and

sales, customer acquisition and sales management, as well as a quality management system for the systematic control and measurement of customer satisfaction (see management report, p. 18). In 2019, we are incorporating specific content relating to our forward-looking approach into the training laboratory programme.

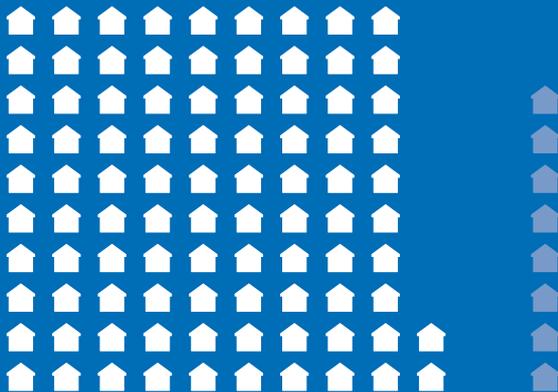
Forward-looking offering

Two investment funds were added to the range of actively managed and sustainable next-generation strategy funds in March 2018: the "BLKB Next Generation Fund Vorsorge Yield" and "BLKB Next Generation Fund Vorsorge Balanced" funds enable sustainable, broadly diversified and professional investment of third-pillar retirement assets as well as portability. The launch means we are living up to our claim to provide forward-looking, long-term advisory services in relation to pensions. In addition, our future-oriented passive "iQ Responsibility Equity Fund" was included in the model portfolio of our online asset management tool Digifolio.

We also lived up to our claim to provide long-term thinking on mortgages, too, in the year under review. With the new products for mortgage customers in cooperation with Baloise Insurance and insurance broker Anivo, we are enabling our customers to increase their risk tolerance through insurance (see management report, p. 19). The changes made within our E-Banking portal are likewise forward-looking, because a simple, easily accessible digital offering meets the needs of a growing number of customers. We are improving the digital customer experience on the basis of customer surveys and the analysis of user behaviour. This includes the direct opening of additional accounts for existing customers, as well as the advertising of personalised product and service recommendations.

Sustainable funds

Our in-house, sustainably managed collective investment schemes enable responsible investment.



Mortgage lending

We have deep roots in the region. At CHF 18.7 bn, 92 per cent of our mortgage lending was undertaken in Northwestern Switzerland in the year under review.

- 🏠 Mortgage lending in Northwest Switzerland catchment area (92%).
- 🏠 In rest of Switzerland (8%)

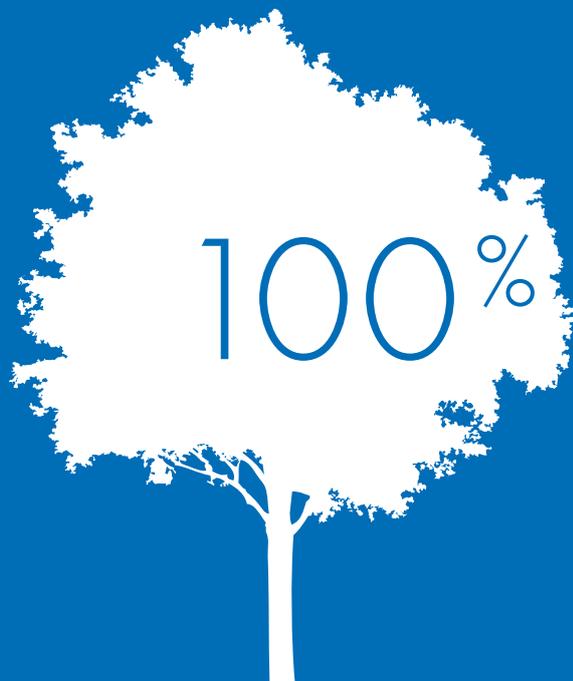
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Sustainable investment funds

The two BLKB investment funds meet clear sustainability criteria. They enable broad diversification and professional management of third-pillar retirement assets as well as portability.

Sustainable investment recommendations

All our recommendations meet environmental, social and corporate governance as well as financial criteria.



Inclusion of ESG criteria

BLKB has been a member of the United Nations-supported Principles for Responsible Investment (PRI) network since 2014. As a signatory to the six principles, we are committed to incorporating key environmental, social and governance (ESG) criteria, as well as the traditional financial criteria, into our investment analysis and decision-making process. In accordance with our membership, BLKB in 2018 published an additional PRI Transparency Report containing information about implementation in the investment business.

Since the beginning of 2017, all investment advisory recommendations issued by BLKB have taken account of environmental, social and corporate governance as well as financial criteria. The investment recommendations are produced by a team of BLKB investment analysts from an investment universe comprising around 150 sustainable equities from Switzerland, Europe and North America. BLKB's asset management mandates have taken ESG criteria into consideration since 2014. To improve customer awareness, we held several customer events with a focus on the subject of sustainable investment in 2018.

As a signatory to the Montréal Carbon Pledge Initiative, BLKB published the CO₂ footprint for its investment products in the year under review for the first time. We also took the necessary measures to enable us to publish the respective ESG portfolio valuation as well as the CO₂ footprint for our investment products and asset management in the future.

Proximity as a success factor

Proximity to our customers is one of the keys to the success of our forward-looking approach. Our customer advisers take the time to understand the needs of our customers and offer them customised solutions. We provide our private clients with advice focused on key events in their lives as well as their personal objectives (see management report, p. 18). Our Cor-

porate Banking unit supports companies along the entire value chain and throughout their life cycle – whether in the start-up, transformation or succession phase.

To further expand our advisory service and offering for companies as well as strengthen our position as a leading SME bank within the region, we launched our new trading strategy in the year under review. SMEs as well as large corporates can receive advice on all aspects of foreign currencies, interest rates and capital market transactions. In the year under review, our specialists identified various trading-related action areas and customer requirements. This led to the launch of new products for the hedging of foreign exchange and interest rate risks at the end of 2018.

For the region

In addition to its annual distribution to the canton, the bank contributes to the future of the canton and Northwestern Switzerland through its lending to the local economy. BLKB had a total of CHF 18.7bn in mortgages and CHF 1.4bn in other loans (including loans to businesses) on its books in 2018. 92 per cent of the mortgages and 46 per cent of the other loans granted by BLKB were to customers in its catchment area of the cantons of Basel-Landschaft, Basel-Stadt, Solothurn and Aargau.

Support for start-ups

As well as support for start-ups via the wemakeit platform (see management report, p.18), BLKB made another contribution through its commitment to the Swiss Innovation Challenge and the Swiss Next Challenge. This innovation support programme – with an eight-month sparring and tendering programme (including attractive award) – was created by us in 2014 in collaboration with the University of Applied Sciences Northwestern Switzerland and the Chamber of Commerce for the Basel region. It is firstly aimed at companies wishing to introduce

and implement innovative ideas and products, and secondly at companies that are actively exploring succession arrangements, or individuals who themselves wish to buy or sell a business. We also continued our cooperation with the “Entrepreneur Campus”. This initiative by the City of Basel Trade Association anchors talent development in vocational training, thereby helping to enhance the appeal of vocational training and entrepreneurship in the Northwest Switzerland region. Talented young people receive systematic training before, during and after their apprenticeship.

Promotion of vocational training

BLKB has been committed to vocational training within the region through the “Jobs for Juniors” project for the past 11 years. Thanks to the “Jobs for Juniors” charity Maestro card, BLKB and its customers have supported the Job Factory in Basel and SME Apprenticeship Association for the Basel region and its surrounding area to the tune of CHF 210,905 each.

FORWARD-LOOKING EMPLOYER

Motivated, capable and team-spirited employees are vitally important to the success of BLKB as a business. With that in mind, the bank invests in a modern, motivating and performance-oriented working environment. With the new HR strategy, we laid the groundwork for the systematic management of our capabilities and strengthening of our corporate culture in the year under review.

Management of competencies

Competency management begins with a needs assessment and culminates in a strategic HR plan. BLKB uses this as a basis for driving the recruitment of new employees as well as providing training and development for existing staff. All annual appraisal interviews conducted by line managers with employees in 2018 were in line with the newly defined criteria. The assessment covered conduct – based on values and

associated behavioural anchors – as well as expertise and problem-solving skills (see management report, p. 20).

Integration of values and team bank

The corporate culture, as the second element of the HR strategy, is based on distinctive values, a clear understanding of leadership, and a motivating work culture. In 2018 we refined our self-image and reviewed our eight corporate values. Each value is underpinned by three sets of instructions or “behavioural anchors”. One anchor relates to employee level, another to team level, and the third to management.

“Game changers” were tasked with embedding BLKB values in teams, and thus continuing to drive forward the change process initiated in the year under review (see management report, p. 21). The teams consist of employees from various business units and hierarchical levels who bring extensive experience and a multi-faceted perspective to the work. With their fresh viewpoint, they question existing formats and processes as well as habits, with a view to bringing about lasting changes in the corporate culture.

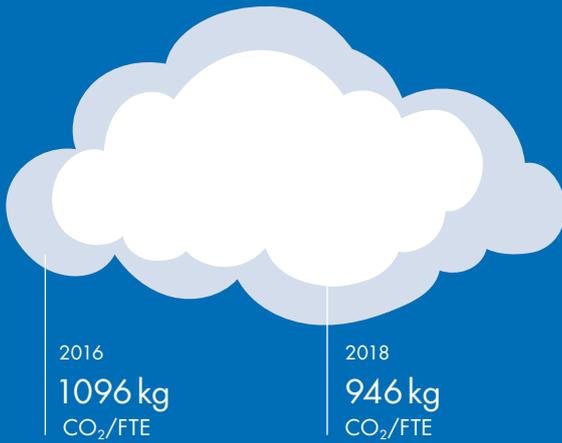
Leadership philosophy and workplace culture

We strengthened and harmonised our leadership philosophy in the year under review. Line managers are required to act as role models and set a good example. They exude BLKB values, both internally and towards the outside world. We continued to develop our workplace culture in 2018, diversity and curiosity being the primary characteristics. Innovation and productivity are encouraged, while mistakes are allowed. In an organisation with flat hierarchies, our capabilities in terms of lateral management and cooperation via networks play a crucial role.

Contemporary work models

Contemporary work models that enable greater flexibility in

CO₂ emissions



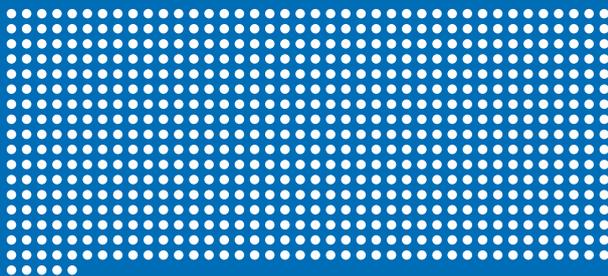
Specialist and management career

BLKB aims to have at least 20 per cent of positions in senior levels 5 to 7 occupied by women by 2020. With a current figure of 18.8 per cent, we are not that far off our target.



Total headcount

We are a significant employer in the region. 685 people work at BLKB. Nearly half of them are women, while 42 employees are in training positions.

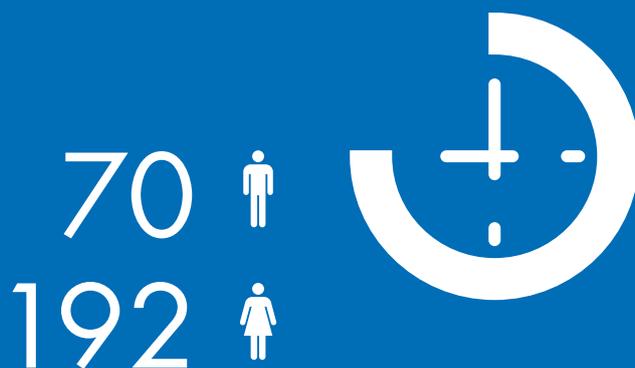


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Management roles

BLKB believes in the professional development of its employees. Two-thirds of all management roles were filled by internal specialists in 2018.

Part-time employees



50+

New hires

BLKB recruits people aged 50-plus on a regular basis, and benefits from their experience and expertise. Ten persons over the age of 50 were hired in the year under review.

terms of determining working hours and location also form part of this work culture, which is why BLKB signed the Work Smart charter in 2015. Work Smart is a cross-company initiative that helps achieve a better work/life balance through flexible ways of working, encourages initiative and responsibility, and is intended to spur motivation. Since the start of 2018, employees have been able to choose – in consultation with their line managers – from a range of work models that give them greater flexibility in determining their working hours and place of work. All employees have been given a personal notebook since autumn 2018, giving them further support with flexible working (see management report, p. 20). Finally, employees are able to retire gradually once they reach the age of 60.

A family-friendly bank

Today there is strong pressure to achieve the right balance between professional and family life. Sustainable solutions are possible for our employees if all those involved collaborate on a long-term basis. Since the start of 2018, BLKB has provided a return-to-work programme in which mothers receive structured support during pregnancy and when returning to the workplace following their maternity leave. The aim is to overcome barriers, boost self-confidence, identify resources and develop a shared vision. In the year under review, BLKB also provided internal seminars for interested parents in which they were able to discuss role models as well as conflicts of roles in work and family life.

Besides flexible working arrangements, BLKB also made it easier for employees to return to work with the option of a staggered return up to one year following the birth of a child and to extend paid maternity leave from 16 to 24 weeks at full salary (depending on number of years of service).

As of 2019, we will also be making it simpler to deal with absence necessitated by caring for sick family members: employ-

ees now receive three paid days' absence per year in such cases. Mothers and fathers can have up to three paid days of absence to look after sick children – per illness, and without having to provide a doctor's certificate.

Pilot with mentoring tandems

As part of a mentoring pilot, a total of 11 pairs of individuals met on a monthly, informal basis in the year under review to exchange of views on various themes in relation to everyday working life and personal development. Participants are advised by a mentor and during the programme were given various opportunities for reflection and an exchange of views. This enabled us to develop our team concept, flat hierarchies and forward-looking approach. The mentoring programme will be introduced on a definitive basis in 2019.

Gauging the views of employees

BLKB has in the past conducted an internal employee satisfaction survey every two years. The last detailed poll took place in 2016. In the year under review, two surveys were conducted to find out whether employees feel they have been sufficiently informed, involved and well-managed during the change process. A comprehensive employee survey using a new methodology geared towards the challenges posed by change is planned for 2019.

FORWARD-LOOKING BUSINESS POLICY

Good corporate governance and effective risk management constitute the basis of a successful cantonal bank that produces benefits for the economy and people. For the purpose of managing and controlling BLKB, the governing bodies abide by clear principles and structures as set down by the Board of Directors in various regulations based on current legislation. The bank takes an integrated approach to risk management and risk is independently controlled under the leadership of the Chief Risk Officer. Integral security – in other words, appropri-

ate, durable protection of persons, information, assets and services – forms part of the risk management system. The fact that risk policy is geared towards sustainable success and a balanced relationship also makes a vital contribution to our forward-looking business policy (see notes to the financial statements, p. 69).

Culture of integrity

BLKB performs its banking activities with integrity and in accordance with legal and regulatory requirements as well as the banking industry's recognised professional and ethical principles. All applicable rules have been condensed into a set of 10 rules in our code of conduct. These rules constitute the backbone of our corporate cultures and are binding on all BLKB employees. On joining BLKB, employees are given an introduction to the code of conduct and its rules; these are later refreshed in the context of compliance training. BLKB sanctions violations, depending on their degree of severity. There were no relevant notifications or irregularities in the year under review.

More acute risk awareness

Based on the ESG criteria already applied in the investment business, we will in future systematically take into account ESG criteria and sensitive topics in relation to lending, too, and document our decisions accordingly. An analysis in the year under review showed that BLKB already operates in accordance with these criteria in a majority of cases. The focus in 2019 will be on the further operationalisation of these criteria and their integration into the reputation risk management and advisory process.

Complementing these efforts, we analysed our business for explicit or implicit climate risks and opportunities in consultation with a Swiss climate specialist for the global financial industry. The findings obtained will enable us to actively explore new ways to deal with the risks and opportunities associated with climate in 2019.

Sustainable procurement

In terms of procurement and operations management, we place the utmost emphasis on compliance with environmental and social standards. To systematically address aspects of our forward-looking approach, BLKB has concluded a sustainability agreement with service providers and suppliers since 2019. This agreement can be viewed at blkb.ch. Purchases with a value of at least CHF 3,000 must also be made in accordance with a structured list of criteria. Essential products such as ATMs or IT and construction services are exempt. In the case of the latter, the bank has had a corresponding internal directive for years.

Rating serves as progress report

In 2018, the independent Swiss sustainability ratings agency Inrate conducted an assessment of corporate governance (zRating) on behalf of BLKB. On a pleasing note, the analysis concluded that BLKB ranks in the upper mid-range compared with comparable banks.

Detailed information on corporate governance at BLKB can be found in the "Corporate governance" section starting on page 33. This is based on the current "Directive on Information relating to Corporate Governance" (DCG) of SIX Exchange Regulation. In addition, the "Comments on business activity" in the notes to the annual financial statements contain detailed information on risk management and control.

CORPORATE ENVIRONMENTALISM

BLKB's greenhouse gas emissions fell again to 946 kg per FTE in the year under review. This compares with a figure of 1,245 kg per FTE five years ago. It includes our direct emissions of greenhouse gases, such as pollutants produced by our electricity and district heating suppliers as well as by the preparation and disposal of energy sources and materials we have used.

Paving the way to emission-free electricity

Around half of BLKB's emissions of greenhouse gases are caused by its building energy requirements. 45 per cent are due to room heating and just 4.8 per cent to the production of electricity used for lighting, air-conditioning and office infrastructure. Compared with the previous year, heating energy requirements per FTE fell by 3.6 per cent and electricity requirements remained unchanged despite the hot summer.

We purchased a total of 3,060,587 kWh of electricity on a virtually emission-free basis, and exclusively from Swiss hydro-power plants, for all our bank operations. For building heating purposes, we purchased 141,304 kWh of natural gas with a 5 per cent share of biogas and 185,003 kWh of heating oil. 1,524,325 kWh was purchased from district heating suppliers. They produce heat using wood, heat pumps, block heat and power plants, and – to meet peak demand – natural gas and heating oil, too. We purchased a further 300,936 kWh for the heating of rented properties. In addition, we produced 93,308 kWh of electricity from our own photovoltaic system on the roof of our head office.

We plan to be a climate-neutral bank. With this aim in mind, we employ technical and organisational energy-saving measures. Larger bank operations therefore have a building management system that enables caretakers to optimise energy use in a targeted way. We have reached an agreement with the Energy Agency for the Economy (EnAW) to reduce our CO₂ intensity to 81.2 per cent in the period from 2013 to 2022 and to increase our energy efficiency to 107.8 per cent. Thanks to the implementation of a multi-year programme of measures, we already reduced our CO₂ intensity to 74.2 per cent in spring 2018 and increased our energy efficiency to 116 per cent.

Digitalisation reduces paper consumption

The other half of the greenhouse gases emitted by BLKB stems from business travel, paper consumption, waste and water consumption. Our employees (FTE) averaged 1,129 km of business travel in 2018. 5.5 per cent of trips were taken with electric vehicles. Paper consumption was reduced further to 144 kg per FTE. This compares with a figure of 205 kg five years ago – i.e. 42 per cent higher. 87 per cent of our paper consumption comes from recycled sources. In the case of paper consisting of virgin fibre, we did not use paper qualities that are bleached with chlorine gas. The volume of waste has varied between 200 and 240 kg per FTE over the last five years. The figure in 2018 was 211 kg, 62 per cent of which we were able to send to recycling. The rest was incinerated. Water consumption has a minimal influence on our greenhouse gas emissions. Even so, we intend to maintain a low level of consumption and use rainwater collection systems, for example.

OUTLOOK

In 2019, we will continue to systematically anchor the sustainability concept within the bank. Besides the specific steps described above, we will be reviewing our mission statement in 2019. In addition, a new sustainability mission statement based on our forward-looking approach will be produced with the aim of highlighting our priorities and ambitions to an internal and external audience. BLKB intends to develop its sustainability reporting in a pragmatic way.

Key data on our forward-looking approach

Factor	Data quality	GRI standard	VfU no.	Unit	2018	2017	2016	2015	2014
Products and services									
Mortgage lending, total	High (3)	102-2		CHF bn	18.7	18.2	17.6	17.1	16.6
Mortgage lending, Northwestern Switzerland	High (3)	102-2		Per cent	92	93	93	94	95
Other lending (including loans to companies), total	High (3)	102-2		CHF bn	1.4	1.3	1.4	1.4	1.6
Other lending (including loans to companies), Northwestern Switzerland	High (3)	102-2		Per cent	46	49	57	58	62
Total volume of assets managed in investment funds	High (3)	102-2		CHF bn	3.1	3.4	3.0	3.1	3.2
Volume of in-house, sustainably managed investment funds	High (3)	102-2		CHF bn	743.5 ¹⁾	480.4	247.9	0	0
Employees									
Average FTEs	High (3)	102-8		FTE	685	673	657	639	650
Proportion of women, overall bank (rel. to total headcount)	High (3)	102-8		Per cent	44,3	46,9	46,2	48,1	47,2
Proportion of women in function levels 1–5	High (3)	102-8		Per cent	47,5	48	49	51	–
Proportion of women in function levels 6–8	High (3)	102-8		Per cent	10	8,5	6	3	–
Women in part-time positions ²⁾ (rel. to total headcount)	High (3)	102-8		Per cent	25	25	26	27	–
Men in part-time positions ²⁾ (rel. to total headcount)	High (3)	102-8		Per cent	9	6,5	6,5	5,5	–
Number of trainees	High (3)	102-8		Number	28	28	28	31	–
Number of apprentices	High (3)	102-8		Number	14	12	13	13	–
Recruitment of employees aged 50-plus	High (3)	102-8		Number	10	5	4	2	–
Absences due to sickness or accident	High (3)	403-2		No. of days	5001	4295	4210	4315	3802
Turnover (excludes retirement, pregnancy, death)	High (3)	401-1		Per cent	5,3	5	4,6	4,5	4,1
Proportion of positions filled by internal candidates	High (3)	102-8		Per cent	5,4	4,6	–	–	–
Energy consumption									
Number of heating degree days		302-1		HDD	2620	2870	3025	2677	2399
Energy consumed in buildings (total)	High (3)	302-1	1	MJ/FTE	27236	27713	26443	28239	29240
– Electricity	High (3)	302-1		MJ/FTE	16475	16027	15269	16775	17597
– Heating energy	High (3)	302-1		MJ/FTE	11261	11686	11174	11464	11643
Business travel	Good (2)	302-1	2	km/FTE	1129	1086	1078	1495	1204
Greenhouse gas emissions³⁾									
Direct and indirect greenhouse gas emissions (total)			7	kg CO ₂ /FTE	946	981	1096	1250	1245
– Direct greenhouse gas emissions		305-1	7a	kg CO ₂ /FTE	255	272	303	320	325
– Indirect greenhouse gas emissions		305-2	7b	kg CO ₂ /FTE	284	297	381	396	434
– Other indirect greenhouse gas emissions		305-3	7c	kg CO ₂ /FTE	407	418	412	534	486

Definition of data capture quality based on VfU in 2015: (3) Data based on exact measurements (2) Data based on extrapolations (1) Data based on estimates
 MJ = megajoules CO₂ = carbon dioxide FTE = full-time equivalent HDD = heating degree days (2015 calendar year, other years heating season)

¹⁾ As of 2018 includes in-house, sustainably managed investment funds

²⁾ Workload of 90% or less

³⁾ Calculation of greenhouse gas emissions based on guidelines of Association for Environmental Management and Sustainability in Banks, Savings Banks and Insurance Companies (VfU) as well as GRI standards. This includes our direct emissions of greenhouse gases (scope 1), those produced by power stations or district heating plants (scope 2) and those produced in upstream or downstream preparation and disposal stages (scope 3). Greenhouse gas emissions stated as CO₂ equivalents. The previous year's values were retroactively aligned with the latest version of the VfU guidelines and therefore are not directly comparable with the figures published in previous sustainability reports.