

BKW GROUP

Annual Report 2021

2021



We make a major contribution to achieving a balance between prosperity and the environment by offering solutions for a future worth living.



A sustainable hotel experience

Building automation from Sigen Engineering AG, a company of BKW Building Solutions, ensures sustainable comfort at the Hyatt Regency Zurich Airport The Circle. Learn more at: www.bkw.ch/ar21

Facts & Figures

Key financial figures

CHF millions	2017	2018	2019	2020	2021
Sales	2,503	2,675	2,867	3,129	3,554
EBIT ¹	368	364	433	436	395
Operating net profit ²	192	249	285	349	245
Funds from Operations ³	495	432	648	782	500
Investments in property, plant and equipment and intangible assets	276	258	234	221	244
Acquisition of Group companies and associates	138	165	245	63	122
Balance sheet total	9,089	9,053	9,239	9,428	12,080
Shareholders' equity	3,406	3,472	3,735	3,989	4,226
– as % of balance sheet total	37.5	38.4	40.4	42.3	35.0

1 Adjusted for one-off effects

2 Excluding after tax performance of the state decommissioning and disposal funds

3 Before utilization of nuclear provisions

Sales Energy

CHF millions

2021	1,527
2020	1,199
2019	1,315
2018	1,326
2017	1,262

Sales Grid

CHF millions

2021	540
2020	567
2019	527
2018	555
2017	592

Sales Services

CHF millions

2021	1,527
2020	1,406
2019	1,107
2018	881
2017	736

Employees

2021	10,750
2020	10,250
2019	10,000
2018	7,300
2017	6,400

Key figures per share

CHF	2017	2018	2019	2020	2021
Par value	2.50	2.50	2.50	2.50	2.50
Share price					
– Year-end price	57.95	68.70	71.40	99.20	118.60
– Year high	62.15	71.60	75.50	103.20	128.80
– Year low	49.00	53.80	62.20	71.10	94.20
Earnings per share ¹	4.92	3.56	7.42	6.86	5.77
Equity per share ¹	60.61	60.66	65.59	70.05	74.24
Market capitalization in CHF millions	3,004	3,623	3,768	5,234	6,259

1 Attributable to shareholders of BKW AG

Our mission:
“Solutions for a future
worth living”

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LETTER TO SHAREHOLDERS

A robust BKW has entered the next growth phase

The business model of the BKW Group¹, with its three pillars of Energy, Grid, and Services, has proven its worth also in the challenging 2021 financial year. The profitable growth of the Services business is particularly encouraging. Due to the distortions on the energy markets, EBIT was slightly lower than a year earlier. Overall, however, the trend in electricity prices supports BKW's growth strategy.

Dear Investors, Ladies and Gentlemen,

BKW increased its revenue by 15 percent to around CHF 3.6 billion in the 2021 financial year. It grew in particular in the Energy and Services business segments, which contribute equivalent amounts to Group sales. In Services, operating profit (EBIT) also increased – even more significantly than revenue. By contrast, EBIT in Energy was lower than in the previous year. This decline is mainly attributable to the extended overhaul of the Leibstadt Nuclear Power Plant (KKL). Because KKL was shut down for a month longer than planned, BKW had to procure the production already sold at very high prices in a very tight energy market. Without this effect, BKW would have slightly exceeded its outlook for the 2021 financial year. As in previous years, Grid made a solid contribution to revenue and EBIT.

The turmoil on the energy markets, particularly around the turn of the year, showed that BKW is equipped to deal with the risks in the energy business. Thanks to its three-pillar strategy and its expanded risk management, BKW is able to cope with such situations. It is well positioned and was able to enter a further growth phase in the current year. It will achieve growth in both its Energy and Services business segments.

BKW has already demonstrated the priorities of this growth strategy: With the acquisition of UMB, it has taken an important step towards bolstering its ICT competencies in a high-margin area. It just expanded its portfolio of renewable production assets with the purchase of six wind farms in France with an installed capacity exceeding 100 MW. High electricity prices will support BKW's growth strategy in the years to come.

Since 2021, BKW has been a participant in the United Nations Global Compact (UNGC). In a "Sustainability Report," BKW will for the first time demonstrate its comprehensive commitment to sustainable development as part of its 2021 annual reporting. The new report explains the company's management approach and the standards and principles it follows in its sustainability work. In addition to the 10 principles of the UNGC, these principles also include the Sustainable Development Goals of the UN Agenda 2030.

The report describes the measures taken by BKW to continuously integrate the principles of the UNGC into the company's business strategy, corporate culture, and daily operations. With figures and specific examples, the report provides a comprehensive overview of BKW's contribution to the UN Sustainable Development Goals in relation to several key themes. BKW also shows which measures and projects it will be tackling in the near future and will publish the progress report annually.

Clear goals for growth through 2026

BKW outlined its ambitions at the Capital Markets Day held at the end of October 2021. By 2026, its sales are expected to rise to more than CHF 4.5 billion and its EBIT to beyond CHF 700 million. Based on the positive outlook in both the Services and Energy businesses, we expect EBIT to be in the range of CHF 460 to 500 million for the 2022 financial year. Shareholders are also expected to benefit from this: We are proposing to the General Meeting that the dividend be increased by 20 centimes to CHF 2.60 per share.

"The robust business model, with its three pillars of Energy, Grid, and Services, has proven its worth also in the challenging 2021 financial year."

¹ The BKW Group comprises BKW AG and its Group companies. In order to make this report easier to read, the Group will be referred to as BKW. Where the text relates to BKW AG or BKW Energie AG, this is expressly mentioned.





The uncertainties relating to economic development caused by the conflict in Ukraine may influence the 2022 result. The risks associated with the conflict for the European energy market have been identified and are being closely monitored. Due to its risk framework and strong financial position, BKW is well positioned to deal with these risks.

We would like to thank everyone who has supported us on our path to success: our customers, suppliers, and partners, our shareholders, and, above all, our employees, who demonstrate dedication to our company every day. In these days, our thoughts and sympathies are also with the people affected by the conflict in Ukraine.

Kind regards,

Roger Baillod
Chairman of the Board

Dr. Suzanne Thoma
CEO

Suzanne Thoma steps down as CEO of BKW

Suzanne Thoma will be leaving BKW in the next few months. She joined BKW in 2010 as Head of the Grid division and member of the Group Executive Board and has been CEO since 2013. We would like to thank Suzanne Thoma for her strong commitment and great contribution to the success of BKW in the past few years. Under her leadership and thanks to a clear and far-sighted strategy, BKW was able to more than compensate for the collapse in electricity prices which continued until 2019. In the process, BKW increased profitability and generated value for all stakeholders, not least by creating numerous highly qualified jobs in Switzerland and abroad. Shareholders benefited from this in the form of continuously rising dividends and quadrupling of the share value. We wish Suzanne Thoma every success as she takes the next step in her career.

Roger Baillod, Chairman of the Board of Directors of BKW AG

REVIEW OF THE 2021 RESULTS

Continuing growth

In the 2021 financial year, BKW increased its revenue by 15% to CHF 3.6 billion. The growth areas of Energy and Services both contributed significantly to this positive development. As to EBIT, the comparable previous year's figure was not achieved due to the unscheduled extension of the major overhaul of the Leibstadt Nuclear Power Plant. Accordingly, the EBIT contribution of the Energy business segment was lower. By contrast, the Grid (+14%) and Services (+14%) businesses were able to increase their EBIT contributions. At CHF 395 million, EBIT is 9% or CHF 41 million below the comparable result of the previous year. Net profit amounts to CHF 327 million, thus falling short of the comparable result of the previous year by 5%.

3.6
billion CHF in sales
+15%

Pronounced increase in sales in the growth areas of Energy and Services; Grid business remained steady.

All of BKW's business segments were able to increase their revenues in the 2021 financial year. The greatest growth was achieved in the Energy business (+27%), which grew strongly thanks to higher electricity prices and increased production volumes in the thermal sector. With a 9% increase

in sales, the Services business once again performed strongly and continued on its growth path. Due to slightly cooler temperatures, Grid recorded higher throughput volumes and thus 2% higher revenue. Overall, BKW increased its total operating revenue by 15% to around CHF 3.6 billion.

CHF millions	2020	Adjustments ¹	2020 (comparable)	2021	% change
Sales	3,128.6	-38.7	3,089.9	3,554.0	15%
Energy procurement/transport	-790.1		-790.1	-1,214.4	
Operating costs	-1,659.5		-1,659.5	-1,753.8	
EBITDA	679.0	-38.7	640.3	585.8	-9%
Depreciation, amortization and impairment	-243.3		-243.3	-231.3	
Income from associates	39.0		39.0	40.4	
EBIT	474.7	-38.7	436.0	394.9	-9%
Financial result excluding change in value of state funds	-73.8		-73.8	-79.8	
Income taxes excluding change in value of state funds	-51.9	1.0	-50.9	-70.0	
Operating net profit²	349.0	-37.7	311.3	245.1	-21%
Change in value of state funds net of tax	33.4		33.4	82.3	
Net profit	382.4	-37.7	344.7	327.4	-5%

1 The adjustment in the 2020 revenue figure relates to the one-off compensation payable to BKW by Swissgrid for its expropriation of the transmission grid in 2013, on the basis of an ECom decision.

2 "Operating net profit" corresponds to the net profit before proceeds from the state decommissioning and disposal funds and is more suitable as a measure of operating performance than the reported net profit, since the proceeds from these funds are not operational in nature and BKW has no direct influence on how they are invested.

Energy procurement costs driven by the Leibstadt Nuclear Power Plant overhaul and use of thermal power plants

Energy procurement/transport costs amounted to CHF 1,214 million, an increase of roughly CHF 400 million compared with the previous year. This increase is due to the higher operating hours of the fuel-burning thermal power plants and the procurement of replacement energy because of the major overhaul of the Leibstadt Nuclear Power Plant.

Operating costs under control

Operating costs in the organic business remained steady (–1%). Lower personnel requirements associated with the decommissioning of the Mühleberg Nuclear Power Plant and further improvements in efficiency in central areas led to a slight reduction in costs of CHF 19 million. However, due to further expansion of the Services business and the corresponding increase in personnel, operating costs rose by CHF 94 million compared to the previous year. Overall, BKW employed around 10,750 people at the end of 2021. Of these, 8,440 people were employed in the Services business, 610 in the Grid business, and 930 in the Energy business. While the Energy and Grid businesses remain relatively stable, the number of employees in Services increased by around 600. The majority of these joined BKW through acquisitions.

Solid operating profit negatively impacted by unplanned extension of the Leibstadt Nuclear Power Plant overhaul

BKW generated an attractive operating profit in 2021, but EBIT was unable to keep pace with the strong growth in sales and fell by 9% to CHF 395 million compared with the comparable figure for the previous year. Last year, EBIT was positively influenced by a one-off payment from

Swissgrid, based on ECom rulings, to a total of CHF 39 million.

While Services (+14%) and Grid (+14%) increased their operating profit disproportionately compared to sales, the Energy business had to accept a decline of CHF 77 million.

This decrease in EBIT was primarily due to the major overhaul at the Leibstadt Nuclear Power Plant. BKW holds a 14.5% stake in this power plant and purchases the energy produced in accordance with this quota. In the year under review, the Leibstadt Nuclear Power Plant carried out a major overhaul, which unexpectedly had to be extended twice. As a result of the two additional extensions, the plant was ultimately shut down for more than a month longer than originally planned. Particularly due to the unplanned extensions, the cost of energy replacements rose massively for BKW, as these had to be made in a very tight energy market at prices of up to 300 euros per MWh. Overall, the major overhaul of the Leibstadt Nuclear Power Plant has a negative impact on BKW's 2021 annual profit of around CHF 70 million. Furthermore, due to turbulences in the energy markets in the fourth quarter, trading was unable to match the excellent results of the previous year.

Excluding the performance of the state funds for decommissioning and waste disposal, net operating profit amounted to CHF 245 million, down 21% from the previous year. The primary driver here was the normalized tax expense compared to the previous year (reversal of deferred taxes due to tax rate reductions). Due to the very good performance of the investments in the decommissioning and waste disposal fund, the net profit of CHF 327 million is only 5% below the comparable figure of the previous year.

10,750
employees

Funds from operations: solid but below the peak of the previous year

CHF millions	2020	2021	% change
Funds from operations before utilization of nuclear provisions	781.8	500.1	-36%
Funds from operations	649.1	377.3	-42%
Cash flow from operating activities before utilization of nuclear provisions	662.2	136.9	-79%
- Payments for decommissioning and disposal	-132.7	-122.8	
Cash flow from operating activities	529.5	14.1	-97%
Cash flow from investing activities before reimbursement from state funds	-274.8	-279.0	
+ Reimbursements from decommissioning and disposal funds	86.5	53.7	
Cash flow from investing activities	-188.3	-225.3	
Cash flow from financing activities	-197.0	328.2	
Liquidity as at 31.12	1,036.0	1,047.0	1%

The decrease in “Funds from operations before use of nuclear provisions” is driven by higher energy procurement volumes, record-high energy prices in the fourth quarter of 2021, and a sharp increase in volatility on the forward markets.

The primary reason for the low reported cash flow from operating activities of CHF 14 million is to be found in the collateral that had to be deposited with the exchanges due to distortions in the energy markets. BKW's risk and liquidity management proved its worth and the necessary funds were procured and made available in good time. As a result, cash flow from financing activities amounted to CHF 328 million. Liquidity at the end of the year was CHF 1,047 million and thus on a par with the previous year. This means that sufficient reserves are available to counteract distortions in the tight European energy markets. BKW's syndicated loan of CHF 250 million did not have to be drawn down.

The cash drains resulting from the security deposits should return as cash flow in the first half of 2022 when the markets return to normal, and the liquidity raised in the short term should be reduced again during the same period.

BKW invested around CHF 364 million in 2021 (previous year: CHF 250 million). This means that once again the investments could be financed in full from the funds from operations generated. Around two-thirds of the investments were invested in growth. Compared to the previous year, which was dominated by the pandemic, investments in growth more than tripled from CHF 62 million to CHF 212 million. CHF 153 million of this was invested in the Services business, while CHF 59 million was used for the construction of small hydroelectric plants and district heating projects. The remaining third, which amounted to CHF 152 million, was invested in maintenance, with the bulk of the CHF 115 million being used for maintenance and replacement investments in the distribution grid.

Equity and financing situation provides security and enables operational flexibility

CHF millions	2020	2021	% change
Current assets	2,191.5	4,354.5	99 %
Non-current assets	7,236.6	7,725.6	7 %
Current liabilities	1,351.9	4,106.9	204 %
Non-current liabilities	4,086.8	3,746.9	-8 %
Shareholders' equity	3,989.4	4,226.3	6 %
Balance sheet total	9,428.1	12,080.1	28 %

Total assets increased by 28% to CHF 12.1 billion compared to the previous year. The increase is mainly due to the valuation of energy derivatives on the reporting date. Due to the short-term price increases for electricity and CO₂ certificates, this is exceptionally high for both purchase and sales contracts. Together with liquidity procurement for the deposit of collateral with energy exchanges, this results in an increase in the balance sheet of CHF 2.7 billion.

Equity increased by CHF 237 million as of the balance sheet date. However, the equity ratio fell to 35.0% (previous year 42.3%) due to the higher balance sheet total.

In January, BKW issued a bond listed on the Swiss SIX Exchange for CHF 200 million with a maturity of 2 years and 8 months to finance its growth strategy. This bond was met with strong interest from investors and was concluded with a 0% coupon. BKW's A rating proved advantageous also for this bond issue.

Dividend increase to CHF 2.60 per share

Based on net profit adjusted for the performance of the decommissioning and waste disposal funds, a dividend increase of 8% to CHF 2.60 per share will be proposed to the Annual General Meeting. This corresponds to a payout ratio of around 46% of adjusted net profit and thus lies in the middle of the target range of 40% to 50%. Continuous increases in dividends are consistent with BKW's dividend policy and reflect the Group's positive expectations for the future. Based on the year-end share price, the dividend yield is 2.2%, slightly lower than in the previous year (2.4%) due to the sharp rise in the share price in the year under review. Together with the increase in the share price, an attractive total shareholder return of 22% was thus achieved in the 2021 financial year. The BKW market value increased from CHF 5.2 billion to CHF 6.3 billion in 2021.

CHF	2020	2021	% change
Dividend	2.40	2.60	8%
Total shareholder return	42.9%	22.4%	

Outlook

In its forecast for the 2022 financial year, BKW expects its current growth path to continue and anticipates an operating profit (excluding one-off effects) in the range of CHF 460 to 500 million.

The uncertainties relating to future economic development caused by the conflict in Ukraine may influence the forecasts for 2022. The risks associated with the conflict for the European energy market have been identified and are being closely monitored. Due to its risk framework and strong financial position, BKW is well positioned to deal with these risks.

Its expectations concerning medium-term earnings performance until 2026 remain unchanged from the plans announced on Capital Markets Day in October 2021. BKW expects to continue to grow significantly and profitably in the coming years and to achieve EBIT greater than CHF 700 million in the 2026 financial year.

Energy: Increase in sales on the EBIT level more than offset by negative effect of the Leibstadt Nuclear Power Plant

The Energy business is consistently geared to the opportunities and challenges of the changing energy market. It comprises the production, sale, and trading of electricity, certificates, and energy-related raw materials. It also includes production-related wind and solar power services.

CHF millions	2020 ¹	2021	% change
Total operating income	1,199.3	1,526.8	27 %
Energy procurement	-695.3	-1,116.8	
Operating costs	-226.2	-217.7	
EBITDA	277.8	192.3	-31 %
Depreciation, amortization and impairment	-76.9	-60.9	
Income from associates	16.2	8.3	
EBIT	217.1	139.7	-36 %
Employees	1,000	930	
Investments	42	73	

¹ Production-related wind and solar services are allocated to the Energy segment starting in 2021. Previously, these business activities were reported in the Services segment. The previous-year figures have been adjusted accordingly. As a result, revenue in 2020 has increased by CHF 24.2 million, while EBIT in 2020 has decreased by CHF 0.7 million.

At CHF 1,527 million, total income from the Energy business was 27% above that of the previous year. The increase is mainly attributable to higher electricity prices compared to the previous year, higher production volumes from thermal power plants, and higher sales volumes. At 2.2 TWh, sales in the basic supply business were on a par with the previous year. Electricity sales to SMEs and industrial customers, for their part, were further expanded in the year under review. The volumes sold through this channel increased by 10% to 5.5 TWh. BKW thus supplied almost 20% of the Swiss free market.

In the reporting year, the energy management and trading result was unable to match the excellent result of the previous year. The exceptional turbulence in the electricity markets, with enormous volatility and a marked increase in electricity prices in the fourth quarter of 2021, was driven by an accumulation of effects. Due to the loss of and falling power generation capacity in Europe, the situation on the electricity market was much more constrained than in the past. The addition of volatile energy production can only partially cover the increasing lack of band energy capacity. As a result, the electricity market is more volatile in its response to macroeconomic events, and more upheaval is to be expected. In the individual annual income statements, this situation leads to economically distorted presenta-

tion of the hedging of energy price risks because a significant accounting mismatch is associated with the valuation of open hedging transactions on the reporting date. Owing to this circumstance, BKW is now applying hedge accounting in accordance with IFRS 9 also to energy transactions, thereby reducing the accounting mismatch caused by the electricity price distortions and enormous volatility. This also increases the economic explanatory power of the consolidated income statement.

Several factors led to higher market volatility in 2021. One of the drivers was strong price fluctuations in emission allowances. In the first months of the year, there was a large amount of uncertainty and speculation surrounding the EU Commission's plans to make the region carbon-neutral by 2050, which subsequently caused EUAs prices to more than double. In the second half of the year, developments in global natural gas markets led to turbulence that was associated with massive upward pressure on (natural gas) prices. Finally, the fourth quarter was characterized by the (lack of) availability of the French nuclear power plants. In mid-December, three reactors with a total capacity of 6 GW were taken offline in France. This drove up electricity prices massively within a few days.

As a result of the exceptional price situation in the European energy markets, thermal power plants were used significantly more than in the previous year. Although the latter resulted in higher sales, it had no effect on EBIT due to the parallel rise in fuel costs. The higher production volumes of the thermal power plants (+900 GWh) were the main reason for the 60% increase in energy procurement costs. Overall, BKW produced around 9 TWh of energy, as in the previous year. Production volumes were down at hydro-power and small hydroelectric plants (–200 GWh) as a result of dry weather, and at wind power plants (–100 GWh) due to generally lower wind levels.

The unscheduled extension of the major overhaul at the Leibstadt Nuclear Power Plant also led to a reduction in production (–600 GWh). This had a negative effect on procurement costs, as the necessary replacement energy had to be procured on the market at unfavorably high prices. On the whole, this had a negative impact on BKW's result of around CHF 70 million.

Operating costs decreased by 4%. Lower personnel requirements due to the decommissioning of the Mühleberg Nuclear Power Plant, and improvements in efficiency were mainly responsible for this reduction.

EBIT negatively affected by the unplanned extension of the major overhaul at the Leibstadt Nuclear Power Plant

Operating profit was CHF 140 million, significantly lower than the strong previous year, which was characterized by an excellent trading result. The positive effects of higher hedged electricity prices compared with the previous year and lower operating costs were more than offset in EBIT by the negative effect of the major overhaul of the Leibstadt Nuclear Power Plant. In addition, the energy management and trading business was unable to match the excellent result of the previous year. Although the result was solid, it was significantly lower due to the exceptional price increases.

Grid: Stable earnings contributions and continued high level of investment in renewal

The Grid business builds, operates, and maintains its own distribution grid. The grid not only transports electricity from power plants to consumers but also measures production and consumption, transforms voltage, monitors, analyzes, and controls load flows, and integrates decentralized production facilities such as photovoltaic systems and wind turbines.

CHF millions	2020	Adjustments ¹	2020 (comparable)	2021	% change
Sales	566.8	38.7	528.1	539.8	2 %
Energy transport expense	-95.0		-95.0	-98.2	
Operating costs	-192.2		-192.2	-187.1	
EBITDA	279.6	38.7	240.9	254.5	6 %
Depreciation, amortization and impairment	-89.7		-89.7	-88.7	
Income from associates	22.8		22.8	32.1	
EBIT	212.7	38.7	174.0	197.9	14 %
Employees	610			610	
Investments	124			115	

1 The adjustment in 2020 relates to the one-off compensation payable to BKW by Swissgrid for its expropriation of the transmission grid in 2013, on the basis of an EICOM decision.

At CHF 540 million, sales in the Grid business were 2% above the comparable figure for the previous year. The increase is due in particular to temperature-related higher transit volumes. In addition to the comparatively colder temperatures, the easing of the restrictions associated with Covid-19 is also having a positive impact. In 2020, there was a drop in demand due to the industry lockdown in March and April. In the 2021 reporting year, an increase in consumption was again recorded on all grid levels as a result of normalization with regard to the Covid-19 situation.

Expenses for energy transport, including the costs charged by Swissgrid in particular, also increased due to higher transmission volumes. By contrast, operating costs could be reduced slightly thanks to further improvements in efficiency.

The CHF 9 million increase in the result from associates is due to a positive effect from the valuation adjustment relating to the transferred transmission grid facilities which was completed in 2021, as well as to the adjustments to estimates of the Swissgrid result, which BKW makes on each balance sheet date, as it only receives the Swissgrid financial statements after the financial accounts have been completed.

The operating profit increased to CHF 198 million compared to the 2020 comparable EBIT. This is 14% above the previous year, which was affected by the Covid-19 situation and the associated lockdown phase, and at a level that is expectedly stable.

Continued high level of investment in the ongoing renewal of the distribution grid

To ensure safe, efficient, and high-performance operation of its distribution grid, BKW invests well over CHF 100 million annually. CHF 115 million was invested in the reporting year. The focus of current investment activity is on grid infrastructure in the Bernese Oberland and in the Seeland region.

Increasing electrification in the transport and heating sectors means greater complexity and higher operating costs for the distribution grid. In a large, interconnected grid region, significant efficiency gains can be achieved through close coordination, standardization, and automation. For this reason, AEK, onyx, and BKW have decided to join forces and jointly operate their distribution grids starting in 2022. The preliminary work associated with this was successfully completed in the year under review.

Services: on a profitable growth path

The Services business segment comprises BKW Engineering (engineering planning and consulting), BKW Building Solutions (building technology), and BKW Infra Services (services for energy, water, and telecommunications networks and grids). The strong network of specialized companies and their respective competencies enables BKW to be a relevant provider of comprehensive services.

CHF millions	2020 ¹	2021	% change
Sales	1,405.5	1,526.7	9%
Operating costs	-1,265.2	-1,368.4	
EBITDA	140.3	158.3	13%
Depreciation, amortization and impairment	-56.5	-62.8	
EBIT	83.8	95.5	14%
Employees	7,820	8,440	
Investments	63	159	

¹ Starting in 2021, production-related wind and solar services are allocated to the Energy segment, while shared service billing services are allocated to the segment Other. Previously, these business activities were reported in the Services segment. The previous-year figures have been adjusted accordingly. As a result, revenue in 2020 has been reduced by CHF 60 million, EBIT 2020 by CHF 0.5 million. The Services segment thus includes the three competency areas Engineering, Infra Services, and Building Solutions.

The Services business continued to grow in the 2021 financial year. Revenue increased by 9% to CHF 1,527 million, with all three competency areas contributing to this development. The BKW Services network was once again able to position itself very successfully on the market in the new year so that it could increasingly be awarded complex contracts.

BKW Engineering increased its sales by 4% to around CHF 400 million. At BKW Infra Services, revenue also increased by 12% to roughly CHF 400 million, with strong growth in this area primarily driven by organic growth. Growth was driven in particular by LTB's excellent order situation for high-voltage power line construction in Germany. Finally, BKW Building Solutions increased revenue by 9% to around CHF 720 million. In the 2021 financial year, the Automation and IT businesses were significantly expanded through targeted acquisitions.

Compared to sales, EBIT grew disproportionately by 14% to CHF 96 million in the reporting year, whereby the previous year was impacted by the Covid-19 pandemic; accordingly, the result of the Services business was negatively affected. At 6.3%, the margin could also be increased, even compared to the pre-Covid-19 level. Optimized organizational structures and increased harmonization of the administration contributed significantly to this. Excluding M&A and integration costs, the EBIT margin of the Services business is around 8%, well above the market average.

Targeted expansion of competency network

In the 2021 financial year, BKW further expanded its engineering network in Germany, acquiring various companies such as R&P Ruffert GmbH, whose main focus is on structural design. With the acquisitions made, BKW Engineering is expanding its network expertise and strengthening its competitive position compared to multidisciplinary market leaders.

BKW Infra Services undertook further successful expansion steps during the year under review and strengthened its position in the growing market of railroad engineering. On the one hand, the acquisitions of the Duvoisin-Groux Group and Elbatech AG in western Switzerland significantly expand the Group's presence in French-speaking Switzerland in its existing areas of activity in the energy, transport, and telecommunications fields. On the other hand, it is now active in the growing rail infrastructure market with its overhead power line construction business. Elbatech AG, Switzerland's leading provider of tunnel radio installations, joined the company network. BKW is thus expanding its railroad technology activities into German-speaking Switzerland and is now one of the top three companies in this sector in Switzerland.

In the reporting year, BKW Building Solutions strengthened its expertise in the future-oriented and technology-driven growth field of IT networks and security. In particular, with the UMB Group (signing in December 2021, closing in February 2022), the BKW Building Solutions IT business will be expanded in the direction of becoming an integrated IT provider for customers. Grid consulting, engineering, and integration services will be offered primarily to business customers throughout Switzerland and Europe. In addition, the acquisition of the Aerovent Group has strengthened BKW's position in western Switzerland in terms of ventilation and air-conditioning expertise.



Building automation in the Hyatt Regency Zurich Airport The Circle ensures that all facilities, including the convention hall, are as energy-efficient as possible – thus setting new standards of sustainability. Learn more at www.bkw.ch/ar21

BKW GROUP

Group Consolidated Financial Statements



Consolidated Income Statement

CHF millions	Note	2020	2021
Net sales	7	2,935.7	3,380.0
Own work capitalized		73.9	75.6
Other operating income		119.0	98.4
Total operating income		3,128.6	3,554.0
Energy procurement/transport	8	-790.1	-1,214.4
Material and third-party services		-570.7	-599.0
Personnel expenses	9	-880.1	-937.5
Other operating expenses	10	-208.7	-217.3
Total operating expenses		-2,449.6	-2,968.2
Operating profit before depreciation, amortization and impairment (EBITDA)		679.0	585.8
Depreciation, amortization and impairment	11	-243.3	-231.3
Income from associates	20	39.0	40.4
Operating profit (EBIT)		474.7	394.9
Financial income	12	48.5	108.3
Financial expenses	12	-80.5	-83.1
Profit before income taxes (EBT)		442.7	420.1
Income taxes	13	-60.3	-92.7
Net profit		382.4	327.4
attributable to:			
– BKW shareholders		361.7	304.6
– Non-controlling interests		20.7	22.8
Earnings per share in CHF (basic and diluted)	14	6.86	5.77

Consolidated Statement of Comprehensive Income

CHF millions	Note	2020	2021
Net profit		382.4	327.4
Actuarial gains/losses (Group companies)	26		
– Actuarial gains/losses (–)		4.1	273.4
– Income taxes		–0.4	–58.6
Actuarial gains/losses (associates)	20		
– Actuarial gains/losses (–)		8.0	39.4
– Income taxes		–0.4	–3.4
Financial assets at fair value through other comprehensive income	28		
– Value adjustments		0.1	0.0
Total items that will not be reclassified to income statement, net of tax		11.4	250.8
Currency translations	28		
– Currency translations		–19.0	–35.5
– Reclassification to the income statement		1.0	0.0
Hedging transactions (Group companies)	28		
– Value adjustments		–0.1	–210.9
– Reclassification to the income statement		0.0	0.2
– Income taxes		0.0	44.3
Hedging transactions (associates)	28		
– Value adjustments		–3.1	3.4
Total items that may be reclassified to income statement, net of tax		–21.2	–198.5
Other comprehensive income		–9.8	52.3
Comprehensive income		372.6	379.7
attributable to:			
– BKW shareholders		350.5	349.7
– Non-controlling interests		22.1	30.0

Consolidated Balance Sheet

CHF millions	Note	31.12.2020	31.12.2021
Assets			
Cash and cash equivalents	33	825.1	931.0
Trade accounts receivable and other receivables	15	659.4	1,269.7
Contract assets	16	152.2	182.3
Current tax receivables		20.9	29.6
Financial assets	19	210.9	116.0
Derivatives	29	131.1	1,585.4
Inventories	17	66.7	93.0
Prepaid expenses and accrued income	18	125.2	147.5
Total current assets		2,191.5	4,354.5
Financial assets	19	1,294.2	1,406.1
Derivatives	29	12.6	197.4
Investments in associates	20	1,409.1	1,461.7
Property, plant and equipment	21	3,457.5	3,523.3
Intangible assets	22	1,023.2	1,096.5
Deferred tax assets	13	40.0	40.6
Total non-current assets		7,236.6	7,725.6
Total assets		9,428.1	12,080.1
Shareholders' equity and liabilities			
Trade accounts payable and other liabilities	23	532.2	897.4
Contract liabilities	16	85.5	94.3
Current tax liabilities		64.8	51.5
Financial liabilities	24	108.0	862.2
Derivatives	29	178.7	1,769.8
Provisions	25	178.8	152.2
Deferred income and accrued expenses	18	203.9	279.5
Total current liabilities		1,351.9	4,106.9
Financial liabilities	24	1,430.1	1,215.9
Derivatives	29	31.9	285.7
Pension liability	26	257.8	9.1
Other liabilities	27	354.4	349.2
Provisions	25	1,580.1	1,399.5
Deferred tax liabilities	13	432.5	487.5
Total non-current liabilities		4,086.8	3,746.9
Total liabilities		5,438.7	7,853.8
Share capital	28	132.0	132.0
Capital reserves	28	41.3	41.3
Retained earnings	28	3,810.1	3,987.0
Other reserves	28	-284.0	-238.9
Treasury shares	28	-3.7	-3.5
Equity attributable to BKW shareholders		3,695.7	3,917.9
Equity attributable to non-controlling interests		293.7	308.4
Total shareholders' equity		3,989.4	4,226.3
Total shareholders' equity and liabilities		9,428.1	12,080.1

Changes in Consolidated Equity

CHF millions	Share capital	Capital reserves	Retained earnings	Other reserves	Treasury shares	Attributable to BKW shareholders	Attributable to non-controlling interests	Total
Equity at 31.12.2019	132.0	41.3	3,562.9	-272.8	-1.5	3,461.9	273.3	3,735.2
Net profit			361.7			361.7	20.7	382.4
Other comprehensive income				-11.1		-11.1	1.3	-9.8
Comprehensive income			361.7	-11.1		350.6	22.0	372.6
Dividend			-116.0			-116.0	-9.1	-125.1
Transactions in treasury shares			-5.7		-2.2	-7.9		-7.9
Share-based payments			5.6			5.6		5.6
Acquisition of non-controlling interests			-2.1			-2.1	-1.7	-3.8
Changes in the scope of consolidation						0.0	0.7	0.7
Contribution to equity from non-controlling interests						0.0	8.5	8.5
Change in liabilities relating to non-controlling interests			3.6			3.6		3.6
Sale of financial assets at fair value through other comprehensive income			0.1	-0.1		0.0		0.0
Equity at 31.12.2020	132.0	41.3	3,810.1	-284.0	-3.7	3,695.7	293.7	3,989.4
Net profit			304.6			304.6	22.8	327.4
Other comprehensive income				45.1		45.1	7.2	52.3
Comprehensive income			304.6	45.1		349.7	30.0	379.7
Dividend			-126.6			-126.6	-5.3	-131.9
Transactions in treasury shares			-6.1		0.2	-5.9		-5.9
Share-based payments			7.2			7.2		7.2
Acquisition of non-controlling interests			-3.3			-3.3	-10.1	-13.4
Contribution to equity from non-controlling interests						0.0	0.1	0.1
Change in liabilities relating to non-controlling interests			1.1			1.1		1.1
Equity at 31.12.2021	132.0	41.3	3,987.0	-238.9	-3.5	3,917.9	308.4	4,226.3

Consolidated Cash Flow Statement

CHF millions	Note	2020	2021
Profit before income taxes		442.7	420.1
Financial result	12	32.0	-25.2
Adjustment for non-cash transactions	33	307.1	105.2
Change in net working capital (excl. financial assets/liabilities and derivatives)		-22.3	-285.9
Income taxes paid		-97.6	-74.2
Other financial expenses/income		0.3	-3.1
Cash flow from operating activities before utilization of nuclear provisions		662.2	136.9
Utilization of nuclear provisions with a claim to refunds of state funds		-58.0	-53.6
Utilization of nuclear provisions with no claim to refunds of state funds		-74.7	-69.2
Cash flow from operating activities		529.5	14.1
Investments in property, plant and equipment	21	-203.6	-229.9
Disposal of property, plant and equipment		4.1	9.5
Acquisition of Group companies	5/33	-57.9	-107.3
Disposals of Group companies		0.3	0.0
Investments in associates	20	-5.1	-14.6
Disposals of associates		26.1	21.0
Payments into decommissioning and waste disposal funds		-30.4	-36.5
Refunds of decommissioning and waste disposal funds		86.5	53.7
Investments in other current and non-current financial assets		-27.5	-156.1
Disposals of other current and non-current financial assets		12.3	226.0
Investments in intangible assets	22	-17.0	-14.5
Disposals of intangible assets		1.1	0.0
Interest received		1.9	1.2
Dividends received		20.9	22.2
Cash flow from investing activities		-188.3	-225.3
Sale/purchase of treasury shares	28	-8.0	-8.8
Acquisition of non-controlling interests		-3.6	-8.9
Contribution to capital from non-controlling interests		6.5	0.1
Increase in current and non-current financial liabilities		20.8	658.6
Decrease in current and non-current financial liabilities		-68.4	-165.2
Increase in other long-term liabilities		15.0	18.6
Decrease in other long-term liabilities		-0.1	0.0
Interest paid		-34.1	-34.3
Dividends paid		-125.1	-131.9
Cash flow from financing activities		-197.0	328.2
Translation adjustments on cash and cash equivalents		-2.6	-11.1
Net change in cash and cash equivalents		141.6	105.9
Cash and cash equivalents at the beginning of the reporting period		683.5	825.1
Cash and cash equivalents at the end of the reporting period	33	825.1	931.0

Notes to the Consolidated Financial Statements

1 Business activities

BKW AG, Bern (CH), along with its Group companies (hereinafter "BKW" or the "BKW Group"), is an international energy and infrastructure company. Its company network and extensive expertise allow it to offer its customers a full range of overall solutions. The Group plans, builds, and operates infrastructure to produce and supply energy to businesses, households, and the public sector, and offers digital business models for

renewable energies. The BKW Group portfolio of services comprises everything from engineering consultancy and planning for energy, infrastructure, and environmental projects through integrated offers in the field of building technology to the construction, servicing, and maintenance of energy, telecommunications, transport, and water networks.

2 Basis of preparation

2.1 General principles

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). They provide a true and fair view of the financial position, the results of operations, and the cash flows of BKW. The consolidated financial statements also comply with Swiss company law. The closing date for the consolidated financial statements is December 31. The consolidated financial statements are presented in Swiss francs (CHF).

The consolidated financial statements have been prepared on the historical cost basis. Exceptions are described in the accounting and valuation principles.

2.2 Adoption of new standards and interpretations

Since January 1, 2021, BKW has applied a number of amended standards and interpretations that have no material effect on the financial position of BKW, results of operations, or cash flows.

2.3 Future adoption of new standards and interpretations

The following new and amended standards and interpretations had been published by the balance sheet date but will not be applied until subsequent financial years. BKW intends to apply the changes from the date on which they enter into force (entry into force for financial years beginning on or after the dates in brackets):

- Amendments to IFRS 16 – “Covid-19 Related Rent Concessions after June 30, 2021” (April 1, 2021).
- Amendments to IFRS 3 – “Reference to the Conceptual Framework” (January 1, 2022).
- Amendments to IAS 16 – “Proceeds before Intended Use” (January 1, 2022)
- Amendments to IAS 37 – “Onerous Contracts – Cost of Fulfilling a Contract” (January 1, 2022)
- Annual Improvements to IFRSs 2018–2020 (January 1, 2022)
- Amendments to IAS 1 – “Classification of Liabilities as Current or Non-Current” (January 1, 2023)
- Amendments to IAS 1 – “Disclosure of Accounting Policies” (January 1, 2023)
- Amendments to IAS 8 – “Definition of Accounting Estimates” (January 1, 2023)
- Amendments to IAS 12 – “Deferred Taxes Relating to Assets and Liabilities Arising from a Single Transaction” (January 1, 2023)
- Amendments to IFRS 10 and IAS 28 – “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” (to be determined)

No material effects on BKW's consolidated financial statements are expected.

3 Consolidation

3.1 Consolidation principles

The consolidation is based on the financial statements of the individual Group companies, which have been drawn up according to uniform principles of valuation and presentation. Intragroup balances, transactions, profits, and expenses are eliminated in full.

The closing date for all Group companies is December 31. The closing date for some associates differs from that of BKW since these companies close their accounts on September 30 in line with the hydrological year. The closing date for consolidation of these companies is set at September 30. Adjustments are made for material transactions that occur between the closing date of the companies and the closing date of BKW.

3.2 Scope of consolidation

Group companies

Group companies are included in the consolidated financial statements in their entirety starting from the date on which control is acquired. There are no material restrictions on the transfer of funds from subsidiaries to the parent company.

Joint arrangements

Companies over which there is joint control are treated as joint ventures or joint operations. Joint operations are accounted for in the consolidated financial statements by recognizing the Group's share of the assets and liabilities and of the revenues and expenses. The Group's joint ventures are accounted for using the equity method.

Associates

Investments in companies in which BKW is able to exercise significant influence but not overall control are classified as associates and accounted for using the equity method. A significant influence is generally held to be a share of voting rights of between 20 and 50%. Rights agreed in a contract may in some circumstances mean that a significant influence can be exerted even though the share of voting rights is smaller than 20%. This applies in particular in the case of partner plants.

Partner plants comprise companies that build and operate power plants or that manage energy procurement rights and plan nuclear storage facilities. The energy produced by partner plants and other services provided in accordance with contractual agreements are purchased at annual cost (including interest on capital). Partner plants are assigned to the Energy business area.

3.3 Foreign currency translation

The reporting currency is the Swiss franc (CHF). BKW records transactions in foreign currencies at the prevailing exchange rates on the transaction date. Exchange rate gains and losses arising from

such transactions and the translation of foreign currency balances on the balance sheet date are charged to the financial result.

Foreign-currency financial statements of Group companies outside Switzerland are converted to Swiss francs according to the following principles:

- Balance sheet, at the prevailing exchange rates on December 31;
- Income statement, at average exchange rates for the reporting year;
- Cash flow, at average exchange rates for the reporting year.

		Closing date 31.12.2020	Closing date 31.12.2021	Average 2020	Average 2021
Eurozone	1 EUR	1.0802	1.0331	1.0704	1.0810
Norway	100 NOK	10.3168	10.3426	9.9958	10.6400

Goodwill and adjustments to fair value made in the apportionment of purchase prices to the carrying amounts of identified net assets of

companies in foreign currency are carried in the foreign currency.

4 Measurement uncertainties

Preparation of the financial statements in accordance with the applicable accounting standards necessitates the use of estimates and assumptions that affect the reported amounts of assets, provisions, liabilities and contingent liabilities on the balance sheet date, and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based both on past findings and on the best possible assessment of future developments. Actual results may differ from these estimates. Estimates and assumptions are regularly reviewed, and changes are recognized in the period in which they were identified.

4.1 Impairment of non-financial non-current assets

The recoverable amount calculated for the purposes of impairment testing of non-current, non-financial assets is the higher of the fair value minus sale costs and value in use (present value of estimated future cash flows). The calculation of the recoverable amount is reliant to a significant extent on estimates of the expected future cash flows from use, long-term growth rates, the useful life of assets, and discounting rates or estimates of the potential net sale price of the asset. The actual results may differ significantly from these estimates.

4.2 Mühleberg Nuclear Power Plant/ provisions for nuclear waste disposal

Measurement of the provision for nuclear waste disposal is material for the purposes of assessing BKW's balance sheet and income statement. Detailed costs for decommissioning nuclear power plants and nuclear waste disposal are jointly calculated by the industry and updated every five years in accordance with the Ordinance on the Decommissioning and Waste Disposal Fund for Nuclear Power Plants (STENFO). These cost calculations are reviewed by independent cost specialists and the Swiss Federal Nuclear Safety Inspectorate (ENSI). The last scheduled estimate of decommissioning and disposal costs (KS21) took place in 2021. The adjustment was carried out at the request of and in accordance with the strict requirements of the Administrative Commission for the Decommissioning Fund for Nuclear Facilities and Waste Disposal Fund for Nuclear Power Plants (AC STENFO) and in collaboration with swissnuclear. The KS21 estimates the overall costs (referred to as overnight costs) in the baseline variant for the Mühleberg Nuclear Power Plant to be CHF 3.0 billion. BKW considers it most likely that the "combination repository" (cost-reducing) scenario envisaged in KS21 will be implemented. In addition, BKW takes plant-specific costs (cost-increasing) into account. BKW thus assumes overnight costs of CHF 3.0 billion for calculating its provisions for nuclear waste disposal. The difference between BKW's estimated overnight costs and the provisions recorded on the balance sheet as of December 31, 2021, in the amount of CHF 1.3 billion is due to costs of around CHF 1.2 billion that had already been paid by the end of 2021 and to discounting effects of CHF 0.5 billion.

Work in connection with decommissioning is expected to last until 2034. Costs for operations related to the repository and monitoring of stored nuclear materials are expected to be incurred until 2126.

The SEFV, which was revised in 2019, defines the parameters that are decisive for the determination of contributions. Inflation was set at 0.5% and the return on investment at 2.1%.

Based on the submitted KS21 and the fund portfolio as of December 31, 2021, BKW expects contributions for 2022 (end of the ordinary contribution period) to the decommissioning and waste disposal fund of CHF 0 million.

No macroeconomic studies are available for the period up to 2126 to provide parameters for calculation of long-term provisions. For this reason, BKW applies parameters that have been agreed with other nuclear power plant operators for the purposes of decommissioning and disposal. A rate of 1% is applied to long-term inflation, based on the Swiss National Bank's target range of 0 to 2%. Based on historical actual yields on long-term government bonds, an expected real interest rate of 1.75% has been estimated, resulting in a nominal discount rate of 2.75%. Due to the short-term timeframe (until 2024), 0.5% is used for both the interest rate and for inflation for the post-operational phase.

Changes to cost calculations and the statutory requirements for nuclear waste disposal may have a material effect on the Group's results of operations and cash flows. The inflation and discount rate parameters are also particularly relevant for determining the level of provisions for decommissioning (expected costs up to 2034) and nuclear waste disposal (expected costs up to 2126). In the event of an increase/decrease in the assumptions shown below, provisions as of December 31, 2021, would vary as follows (+ increase in provisions/– decrease in provisions):

CHF millions	Inflation + 0.5 %	Inflation – 0.5 %	Discount rate + 0.5 %	Discount rate – 0.5 %
Decommissioning	20.2	–19.0	–15.8	17.0
Waste disposal	111.2	–90.1	–85.5	105.9
Total	131.4	–109.1	–101.3	122.9

4.3 Provision for onerous energy procurement contract Wilhelmshaven

BKW holds a 33% stake in the Wilhelmshaven coal power plant. The partners are under an obligation to take on the energy produced according to their stake. Due to the higher estimated production costs compared with the expected electricity market prices, a provision for the obligation to purchase energy had to be recognized in the past.

In January 2020, the German government enacted the Coal Phase-out Act, which set a timetable for phasing out coal by 2038. The coal phase-out Act provides for compensation to lignite- and coal-fired power plant operators. BKW assumes that expected capacity bottlenecks will result in the continued operation of the latest generation of

coal power plant, such as Wilhelmshaven, until the end of 2038. In addition, BKW expects that all coal-fired power plant operators will receive compensation at the end of 2038 in line with the payments made in auctions to date. Therefore, a compensation payment by the German Government was included in determining the provision. The estimate of future income and expenses depends largely on the estimation of future energy prices, the estimation of the power plants' production costs, the assumed discount rates and the estimated size of the compensation payment. These estimations and assumptions constitute uncertainties and can deviate significantly from actual results. As of the end of 2021, the carrying amount of the investment was CHF 397.3 million and the provision was CHF 191.5 million.

4.4 Fosen wind farm

BKW indirectly holds an 11% stake in six wind farms on the Fosen peninsula in Norway through Nordic Wind Power DA. In 2021, the Norwegian Supreme Court issued a ruling regarding operating licenses for two wind farms, which together comprise half of Fosen Vind's wind turbines: The licenses would violate the Sámi people's right to maintain their cultural heritage. The operation of the plants is not directly affected by the ruling. The relevant Norwegian ministry has confirmed that it needs a new administrative procedure aimed at finding compensatory measures to ensure that the rights of Sámi reindeer herders are guaranteed. Dialogue in this regard has been initiated with all the stakeholders involved and, in particular, with the Sámi. BKW assumes that a solution can be found and that operation of the plants may continue as planned. This assessment is uncertain, and it is possible that future decisions will have an impact on BKW's net assets, financial position and results of operations

At the end of 2021, the carrying amount of the entire holding is CHF 75.8 million. In addition, there are long-term power purchase agreements with which part of the planned production volumes from the plants have been secured.

4.5 Employee pension plans

The pension liabilities arising from defined benefit pension plans are calculated based on actuarial assumptions that may not reflect reality and hence may have an impact on BKW's financial and earnings performance. The actuarial assumptions used in the calculation and a corresponding sensitivity analysis are disclosed in Note 26.

4.6 ECom legal proceedings

The tariffs that BKW is permitted to charge to its customers for grid usage and energy are partly reviewed by the Federal Electricity Commission (ECom). Several proceedings are currently underway. The main object of the proceedings is to rule on the chargeable capital and operating costs. Decisions issued by the court of last instance may have implications for BKW's future cash flows.

In February 2021, ECom established the basis for the final compensation that Swissgrid must pay to BKW for its previous share of the distribution grid systems. The ruling brings to a close all pending proceedings concerning the value of the former BKW assets, eight years after the transfer of the assets to Swissgrid.

5 Business combinations

Business combinations in 2021

CHF millions	R&P Ruffert	Miscellaneous	Total
Cash and cash equivalents	1.8	25.9	27.7
Trade accounts receivable and other receivables	2.2	11.8	14.0
Other current assets	3.7	14.8	18.5
Financial assets	0.0	2.8	2.8
Property, plant and equipment	2.2	23.8	26.0
Intangible assets	5.6	13.1	18.7
Deferred tax assets	0.0	0.8	0.8
Current liabilities	-5.0	-17.8	-22.8
Financial liabilities	-1.9	-20.7	-22.6
Provisions	0.0	-1.1	-1.1
Deferred tax liabilities	-2.4	-5.1	-7.5
Pension liability	0.0	-9.7	-9.7
Fair value of acquired net assets	6.2	38.6	44.8
Goodwill	33.3	62.9	96.2
Purchase price	39.5	101.5	141.0
Cash and cash equivalents acquired	-1.8	-25.9	-27.7
Contingent consideration	-6.0	-15.4	-21.4
Deferred consideration	-3.8	-11.2	-15.0
Cash outflow	27.9	49.0	76.9

BKW made the following acquisitions in the 2021 financial year. With the exception of R&P Ruffert, the values for the transactions listed are provisional since the purchase price allocations have not been finalized.

R&P Ruffert

In February, BKW purchased 100% of the shares in the German R&P Ruffert Group, which operates in the area of infrastructure engineering. The R&P Ruffert Group is comprised of five companies based in Limburg, Halle, Erfurt, Düsseldorf, and Hamburg and is assigned to the Services segment. Its range of services includes structural and civil engineering, structural design, structural testing, and expert opinions. The contingent consideration liabilities recognized on the acquisition date are due depending on the future economic growth of the company. The goodwill recognized is mainly attributable to the expected synergies and the acquisition of a qualified workforce.

The transaction costs amounted to CHF 0.4 million.

If the company had already been acquired on January 1, 2021, total operating revenue in the reporting year would have been CHF 1.9 million higher and net profit CHF 0.1 million lower. Between the point at which the company was fully consolidated and December 31, 2021, the acquired company recorded a total operating income of CHF 17.3 million and a net profit of CHF 4.0 million.

Miscellaneous

In the 2021 financial year, BKW conducted a number of other acquisitions. Due to the number of acquisitions, their key financial figures and their allocation to the same segment (Services), aggregated figures are shown, and no separate presentation of individual acquisitions is provided.

In the Building Solutions area, BKW acquired 100% of the shares in each case of ngworx.ag, Othmar Bürgy AG Schaltanlagenbau, Aerovent Crissier SA, Aerovent Service SA, ws automation AG, ActVisual GmbH, my meeting GmbH, and alphaTrust.ch ag.

In the Infra Services area, BKW acquired 100% of the shares in each case of the Duvoisin-Groux Group and Elbatech AG, which are active in railroad technology.

In the area of infrastructure engineering in Germany, BKW acquired 100% of the shares in each case of Ranner Projektmanagement GmbH, U.T.E. Ingenieur GmbH, Seuß Ingenieure GmbH, and Arnold und Gladisch Objektplanung Generalplanung GmbH.

The contingent purchase price liabilities recognized on the acquisition date are due depending on the future economic growth of the companies.

The transactions included goodwill of CHF 62.9 million. The goodwill recognized is mainly attribut-

able to the expected future synergies and the acquisition of a qualified workforce. The transaction costs amounted to CHF 0.4 million.

Had the companies already been acquired as of January 1, 2021, total operating revenue for the current year would have been CHF 56.3 million higher and the net profit CHF 3.8 million higher. Between the point at which the individual companies were fully consolidated and December 31, 2021, the acquired companies cumulatively recorded total operating income of CHF 50.0 million and net profit of CHF 5.7 million.

CHF 29.3 million was paid for contingent consideration and CHF 2.9 million for deferred consideration for acquisitions made in the previous years.

Business combinations in 2020

CHF millions	Total
Cash and cash equivalents	8.1
Trade accounts receivable and other receivables	6.7
Other current assets	8.5
Financial assets	0.7
Property, plant and equipment	4.6
Intangible assets	5.3
Deferred tax assets	1.3
Current liabilities	-12.2
Financial liabilities	-4.5
Provisions	-2.0
Deferred tax liabilities	-0.6
Pension liability	-8.7
Fair value of acquired net assets	7.2
Non-controlling interests	-1.4
Fair value of interests already held	-0.9
Goodwill	27.2
Purchase price	32.1
Cash and cash equivalents acquired	-8.1
Contingent consideration	-10.3
Deferred consideration	-1.8
Cash outflow	11.9

In the 2020 financial year, BKW conducted several acquisitions. Due to the number of acquisitions and their key financial figures, aggregated figures are shown with no separate presentation of individual business combinations. The purchase price allocations are now final and did not lead to any adjustments compared to the provisional values reported in the previous year.

In the Services segment, BKW acquired 100% of the shares in Elektro Nikolai GmbH, Gloor Planzer AG, and Sigren Engineering AG in the Building Solutions area in Switzerland. In the area of infrastructure engineering in Austria, the company acquired 100% of the shares of Witrisal GmbH.

In the Energy segment, BKW acquired an additional 16.21% of the shares of Abonax AG for the area of Energy Sales (previous stake: 34%) and therefore now holds 50.21%.

The contingent purchase price liabilities recognized on the acquisition date are due depending on the future economic growth of the companies.

The transactions included goodwill of CHF 27.2 million. The goodwill recognized is mainly attributable to the expected future synergies and the acquisition of a qualified workforce. The transaction costs amounted to CHF 0.1 million.

Accounting principles

In the course of acquisitions, non-controlling interests are sometimes provided with put options, with BKW receiving call options under the same conditions. If this should cause BKW to receive economic ownership, the transaction is represented as though the shares in question had

Had the companies already been acquired as of January 1, 2020, total operating revenue for 2020 would have been CHF 36.4 million higher and the net profit CHF 1.8 million higher. Between the point at which the individual companies were fully consolidated and December 31, 2020, the acquired companies cumulatively recorded total operating income of CHF 11.8 million and net profit of CHF 1.3 million.

CHF 27.1 million was paid for contingent consideration and CHF 19.5 million for deferred consideration for acquisitions made in 2020 and previous years.

also been acquired. Otherwise, the non-controlling interest is recognized.

Acquisition-related transaction costs are recorded as "Other operating expenses."

6 Segment reporting

Segments and segment results are defined on the basis of the management approach. In line with the strategy, BKW's reporting lines are structured around the business areas of Energy, Grid, and Services. The CEO, who has prime decision-making authority, uses the operating result (EBIT) as the basis for allocating resources and measuring performance.

BKW operates the following three reportable business segments:

- The Energy business segment builds, operates, and maintains BKW's pool of power plants in Switzerland and abroad. It is also responsible for the sale of energy in Switzerland, for trading in electricity, certificates, and commodities, and for wind, solar, and smart energy services.

- The Grid business segment builds, operates, and maintains BKW's distribution grid.
- The Services business segment includes engineering planning and consulting for energy, infrastructure, and environmental projects, integrated services in the area of building technology, and the construction, servicing, and maintenance of energy, telecommunications, transport, and water networks.

The "Other" column covers activities that are centrally managed within the Group; these largely consist of Group financing, real estate, fleet management, procurement, financial assets, other energy-related services, and taxes. Some of the costs that arise in conjunction with the expansion of the business areas (acquisition/integration costs, technology development costs, etc.) are borne centrally.

Segment figures are determined in accordance with the same accounting and valuation principles that are applied for the Group-level presentation

of consolidated figures. The prices for intercompany transactions (transfer prices) are based on the market price on the transaction date.

Information by business segment

2021 CHF millions	Energy	Grid	Services	Other	Consolidation	Total
External revenue	1,505.0	532.5	1,454.8	30.4	31.3	3,554.0
– Net sales	1,441.2	490.9	1,437.0	10.9	0.0	3,380.0
– Own work capitalized	8.1	33.7	0.8	1.7	31.3	75.6
– Other operating income	55.7	7.9	17.0	17.8	0.0	98.4
Internal revenue	21.8	7.3	71.9	166.1	–267.1	0.0
– Net sales	16.7	0.9	61.9	17.2	–96.7	0.0
– Other operating income	5.1	6.4	10.0	148.9	–170.4	0.0
Total operating income	1,526.8	539.8	1,526.7	196.5	–235.8	3,554.0
Total operating expenses	–1,334.5	–285.3	–1,368.4	–211.1	231.1	–2,968.2
Operating profit before depreciation, amortization and impairment (EBITDA)	192.3	254.5	158.3	–14.6	–4.7	585.8
Depreciation, amortization and impairment	–60.9	–88.7	–62.8	–22.9	4.0	–231.3
Income from associates	8.3	32.1			0.0	40.4
Operating profit/loss (EBIT)	139.7	197.9	95.5	–37.5	–0.7	394.9
Financial result						25.2
Profit/loss before income taxes (EBT)						420.1

2020 CHF millions	Energy ¹	Grid	Services ¹	Other ¹	Consolidation ¹	Total
External revenue	1,179.2	558.6	1,334.8	23.9	32.1	3,128.6
– Net sales	1,131.9	478.6	1,314.9	10.3	0.0	2,935.7
– Own work capitalized	5.4	35.0	0.0	1.4	32.1	73.9
– Other operating income	41.9	45.0 ²	19.9	12.2	0.0	119.0
Internal revenue	20.1	8.2	70.7	169.9	–268.9	0.0
– Net sales	14.6	0.7	64.1	16.1	–95.5	0.0
– Other operating income	5.5	7.5	6.6	153.8	–173.4	0.0
Total operating income	1,199.3	566.8	1,405.5	193.8	–236.8	3,128.6
Total operating expenses	–921.5	–287.2	–1,265.2	–206.8	231.1	–2,449.6
Operating profit before depreciation, amortization and impairment (EBITDA)	277.8	279.6	140.3	–13.0	–5.7	679.0
Depreciation, amortization and impairment	–76.9	–89.7	–56.5	–23.6	3.4	–243.3
Income from associates	16.2	22.8	0.0	0.0	0.0	39.0
Operating profit/loss (EBIT)	217.1	212.7	83.8	–36.6	–2.3	474.7
Financial result						–32.0
Profit/loss before income taxes (EBT)						442.7

1 Starting in 2021, production-related wind and solar services are allocated to the Energy segment, while shared service billing services are allocated to the segment Other. Previously, these business activities were reported in the Services segment, with total operating income in 2020 of CHF 60 million and EBIT 2020 of CHF 0.5 million. The prior-year figures were adjusted accordingly. The total operating income of the segment Energy 2020 thereby increased by CHF 24.2 million and that of the segment Other by CHF 24.3 million. There are no significant changes on the EBIT level. The Services segment thus includes the three competency areas Engineering, Infra Services, and Building Solutions.

2 Other operating income was positively affected by a one-off compensation payment from Swissgrid of CHF 38.7 million for the expropriation of the transmission grid in 2013.

Information by country

Net sales to external customers by country are broken down by the place of delivery for the respective product. Non-current assets cover property, plant, and equipment, intangible assets, and investments in associates in the respective countries.

CHF millions	Switzerland		Germany		Italy		France		Other countries		Total	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021		
Net sales	1,984.8	2,181.3	701.1	848.1	84.6	152.0	42.9	0.9	122.3	197.7	2,935.7	3,380.0
Non-current assets	4,190.1	4,414.0	927.3	945.6	481.8	442.0	129.1	117.6	161.5	162.3	5,889.8	6,081.5

Information on significant customers

There are no transactions with individual external customers that generate revenue accounting for 10% or more of net sales.

7 Net sales

Net sales per business segment are broken down as follows between Switzerland and abroad:

CHF millions	Switzerland ¹ 2020	Abroad ¹ 2020	Switzerland 2021	Abroad 2021
Energy	611.4	520.5	720.2	721.0
Grid	478.6	0.0	490.9	0.0
Services	884.5	430.4	959.3	477.7
Other	10.3	0.0	10.9	0.0
Total net sales	1,984.8	950.9	2,181.3	1,198.7

1 The prior year figures were restated according to footnote 1 in note 6.

Of net sales, CHF 3301.4 million or 98% (previous year: CHF 2882.0 million or 98%) relates to revenues from contracts with customers in

accordance with IFRS 15. In the Energy business segment, certain transactions come under the provisions of IFRS 9.

Accounting principles

BKW generates revenue in its three business segments: Energy, Grid, and Services.

Energy

Sales in the Energy business segment mainly comprise income from the sale of energy to end customers and distribution partners in Switzerland, income from the sale of electricity, certificates, and raw materials on the wholesale market, income from direct feed-in of energy from power plants with feed-in remuneration, and income from the production of heat as well as wind, solar, and other energy-related services.

In the energy sector, "own use" transactions ("own use exemption" under IFRS 9) fall under the provisions of IFRS 15. Sales from these business activities must be recognized over the duration of the agreed performance. However, since the energy is consumed at the same time as delivery, the sale of energy immediately gives rise to a right to payment that is directly equivalent to the value of the energy delivered. For this reason, an exemption under IFRS 15 is applied to revenue recognition, and revenue is recognized in the amount that can be invoiced in these cases. The income is considered to be

realized and recognized as revenue when delivery has taken place.

Energy-trading revenue is presented according to the purpose of the underlying transaction. Energy transactions are conducted either for the purpose of actively managing the power plant portfolio or to ensure physical coverage of energy supply or purchase contracts. Such management transactions can be broken down into "own-use" and "hedging" transactions. The revenue from own-use transactions falls under the provisions of IFRS 15 and is recorded as gross in revenue at the time of delivery.

Hedging transactions result from extended activities to manage the production portfolio, comprising additional transactions undertaken to hedge BKW's own production. These additional hedging transactions qualify as financial instruments under IFRS 9. Other energy transactions are conducted with the sole intention of achieving a trading margin. Such transactions also qualify as financial instruments under IFRS 9.

Energy transactions defined as financial instruments are measured at fair value on the closing date; realized and unrealized gains and losses from these transactions are recorded as net figures in "Income from energy hedging" and "Income from proprietary energy trading" (see Note 37.2). The income from such transactions consists of two components. On the one hand, the effective realized gains or losses from transactions in progress are recorded. On the other hand, the unrealized evaluation gains and losses from measurement at fair value of the open contracts are included.

Grid

The Grid business segment mostly generates income from charging distribution grid usage fees for the distribution grid. Income from the transmission of energy must be recognized over the duration of the agreed performance. When energy is transmitted, there is immediate entitlement to remuneration, which corresponds directly to the value of the energy transmitted. This performance falls under the exemption for revenue recognition in IFRS 15. BKW applies this exemption and books revenue in the amount that can be invoiced. The income is considered to be realized and recognized as revenue when delivery has taken place.

Fees charged to customers for compensatory feed-in remuneration (KEV) and grid usage fees of third-party grid operators are not recognized as revenue owing to the provisions governing principal-agent relationships but are shown net against the corresponding energy procurement/transport costs.

Services

In the Services business segment, revenues are generated mainly through the provision of engineering planning and consulting services for energy, infrastructure, and environmental projects, planning and installation services in the field of building technology, and construction, servicing, and maintenance of energy, telecommunications, transport, and water grids. These are principally customer-specific construction contracts. Owing to the contractual provisions governing these services, which grant BKW the right to compensation for the performance, revenue is recognized over a period of time. The extent of performance is measured using the cost-to-cost method. The costs incurred to obtain customer contracts are not capitalized if these costs are amortized within one year.

8 Energy procurement/transport

CHF millions	2020	2021
Cost of energy procurement from third parties and associates	684.9	1,202.3
Provision for onerous energy procurement contracts		
– Provisions used	–17.8	–36.8
– Provisions added/released (-)	28.0	–49.7
Total energy procurement expenses	695.1	1,115.8
Energy transport expenses	95.0	98.6
Total	790.1	1,214.4

Expenses for energy transport include expenses for system services and municipal taxes, while expenses for water rates are included in energy procurement costs.

9 Personnel expenses

CHF millions	2020	2021
Salaries and wages	706.4	746.4
Social security contributions and other personnel expenses	173.7	191.1
Total	880.1	937.5

10 Miscellaneous operating expenses

CHF millions	2020	2021
Charges, levies and other taxes	20.4	20.4
Rent and maintenance of real estate and other property, plant and equipment	24.3	23.5
Miscellaneous operating expenses	164.0	173.4
Total	208.7	217.3

11 Depreciation, amortization, and impairment

CHF millions	2020	2021
Depreciation		
– Property, plant and equipment	207.3	210.9
– Intangible assets	35.7	36.3
Impairment		
– Property, plant and equipment	0.3	1.1
– Intangible assets	0.0	0.7
Reversal of impairments		
– Property, plant and equipment	0.0	–17.7
Total	243.3	231.3

The reversal of impairments relates to Swiss hydroelectric plants in the Energy business area. Due to higher long-term expected electricity prices, previously recorded impairments could be partially reversed.

12 Financial result

CHF millions	2020	2021
Interest income	2.9	1.8
Dividend income	0.1	0.1
Value adjustment on state funds	41.8	105.0
Gains from the disposal of financial assets	0.0	0.1
Reversal of impairment of financial assets	0.0	0.1
Value adjustment on financial instruments held for trading	0.0	0.4
Other financial income	3.7	0.8
Financial income	48.5	108.3
Interest expenses	-36.5	-36.0
Capitalized borrowing costs	0.4	0.0
Interest on provisions	-40.5	-40.0
Losses from the disposal of financial assets	0.0	-0.8
Value adjustment on financial instruments held for trading	-0.7	0.0
Impairment of financial assets	-0.2	0.0
Currency translations	0.0	-3.0
Other financial expenses	-3.0	-3.3
Financial expenses	-80.5	-83.1
Financial result	-32.0	25.2

13 Income taxes

CHF millions	2020	2021
Current income taxes	87.9	99.8
Deferred taxes	-27.6	-7.1
Total	60.3	92.7

Reconciliation with reported income taxes

CHF millions	2020	2021
Profit/loss before income taxes	442.7	420.1
Tax expenses at anticipated rate of 22.6% (2020: 22.4%)	99.2	94.9
Effects of changes in tax rate	-16.2	-0.6
Participation reduction and non-taxable income	-19.7	-13.2
Use/capitalization of uncanceled tax losses	-8.3	-1.4
Non-tax-deductible expenses	6.1	6.8
Uncanceled or partially canceled tax losses	0.6	0.6
Taxes in respect of previous years	0.3	3.9
Write-down/reversal of write-down of participations	-3.3	1.8
Other items	1.6	-0.1
Total income taxes	60.3	92.7
Effective tax rate	13.6%	22.1%

The anticipated tax rate is determined annually as a weighted average (based on the pre-tax earnings of individual Group companies and the applicable local tax rate). The increase compared

with the previous year is attributable to the higher pro rata income in relation to the overall result of the companies outside Switzerland.

Changes in deferred tax assets/liabilities

CHF millions	2020	2021
Net deferred tax liabilities at 01.01.	-421.4	-392.5
Changes in the scope of consolidation	1.3	-6.9
Addition/release in the income statement	27.6	7.1
Taxes on actuarial gains/losses	-0.4	-58.5
Currency translations	0.4	3.9
Net deferred tax liabilities at 31.12.	-392.5	-446.9

Deferred tax assets/liabilities by origin of temporary difference

CHF millions	31.12.2020		31.12.2021	
	Assets	Liabilities	Assets	Liabilities
Current assets	1.1	-34.3	0.9	-43.4
Financial assets and holdings	1.1	-55.2	2.2	-60.2
Property, plant and equipment	16.2	-279.3	12.4	-287.1
Intangible assets	1.8	-35.8	1.1	-34.8
Current liabilities	10.1	-3.3	9.8	-0.5
Provisions	2.4	-123.2	0.9	-114.5
Other non-current liabilities	94.8	-8.7	44.0	-8.6
Capitalized loss carry-forwards	19.8	0.0	31.0	0.0
Credit/liability for gross deferred taxes	147.3	-539.8	102.3	-549.2
Netting of assets and liabilities	-107.3	107.3	-61.7	61.7
Assets/Liabilities for deferred taxes according to balance sheet	40.0	-432.5	40.6	-487.5

The change in temporary differences resulted in a deferred tax expense of CHF 4.1 million recorded on the income statement (previous year: tax income of CHF 16.6 million).

As of December 31, 2021, deferred tax liabilities on temporary differences relating to associates of CHF 1.0 million were recognized (previous year: CHF 0). No deferred taxes are recognized for Group companies, joint arrangements, or partner plants at which distribution of profits is contractually agreed since BKW is able to co-determine the reversal of the temporary difference and such a reversal is not probable in the foreseeable future. The temporary differences for which no

deferred tax liabilities have been recognized in this respect amount to CHF 2,824.6 million in total (previous year: CHF 2,297.4 million).

Tax loss carry-forwards

As of December 31, 2021, there were tax loss carry-forwards of CHF 6.5 million (previous year: CHF 5.6 million) for which deferred taxes were not capitalized. These were not capitalized since their charge against future taxable earnings is not regarded as probable within the permissible tax period. The average applicable tax rate on tax loss carry-forwards would be 23.7% (previous year: 22.5%).

These loss carry-forwards fall due in the following periods:

in CHF millions	31.12.2020	31.12.2021
Expiry within 1 year	0.0	0.1
Expiry within 2 to 5 years	0.9	0.5
Expiry after 5 years	2.3	3.6
Valid indefinitely	2.4	2.3
Total	5.6	6.5

14 Earnings per share

Earnings per share is calculated based on the weighted average number of outstanding shares. There are no circumstances that lead to dilution of the earnings per share.

Earnings per share

	2020	2021
Net profit attributable to BKW shareholders, in CHF millions	361.7	304.6
Number of shares issued (weighted average)	52,800,000	52,800,000
Less treasury shares (weighted average)	-61,138	-41,494
Number of outstanding shares (weighted average)	52,738,862	52,758,506
Earnings per share in CHF	6.86	5.77

15 Trade accounts receivable and other receivables

CHF millions	31.12.2020	31.12.2021
Trade accounts receivable ¹	538.7	808.0
Other financial receivables	89.4	423.8
Other receivables	31.3	37.9
Total	659.4	1,269.7

1 Of which, an amount of CHF 604.9 million (previous year: CHF 459.8 million) stems from contracts with customers pursuant to IFRS 15.

The business combinations in the reporting year increased trade accounts receivable by CHF 12.3 million. Other financial receivables include collat-

eral deposited with energy exchanges for trading in energy derivatives.

The following table shows the aging of trade accounts receivable:

CHF millions	31.12.2020			31.12.2021		
	Gross carrying amount	Loss allowance	Net carrying amount	Gross carrying amount	Loss allowance	Net carrying amount
Trade accounts receivable	562.9	-24.2	538.7	829.8	-21.8	808.0
of which:						
– not past due	462.7	-1.7	461.0	712.0	-1.7	710.3
– 1–30 days past due	39.8	-0.5	39.3	65.4	-0.6	64.8
– 31–360 days past due	35.9	-6.5	29.4	29.3	-4.4	24.9
– over 360 days past due	24.5	-15.5	9.0	23.1	-15.1	8.0

Most of the trade accounts receivable are due for payment between 30 and 60 days.

The loss allowance for trade accounts receivable, other financial receivables, and loans are as follows:

CHF millions	Trade receivables	Other financial receivables	Loans
Loss allowances at 31.12.2019	24.5	2.4	8.4
Addition/release	3.4	-0.1	-0.1
Derecognition of uncollectable receivables	-3.5		
Currency translations	-0.1		
Removal from scope of consolidation	-0.1		
Loss allowances at 31.12.2020	24.2	2.3	8.3
Addition/release	2.0		
Derecognition of uncollectable receivables	-4.1		
Currency translations	-0.3		
Loss allowances at 31.12.2021	21.8	2.3	8.3

There is no material loss allowance for other financial assets. The other balance sheet items

contain no material overdue but unimpaired financial assets.

Accounting principles

Depending on the amount, trade accounts receivable are subjected to an individual impairment assessment and, if necessary, individual write-downs are made. In the case of energy trading trade accounts receivable, probabilities of default are calculated on the basis of external or internally calculated counterparty ratings, and corresponding impairments are recognized for

expected losses occurring within the next 12 months. The simplified impairment model is applied to the remaining trade accounts receivables. Assets are assessed here on the basis of being in arrears and grouped into various categories. Different impairment rates for the expected losses over the entire residual term are allocated to these groups based on historical data.

16 Contract assets and contract liabilities

Assets and liabilities from customer orders as of December 31, 2021, included a write-down of CHF 0.1 million for expected defaults on receivables in accordance with the provisions of IFRS 9 (previous year: CHF 0.1 million).

Recognized revenue from contract liabilities included at the start of the reporting period amounted to CHF 75.1 million (previous year: CHF 66.0 million).

CHF millions	2020	2021
Expected future income from existing contracts	1,213.5	1,193.3
thereof:		
– expected within the next 12 months	912.3	848.6
– expected after 12 months	301.2	344.7

Accounting principles

Contract assets exist in connection with the provision of engineering planning and consulting services for energy, infrastructure, and environmental projects, planning and installation services in the field of building technology, and the construction, servicing, and maintenance of energy, telecommunications, transport, and water networks. These are primarily customer-specific construction contracts for which a right to consideration exists for goods or services that are

transferred to the customer. If consideration is received before goods or services are transferred to the customer, a contract liability is recognized.

BKW measures the progress toward satisfying performance obligations using the cost-to-cost method. Customer contracts are assessed for credit risk and assigned value using the simplified impairment model under IFRS 9. Anticipated losses are immediately recorded in their entirety.

17 Inventories

CHF millions	31.12.2020	31.12.2021
Goods and materials	30.4	42.4
Valuation adjustment on goods and materials	-0.9	-1.1
Certificates (proprietary trading)	11.0	22.0
Certificates (own use)	26.2	29.7
Total	66.7	93.0

Accounting principles

Stock materials

The acquisition/manufacturing cost of raw and auxiliary materials is measured at the weighted moving average. Semi-finished and finished products include the directly assignable costs and share of indirect labor. Stock materials with an unsatisfactory inventory turnover rate are written off in full or in part.

Green certificates certify the generation of electricity from renewable energies and can be sold separately from the delivery of electricity. Income from green certificates from BKW's own production is accrued at the time the energy is produced based on the expected proceeds from the sale. Purchased green certificates are carried on the balance sheet at acquisition cost.

Emission rights and green certificates

For emission rights held under national or international emissions allowance schemes for the purpose of compliance with carbon emission allowances, the net liability method is used. These emission rights are recorded at the lower of acquisition cost or net realizable value. A provision is recognized as soon as the carbon output exceeds the emission allowances originally allocated and still held. The value of the emission rights and certificates is realized when they are sold or returned to the authorities as compensation for emissions.

For transactions in emission rights and certificates conducted with the sole intention of achieving a trading margin, BKW applies the brokerage exemption for traders in raw materials and commodities. The brokerage exemption stipulates that these may be recognized at fair value, less costs to sell. The changes in value on the balance sheet date, as well as realized purchases and sales, are recorded net in the income statement. Transactions in derivatives on emission rights that are conducted with the intention of achieving a trading margin are treated in the same way as energy-trading derivatives (see Note 29).

18 Prepaid expenses and accrued income

CHF millions	31.12.2020	31.12.2021
Financial accruals	100.2	108.8
Other prepaid expenses and accrued income	25.0	38.7
Total prepaid expenses and accrued income	125.2	147.5
Financial accruals	141.3	228.5
Other deferred income and accrued expenses	62.6	51.0
Total deferred income and accrued expenses	203.9	279.5

In the case of financial accruals and deferrals, a general impairment is recognized in accordance with the simplified impairment model pursuant to IFRS 9.

19 Financial assets

CHF millions	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Loans	Term deposits	Interest in state funds	Other non-current assets	Total
At 31.12.2020	7.5	50.4	45.0	91.7	1,287.0	23.5	1,505.1
Changes in the scope of consolidation	0.1		2.2			0.5	2.8
Additions	0.2	84.8	28.9	95.0	36.5	32.9	278.3
Disposals	-0.5	-135.3	-26.0	-135.0	-53.7	-19.6	-370.1
Currency translations			-0.8	-0.2		-0.4	-1.4
Value adjustment in the income statement		0.2	0.2		105.0	1.9	107.3
Reversal of impairment				0.1			0.1
At 31.12.2021	7.3	0.1	49.5	51.6	1,374.8	38.8	1,522.1
of which:							
– Current financial assets		0.1	26.3	50.9	38.7		116.0
– Non-current financial assets	7.3		23.2	0.7	1,336.1	38.8	1,406.1
of which:							
– Financial assets according to IAS 32 and IFRS 9	7.3	0.1	49.5	51.6		30.5	139.0
– Other assets					1,374.8	8.3	1,383.1

The state funds are administered by the federal government. BKW has no access to the managed assets.

In November 2016, BKW sold a Swissgrid convertible loan totaling CHF 97.2 million to Credit Suisse. The loan was sold without the associated conversion right. As certain conditions transpire, Swissgrid can or must convert the loan into equity, and BKW is obligated to acquire the

resulting share of Swissgrid equity. Thus, although BKW sold the loan, it entered into a directly linked obligation at the same time. The loan could therefore not be derecognized. By the end of the 2021 financial year, the loan had been amortized by CHF 77.7 million. As of December 31, 2021, CHF 19.5 million are still recognized under "Other receivables." The liabilities of CHF 19.5 million are entered under current liabilities (see Note 23).

CHF millions	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Loans	Term deposits	Interest in state funds	Other non-current assets	Total
At 31.12.2019	7.2	30.9	51.3	96.7	1,301.3	42.4	1,529.8
Changes in the scope of consolidation	0.3		-6.9			0.3	-6.3
Additions	0.4	20.0	7.1	90.0	30.4	0.4	148.3
Disposals	-0.5	-0.4	-7.2	-95.0	-86.5	-19.6	-209.2
Currency translations			-0.2				-0.2
Value adjustment in the income statement		-0.1	0.9		41.8		42.6
Value adjustment in other comprehensive income	0.1						0.1
At 31.12.2020	7.5	50.4	45.0	91.7	1,287.0	23.5	1,505.1
of which:							
– Current financial assets		50.4	22.1	91.0	47.4		210.9
– Non-current financial assets	7.5		22.9	0.7	1,239.6	23.5	1,294.2
of which:							
– Financial assets according to IAS 32 and IFRS 9	7.5	50.4	45.0	91.7		23.5	218.1
– Other assets					1,287.0		1,287.0

Accounting principles

Financial assets cover holdings, securities, loans, term deposits, and other financial assets. Interests in state funds are recognized in accordance with the provisions of IFRIC 5 and therefore do not fall under the scope of IAS 32, IFRS 7, and IFRS 9 are also included as financial assets.

Financial assets are recorded and derecognized on the trade date.

Stock exchange-listed securities that constitute part of a portfolio of financial instruments that are jointly managed and that are regularly purchased and sold are categorized as “Assets at fair value through profit or loss” and recorded under current assets. Other holdings and securities are allocated to the “Financial assets at fair value through other comprehensive income” category and reported under non-current assets. Term deposits, loans, and other financial assets are

valued at amortized cost. Pursuant to IFRS 9, in the case of term deposits and loans, probabilities of default are calculated on the basis of external or internally calculated counterparty ratings, and corresponding impairments are recognized for expected losses occurring within the next 12 months.

Nuclear power plant operators are required by law to make annual payments to state funds (Federal Decommissioning and Waste Disposal Funds). The operators will be paid the future costs for disposal and decommissioning by these state funds according to the statutory requirements. Such payments are regarded as reimbursements and are capitalized as interests in state funds pursuant to IFRIC 5. Changes in fund valuations are recorded in the financial result for the period in question.

20 Investments in associates

CHF millions	Total
At 31.12.2019	1,422.6
Additions	5.1
Changes in the consolidation method	-0.9
Disposals	-26.1
Dividends	-20.9
Pro rata income	39.0
Currency translations	-14.2
Actuarial gains/losses	7.6
Hedging transactions	-3.1
At 31.12.2020	1,409.1
Additions	24.3
Disposals	-21.0
Dividends	-22.1
Pro rata income	40.4
Currency translations	-8.4
Actuarial gains/losses	36.0
Hedging transactions	3.4
At 31.12.2021	1,461.7

The additions in the 2021 financial year relate to a non-cash allocation of Swissgrid shares of CHF 9.7 million due to the additional compensation for the expropriation of the transmission grid in 2013 recognized in profit or loss in the 2020 financial year.

The disposals include capital reductions at Onyx Kraftwerk Wilhelmshaven GmbH & Co. KG of CHF 18.0 million (previous year CHF 21.2 million).

The change in the consolidation method in the previous year related to Abonax AG, which, due to a step acquisition, no longer qualifies as an associate but as a Group company.

Pro rata key figures for associates as of December 31, 2021

The table below lists the pro rata key figures for associates by business area. In addition, the Energy business area is broken down by type of power plant.

BKW share CHF millions	Hydro	Nuclear	Fossil-fuel	New renewable energy	Other	Total Energy	Grid	Total
Current assets	31.5	49.1	75.9	19.4	6.9	182.8	237.4	420.2
Non-current assets	991.0	833.0	425.7	196.9	28.8	2,475.4	1,041.2	3,516.6
Current liabilities	-153.4	-79.1	-53.6	-18.3	-3.5	-307.9	-173.6	-481.5
Non-current liabilities	-570.9	-654.3	-9.6	-107.5	-16.8	-1,359.1	-634.5	-1,993.6
Shareholders' equity	298.2	148.7	438.4	90.5	15.4	991.2	470.5	1,461.7
Income	154.5	152.8	201.4	30.9	10.4	550.0	275.8	825.8
Expenses	-148.0	-150.4	-202.3	-30.8	-10.2	-541.7	-243.7	-785.4
Net profit/loss	6.5	2.4	-0.9	0.1	0.2	8.3	32.1	40.4
Other comprehensive income	11.4	10.6	0.0	3.4	0.0	25.4	14.0	39.4
Comprehensive income	17.9	13.0	-0.9	3.5	0.2	33.7	46.1	79.8

All associates are valued using the equity method.

Of the total pro rata assets and liabilities, CHF 1,478.5 million (previous year: CHF 1,380.3 million) relate to net financial debt (financial liabilities less cash and cash equivalents and current financial assets).

Associates in the Energy business area are, in particular, partner plants. For these, BKW is obliged to pay the annual costs due on its share (including interest and repayment of borrowed funds). Energy produced by partner plants is billed to shareholders on the basis of existing agreements – irrespective of the current market prices – at the cost of production. Provisions for onerous energy procurement contracts are formed if the cost of production is above the

future expected market price due to the contractual obligation to pay energy production costs. Based on the obligation of the shareholders to pay production costs, it is assumed that the holdings in partner plants measured at the proportionate equity value are recoverable.

The pro rata annual costs for BKW for the purchase of energy in 2021 amounted to CHF 474.4 million (previous year: CHF 342.0 million). These are included in the energy procurement expense. The operating costs charged by nuclear storage facilities in 2021 amount to CHF 16.8 million (previous year: CHF 17.6 million) and are reported in Material and third-party services. CHF 776.9 million of the total pro rata assets and liabilities of partner plants (previous year: CHF 746.4 million) relate to net financial debt.

Pro rata key figures for associates as of December 31, 2020

The table below lists the pro rata key figures for associates by business area. In addition, the Energy business area is broken down by type of power plant.

BKW share CHF millions	Hydro	Nuclear	Fossil-fuel	New renewable energy	Other	Total Energy	Grid	Total
Current assets	36.7	61.1	35.7	19.8	7.1	160.4	182.9	343.3
Non-current assets	1,002.9	811.9	473.1	187.4	28.6	2,503.9	942.3	3,446.2
Current liabilities	-175.9	-54.8	-21.5	-9.2	-2.2	-263.6	-131.3	-394.9
Non-current liabilities	-578.5	-679.6	-9.6	-121.9	-18.1	-1,407.7	-577.8	-1,985.5
Shareholders' equity	285.2	138.6	477.7	76.1	15.4	993.0	416.1	1,409.1
Income	160.1	136.7	84.7	22.5	12.2	416.2	247.7	663.9
Expenses	-152.2	-134.2	-78.7	-23.0	-11.8	-399.9	-225.0	-624.9
Net profit/loss	7.9	2.5	6.0	-0.5	0.4	16.3	22.7	39.0
Other comprehensive income	1.0	3.7	0.0	-3.1	0.0	1.6	2.9	4.5
Comprehensive income	8.9	6.2	6.0	-3.6	0.4	17.9	25.6	43.5

Key figures for major associates

The table below gives the key figures for the major associates. The holdings Onyx Kraftwerk Wilhelmshaven and Kraftwerke Oberhasli are part of the Energy business area. The interest in Swissgrid is assigned to the Grid business area.

100 % key figures CHF millions	Onyx Kraftwerk Wilhelmshaven GmbH & Co. KG		Kraftwerke Oberhasli AG		Swissgrid AG	
	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021
Current assets	24.0	51.9	27.2	21.4	501.5	647.4
Non-current assets	1,355.8	1,221.3	801.1	778.5	2,589.1	2,837.9
Current liabilities	-33.9	-46.2	-170.2	-77.8	-362.2	-475.0
Non-current liabilities	-23.7	-23.0	-454.1	-500.5	-1,598.8	-1,740.6
Shareholders' equity	1,322.2	1,204.0	204.0	221.6	1,129.6	1,269.7
Shareholding in % as at 31.12.	33.0%	33.0%	50.0%	50.0%	36.1%	36.4%
Goodwill	0.0	0.0	0.0	0.0	5.9	5.6
Reported carrying amount of the investment	436.3	397.3	102.0	110.8	413.9	468.2
Income	115.5	128.2	149.7	143.0	680.4	755.4
Expenses	-100.1	-136.1	-143.2	-136.8	-618.4	-653.3
Net profit/loss	15.4	-7.9	6.5	6.2	62.0	102.1
Other comprehensive income	0.0	0.0	-0.4	11.4	7.9	40.6
Comprehensive income	15.4	-7.9	6.1	17.6	69.9	142.7
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0
Recognized proportionate result from associates	5.1	-2.6	3.3	3.1	22.4	31.9
Dividend received	0.0	0.0	0.0	0.0	11.4	13.9

The reported figures are provisional and come from the respective companies, with the exception of Swissgrid, which has bonds listed on the SIX Swiss Exchange. BKW has no figures for Swissgrid. The key figures as of December 31 and the income statement including net profit is estimated by BKW on the basis of Swissgrid's annual report from the previous year, as well as relevant press releases issued in the current financial year and transferred to IFRS. Deviations from Swissgrid's

actual figures will be recorded in profit or loss for the following year.

The company Onyx Kraftwerk Wilhelmshaven GmbH & Co. KG is a limited partnership under German law. In companies with this legal form, the effective share of profit and capital of the partners may differ from their share of investment.

21 Property, plant, and equipment

CHF millions	Power plants	Distribution grid	Buildings and land	Other property, plant and equipment	Construction in progress	Right-of-Use Assets	Total
Gross values at 31.12.2020	3,458.1	3,398.7	259.8	317.8	179.5	345.2	7,959.1
Changes in the scope of consolidation			0.2	5.6	0.9	20.2	26.9
Additions	1.2	4.6		18.9	205.2	23.1	253.0
Disposals	-617.3	-14.3	-0.4	-15.6	-0.3	-6.7	-654.6
Reclassifications	14.1	114.0	2.7	19.1	-150.3	0.4	-0.0
Contract adjustments						22.7	22.7
Currency translations	-42.9		-0.5	-2.4	-0.2	-10.8	-56.8
Gross values at 31.12.2021	2,813.2	3,503.0	261.8	343.4	234.8	394.1	7,550.3
Accumulated depreciation and impairments at 31.12.2020	2,375.9	1,670.4	126.9	204.4	0.7	123.3	4,501.6
Depreciation	58.3	74.9	6.8	28.7		42.2	210.9
Impairment	0.7				0.4		1.1
Disposals	-610.8	-12.1	-0.2	-15.3	-0.4	-5.8	-644.6
Reversal of impairment	-17.7						-17.7
Currency translations	-18.5			-1.0		-4.8	-24.3
Accumulated depreciation and impairments at 31.12.2021	1,787.9	1,733.2	133.5	216.8	0.7	154.9	4,027.0
Net values at 31.12.2021	1,025.3	1,769.8	128.3	126.6	234.1	239.2	3,523.3
– thereof pledged for liabilities	15.3		3.1				18.4

The change in the scope of consolidation includes CHF 26.0 million from business combinations (see note 5).

The additions of CHF 23.1 million for right-of-use assets from leases are non-cash.

No borrowing costs were capitalized in the current year (previous year: CHF 0.4 million). In the year under review, compensation of CHF 0.4 million for property, plant, and equipment that was impaired, lost, or decommissioned was

recognized on the income statement (previous year: CHF 4.7 million).

The property, plant, and equipment of the Mühleberg Nuclear Power Plant, which is being dismantled and was fully depreciated by the end of 2019, will no longer be reported separately but under power plants. As of December 31, 2021, the gross value of these assets is CHF 697.2 million (previous year: CHF 1,306.6 million), the net value CHF 0 (previous year: CHF 0).

The following table contains information on the rights of use under leases (see Note 32) per asset class.

CHF millions	Power plants	Distribution grid	Buildings and land	Other property, plant and equipment	Total
Gross values at 31.12.2020	121.4	6.7	195.4	21.7	345.2
Changes in the scope of consolidation			13.4	6.8	20.2
Additions			14.9	8.2	23.1
Disposals			-4.4	-2.3	-6.7
Reclassifications			0.4		0.4
Contract adjustments		1.7	21.0		22.7
Currency translations	-5.3		-4.8	-0.7	-10.8
Gross values at 31.12.2021	116.1	8.4	235.9	33.7	394.1
Accumulated depreciation and impairments at 31.12.2020	69.8	3.3	44.1	6.1	123.3
Depreciation	4.4	1.2	29.9	6.7	42.2
Disposals			-3.5	-2.3	-5.8
Currency translations	-3.2		-1.3	-0.3	-4.8
Accumulated depreciation and impairments at 31.12.2020	71.0	4.5	69.2	10.2	154.9
Net values at 31.12.2021	45.1	3.9	166.7	23.5	239.2
– of which land lease for wind parks			35.0		

CHF millions	Power plants	Distribution grid	Buildings and land	Other property, plant and equipment	Construction in progress	Right-of-Use Assets	Total
Gross values at 31.12.2019	3,443.2	3,289.6	239.5	296.9	198.2	302.2	7,769.6
Changes in the scope of consolidation	-5.5			-0.2		3.3	-2.4
Additions	1.1	12.8		15.1	178.2	35.8	243.0
Disposals	-0.2	-35.5	-1.9	-12.9	-0.3	-6.1	-56.9
Reclassifications	24.3	131.8	22.2	18.9	-196.5	-0.7	0.0
Contract adjustments						11.6	11.6
Currency translations	-4.8				-0.1	-0.9	-5.8
Gross values at 31.12.2020	3,458.1	3,398.7	259.8	317.8	179.5	345.2	7,959.1
Accumulated depreciation and impairments at 31.12.2019	2,323.0	1,627.4	121.4	186.3	0.7	90.9	4,349.7
Changes in the scope of consolidation	-3.3			-0.3		-0.2	-3.8
Depreciation	58.1	77.3	5.6	28.2		38.1	207.3
Impairment					0.3		0.3
Disposals	-0.3	-34.3	-0.3	-10.3	-0.3	-4.8	-50.3
Reversal of impairment							0.0
Reclassifications	-0.2		0.2	0.5		-0.5	0.0
Currency translations	-1.4					-0.2	-1.6
Accumulated depreciation and impairments at 31.12.2020	2,375.9	1,670.4	126.9	204.4	0.7	123.3	4,501.6
Net values at 31.12.2020	1,082.2	1,728.3	132.9	113.4	178.8	221.9	3,457.5
– thereof pledged for liabilities	16.9		3.5	0.1			20.5

In the previous year, the change in the scope of consolidation related to business combinations in the amount of CHF 4.6 million (see Note 5) and disposals of companies in the amount of CHF –7.0 million.

Additions of CHF 35.5 million for right-of-use assets from leases did not impact cash and additions to assets under construction included a contribution in kind of CHF 4.0 million in a newly formed subsidiary with non-controlling interests.

The following table contains information from the previous year on the rights of use under leases per asset class.

CHF millions	Power plants	Distribution grid	Buildings and land	Other property, plant and equipment	Total
Gross values at 31.12.2019	122.0	6.0	162.3	11.9	302.2
Changes in the scope of consolidation			3.3		3.3
Additions			23.7	12.1	35.8
Disposals		-0.2	-4.8	-1.1	-6.1
Reclassifications			0.4	-1.1	-0.7
Contract adjustments		0.9	10.8	-0.1	11.6
Currency translations	-0.6		-0.3		-0.9
Gross values at 31.12.2020	121.4	6.7	195.4	21.7	345.2
Accumulated depreciation and impairments at 31.12.2019	65.8	1.6	20.8	2.7	90.9
Changes in the scope of consolidation			-0.2		-0.2
Depreciation	4.3	1.9	26.9	5.0	38.1
Disposals		-0.2	-3.5	-1.1	-4.8
Reclassifications				-0.5	-0.5
Currency translations	-0.3		0.1		-0.2
Accumulated depreciation and impairments at 31.12.2020	69.8	3.3	44.1	6.1	123.3
Net values at 31.12.2020	51.6	3.4	151.3	15.6	221.9
– of which land lease for wind parks			37.5		

Accounting principles

Property, plant, and equipment are recorded at acquisition or manufacturing cost less accumulated depreciation and recognized impairment losses. Depreciation is calculated systematically using the straight-line method and based on the useful lives of the assets. Property, plant, and equipment dependent on concessions that are revertible without compensation are written down at most over the expected term of the concession.

The present values of estimated dismantling costs of power plants are capitalized together with acquisition or manufacturing costs (see also Note 25).

For long-term investment projects, the borrowing interest during the set-up phase is capitalized. Land is recognized at acquisition cost.

The estimated useful lives of property, plant, and equipment lie within the ranges listed below and are unchanged compared with the previous year:

Buildings	50 years
Power plants	12 to 80 years
Distribution grid	20 to 60 years
IT systems	10 to 30 years
Operating facilities and vehicles	3 to 20 years

22 Intangible assets

CHF millions	Rights of use	Goodwill	Other	Total
Gross values at 31.12.2020	173.6	887.9	369.5	1,431.0
Changes in the scope of consolidation		96.2	18.7	114.9
Additions from acquisitions	0.5		6.0	6.5
Additions from internally generated intangible assets			8.0	8.0
Disposals			-16.8	-16.8
Currency translations	-3.7	-16.4	-4.2	-24.3
Gross values at 31.12.2021	170.4	967.7	381.2	1,519.3
Accumulated depreciation and impairments at 31.12.2020	132.5	93.6	181.7	407.8
Depreciation	2.4		33.9	36.3
Impairment			0.7	0.7
Disposals			-16.7	-16.7
Currency translations	-3.6		-1.7	-5.3
Accumulated depreciation and impairments at 31.12.2021	131.3	93.6	197.9	422.8
Net values at 31.12.2021	39.1	874.1	183.3	1,096.5

Changes in the scope of consolidation relate to business combinations in the amount of CHF 114.9 million. In the previous year changes in the scope of consolidation related to business combinations in the amount of CHF 32.5 million and disposals of companies in the amount of CHF -1.3 million.

Other intangible assets include brands from acquisitions with an indefinite useful life amounting to CHF 30.3 million (previous year:

CHF 30.8 million). The reason for the slight reduction is currency translation. For the impairment test of the recognized brands, the carrying amount was compared to the fair value of the brands. The calculations were based on estimated cash flows, long-term growth rates of 1% to 2%, and WACC (before tax) of 9.4% to 11.7%. The impairment test of the recognized brands did not identify any need for impairment.

CHF millions	Rights of use	Goodwill	Other	Total
Gross values at 31.12.2019	171.7	863.3	354.5	1,389.5
Changes in the scope of consolidation		26.2	4.9	31.1
Additions from acquisitions	2.3		6.5	8.8
Additions from internally generated intangible assets			8.2	8.2
Disposals			-4.2	-4.2
Currency translations	-0.4	-1.6	-0.4	-2.4
Gross values at 31.12.2020	173.6	887.9	369.5	1,431.0
Accumulated depreciation and impairments at 31.12.2019	130.6	93.6	151.6	375.8
Changes in the scope of consolidation			-0.1	-0.1
Depreciation	2.3		33.4	35.7
Impairment				0.0
Disposals			-3.1	-3.1
Currency translations	-0.4		-0.1	-0.5
Accumulated depreciation and impairments at 31.12.2020	132.5	93.6	181.7	407.8
Net values at 31.12.2020	41.1	794.3	187.8	1,023.2

On the balance sheet date, goodwill was distributed among the following cash-generating units:

CHF millions	31.12.2020	31.12.2021
Energy ¹	165.5	162.6
Services ¹	628.8	711.5
Total	794.3	874.1

1 Production-related wind and solar services are allocated to the Energy segment as of 2021. Previously, these business activities were reported in the Services segment. Due to this reallocation, the related goodwill has also been moved accordingly from the Services segment to the Energy segment. The previous year's figures have been adjusted accordingly (roughly CHF 58 million).

The goodwill carried on the balance sheet was tested for impairment by comparing the carrying amount with the recoverable amount of the cash-generating units. The recoverable amount corresponds to the value in use. The calculations were made on the basis of estimated cash flows

from business projections approved by the Board of Directors over a period of four years. Cash flows beyond this period were extrapolated using an estimated growth rate. The impairment test on goodwill disclosed on the balance sheet did not identify any need for impairment.

The value in use is measured on the basis of the following material assumptions:

%	WACC (before tax)		WACC (after tax)		Long-term growth rate	
	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021
Energy	7.6	6.4	5.9	5.0	1.0	1.0
Services	8.8	8.2	6.9	6.4	1.0	1.0

Based on the findings of a sensitivity analysis, realistic changes in the material assumptions do

not suggest that the recoverable amount could fall below the carrying amount.

Accounting principles

Intangible assets include rights of use, contractual or legal rights acquired as a result of acquisitions, brands, customer relationships, software, or goodwill.

Rights of use comprise contractually agreed one-off amounts to a contractual partner for the use of its operating installations as well as licenses for the construction and operation of BKW's own installations.

Intangible assets are amortized over the period of use, or at most the contract period, using the straight-line method. Goodwill and brands are not written down but assigned to the relevant cash-generating units and subjected to annual impairment tests or ad hoc tests whenever impairment is indicated.

Rights of use

Licenses	60 to 80 years
Energy procurement rights	36 to 60 years
Installation utilization rights	7 to 50 years
Transit right	25 to 60 years

Other

Software	3 to 8 years
Customer lists, technologies	4 to 10 years
Brands	indefinite

23 Trade accounts payable and other liabilities

CHF millions	31.12.2020	31.12.2021
Trade accounts payable	366.0	535.0
Other financial liabilities	120.6	284.5
Other liabilities	35.5	65.4
Pension plans	10.1	12.5
Total	532.2	897.4

Other financial liabilities include the short-term portion of the sold Swissgrid convertible loan in

the amount of CHF 19.5 million (previous year: CHF 19.5 million) (see Note 19).

24 Financial liabilities

Financial liabilities comprise interest-bearing financial obligations, namely bonds, loans, and lease liabilities. Bonds and loans are carried at

amortized cost using the effective interest method. Lease liabilities are accounted for in accordance with IFRS 16.

CHF millions	31.12.2020	31.12.2021
Bonds	894.0	893.0
Registered bonds	283.9	272.3
Lease liabilities	191.5	207.7
Bank liabilities	80.6	502.4
Other financial liabilities	88.1	202.7
Total	1,538.1	2,078.1
of which:		
– Current financial liabilities	108.0	862.2
– Non-current financial liabilities	1,430.1	1,215.9

CHF millions	31.12.2020	Financing cash flows	Currency translations	Changes in fair values	Other	31.12.2021
Current financial liabilities	108.0	496.6	-2.0	0.0	259.6	862.2
– Bonds					199.9	199.9
– Lease liabilities	38.3	-43.5	-0.9		49.3	43.2
– Bank liabilities	25.8	426.2	-0.1		2.0	453.9
– Other financial liabilities	43.9	113.9	-1.0		8.4	165.2
Non-current financial liabilities	1,430.1	-3.1	-17.1	-2.0	-192.0	1,215.9
– Bonds	894.0			-2.0	-198.9	693.1
– Registered bonds	283.9		-12.5		0.9	272.3
– Lease liabilities	153.2		-3.7		15.0	164.5
– Bank liabilities	54.8	-2.5	-0.9		-2.9	48.5
– Other financial liabilities	44.2	-0.6	0.0		-6.1	37.5
Other non-current liabilities	354.4	18.6	-0.8		-23.0	349.2
Total liabilities from financing activities	1,892.5	512.1	-19.9	-2.0	44.6	2,427.3

In the reporting year, changes in the scope of consolidation have increased the liabilities from

financing activities by CHF 22.6 million (previous year: CHF 2.4 million).

CHF millions	31.12.2019	Financing cash flows	Currency translations	Changes in fair values	Other	31.12.2020
Current financial liabilities	89.1	-46.9	-0.2	0.0	66.0	108.0
– Lease liabilities	32.9	-37.5	0.0		42.9	38.3
– Bank liabilities	6.2	-3.2	0.0		22.8	25.8
– Other financial liabilities	50.0	-6.2	-0.2		0.3	43.9
Non-current financial liabilities	1,447.3	-0.7	-2.0	1.2	-15.7	1,430.1
– Bonds	891.9			1.2	0.9	894.0
– Registered bonds	284.4		-1.4		0.9	283.9
– Lease liabilities	147.2	0.3	-0.5		6.2	153.2
– Bank liabilities	80.4	-1.8	-0.1		-23.7	54.8
– Other financial liabilities	43.4	0.8	0.0		0.0	44.2
Other non-current liabilities	410.5	14.9	-0.5		-70.5	354.4
Total liabilities from financing activities	1,946.9	-32.7	-2.7	1.2	-20.2	1,892.5

25 Provisions

CHF millions	Nuclear waste disposal	Onerous contracts	Other provisions	Total
At 31.12.2020	1,423.3	272.8	62.8	1,758.9
Changes in the scope of consolidation			1.1	1.1
Provisions added		4.5	8.2	12.7
Interest	32.4	6.8	0.8	40.0
Provisions used	-122.8	-36.8	-8.5	-168.1
Provisions released		-54.9	-6.8	-61.7
Change in estimate for nuclear disposal	-29.7			-29.7
Currency translations			-1.5	-1.5
At 31.12.2021	1,303.2	192.4	56.1	1,551.7
of which:				
– Current provisions	120.7	22.7	8.8	152.2
– Non-current provisions	1,182.5	169.7	47.3	1,399.5

CHF millions	Nuclear waste disposal	Onerous contracts	Other provisions	Total
At 31.12.2019	1,522.7	254.6	57.6	1,834.9
Changes in the scope of consolidation			2.0	2.0
Provisions added		34.4	10.1	44.5
Interest	33.4	6.4	0.7	40.5
Provisions used	-132.8	-17.8	-5.7	-156.3
Provisions released		-4.8	-1.7	-6.5
Currency translations			-0.2	-0.2
At 31.12.2020	1,423.3	272.8	62.8	1,758.9
of which:				
– Current provisions	143.0	25.1	10.7	178.8
– Non-current provisions	1,280.3	247.7	52.1	1,580.1

Nuclear waste disposal

As of December 31, 2021, the provision for nuclear waste disposal comprised the following:

- CHF 621.0 million (previous year: CHF 735.2 million) is set aside for decommissioning of the nuclear power plant. This covers the costs of the post-operational phase after shutdown of the power operation, as well as the costs of dismantling and disposing of the plant and rehabilitation of the surrounding area. Payments are anticipated to continue until conclusion of the decommissioning activities, provi-

sionally in 2034. The costs for disposal of decommissioning waste will fall due on an ongoing basis until the waste is put into the final storage depot for weak to medium-active nuclear waste (scheduled for 2061).

In the reporting year, CHF 92.4 million (previous year: CHF 108.5 million) in provisions for decommissioning and post operation were used. Of this, CHF 23.2 million (previous year CHF 33.7 million) related to costs for which the company is entitled to a reimbursement from the state funds.

- A further CHF 682.2 million (previous year: CHF 688.1 million) is set aside for the disposal of spent fuel elements and radioactive waste outside the plant compound. These payments will fall due on an ongoing basis until the final storage depot for highly active nuclear waste is sealed off. This is currently scheduled for the year 2126.

In the reporting year, CHF 30.4 million (previous year: CHF 24.3 million) in provisions for disposal were used. Of this, CHF 30.4 million (previous year: CHF 24.3 million) related to costs for which the company is entitled to a reimbursement from the state funds.

In 2021, the update to the cost estimate for the nuclear decommissioning and waste disposal of the Mühleberg Nuclear Power Plant (KS21) was carried out, which takes place every five years. The adjustment was carried out at the request of and in accordance with the strict requirements of the Decommissioning Fund for Nuclear Facilities and Waste Disposal Fund for Nuclear Power Plants (STENFO) and in collaboration with swissnuclear.

Based on the results of KS21, a reversal of provisions in the amount of CHF 29.7 million was made.

As the owner of Mühleberg Nuclear Power Plant, BKW is required by law to decommission the plant after the operating phase ending on December 20, 2019, and to dispose of the nuclear waste. The present value of estimated decommissioning and disposal costs is provisioned and adjusted annually subject to interest. For calculating provisions for decommissioning and disposal, the following assumptions were made, having remained unchanged since the previous year:

- Average inflation rate of 1.0%.
- Interest rate of 2.75%.

Due to the short-term timeframe (until 2024), 0.5% is used for both the interest rate and for inflation for the post-operational phase.

Since 2019, the assumptions used are no longer based on the parameters defined in the Decommissioning and Waste Disposal Funds Ordinance (SEFV), as BKW no longer considers them to be appropriate. Instead, BKW applies its own estimates (see Note 4.2 for an explanation).

In principle, BKW has to make payments to the state funds for decommissioning and waste disposal until 2022, although BKW expects that no further payment will be necessary for 2022 due to KS21. The funds pay the costs of decommissioning and disposal on behalf of operators following successful shutdown of the plants. In the current year, BKW received reimbursements from the funds amounting to CHF 53.7 million (previous year: CHF 86.5 million). The state fund receivables are disclosed under financial assets (see Note 19).

Onerous contracts

The provisions for onerous contracts relate largely to energy procurement contracts and cover future energy purchases from partner plants at production costs that exceed the expected achievable sales prices. These provisions relate to energy procurement contracts agreed with the fossil-fuel power plants at Wilhelmshaven in Germany and Livorno Ferraris in Italy. In the current year, provisions were reduced by a net amount of CHF 39.1 million based on updated expectations of future electricity price developments (previous year: increase by a net amount of CHF 29.3 million).

The cash outflow from provisions results from BKW's obligation to take the electricity produced at production cost and extends over a period of ten years.

Provisions for onerous contracts also include provisions for anticipated losses on contracts with customers. Cash outflows in respect to these provisions are largely anticipated over the next two years.

Other provisions

Other provisions include guarantee obligations, obligations related to personnel, estimations of probable payments in respect to legal disputes, and various minor operating obligations. Cash outflows in respect to these provisions are largely anticipated over the next three years. There are also provisions for the dismantling and break-up of power plants and for rehabilitation of the environment. These costs will be incurred at the end of the useful life of the respective power plants; the cash outflow is anticipated within the next 20 to 25 years.

Accounting principles

BKW holds non-controlling interests in power plant companies, under the terms of which it is committed to purchasing the energy generated by these plants at production cost. Provisions are recognized for obligations to purchase energy at production costs that exceed the expected future realizable sales prices. The calculations are made using the discounted cash flow method.

Interest on provisions calculated at present value is charged through financial expenses.

26 Employee pension plans

Pension funds are regulated by the Federal Act on Occupational Retirement, Survivors', and Invalidity Pension (BVG). This legislation requires pension funds to be managed by independent, legally autonomous bodies. Employees and their survivors are insured through the pension plan against the economic consequences of old age, invalidity, and death. All actuarial risks are borne by the BKW pension fund (Pensionskasse BKW). The pension plan is financed through contributions and revenue from the assets. The member companies and insured persons pay the premium contributions to the pension scheme as a percentage of the insured wages of the insured person. Responsibility for investing the pension assets is held by the Board of Trustees of the foundation.

Employees of BKW in Switzerland are covered by Pensionskasse BKW and other autonomous pension funds, which are classified as defined benefit plans under IAS 19. Outside of Switzerland, some employees are also covered by defined pension plans in accordance with IAS 19. Independent pensions experts carry out annual assessments in line with the terms of IAS 19, based on the projected-unit-credit method.

Pensionskasse BKW

The majority of BKW Group employees working in Switzerland are covered by the Pensionskasse der Bernischen Kraftwerke (Pensionskasse BKW) pension fund. Pensionskasse BKW takes the form of a pension fund organized as a foundation established under private law. Its pension plan corresponds to a defined contribution plan under Swiss law. The supreme governing body of the Pensionskasse BKW foundation is the Board of Trustees, which is composed of an equal number of representatives of the employer and the employees. The benefits and financing of Pensionskasse BKW are stipulated in pension regulations. These are issued by the Board of Trustees. The Board delegates the management of the business to the executive management. The foundation is subject to supervision by the relevant authority of the Canton of Bern.

The pension plan assets are invested in a widely diversified portfolio in Switzerland and abroad in line with the statutory requirements and the guidelines issued by the Board of Trustees. Assets are invested to guarantee security and an appropriate return on the investment, with a balanced distribution of risks and coverage of the forecast requirement of cash and cash equivalents. The occupational pensions expert prepares the annual actuarial valuation and verifies the financial and actuarial situation of Pensionskasse BKW. The unaudited actuarial coverage rate of Pensionskasse BKW in accordance with BVG as of

December 31, 2021, with an actuarial interest rate of 1.50% (previous year: 1.50%) was 120.0% (previous year: 111.7%). In the event of a coverage shortfall according to BVG, the Board must, in agreement with the occupational pensions expert, agree suitable recovery measures (such as increasing the ordinary contributions or collecting recovery contributions). The contribution made by the employer must be at least equivalent to the total contributions paid by the employee.

After updating the data basis for various small companies, the gross values of plan assets and pension liabilities were adjusted for these companies. The reporting change was made as of January 1, 2020, and resulted in a reduction of CHF 159.9 million in both plan assets and employee benefit liabilities. There was therefore no effect on the income statement, statement of comprehensive income, or balance sheet for the years shown.

26.1 Pension liability recorded on the balance sheet

CHF millions	31.12.2020	31.12.2021
Present value of defined benefit obligations	-2,507.2	-2,420.4
Fair value of plan assets	2,249.4	2,411.3
Net pension liability recorded in the balance sheet	-257.8	-9.1
of which amount disclosed as credit	0.0	0.0
of which amount disclosed as liability	-257.8	-9.1

26.2 Pension expense according to IAS 19

CHF millions	2020	2021
Current service cost (employer)	47.9	50.7
Past service cost (employer)	-0.4	1.4
Interest expenses on defined benefit obligation	5.7	3.4
Interest income from plan assets	-5.0	-3.1
Administration costs excluding costs for management of plan assets	1.1	1.1
Pension plan expenses	49.3	53.5

26.3 Remeasurement of employee pension plans

CHF millions	2020	2021
Actuarial gains/losses		
– Change in financial assumptions	31.6	-50.6
– Change in demographic assumptions	-25.4	-93.4
– Adjustments based on experience	56.7	34.3
Return on plan assets (excluding interest based on discount rate)	-67.0	-163.7
Total revaluation reported in other comprehensive income	-4.1	-273.4

26.4 Change in present value of defined benefit obligation

CHF millions	2020	2021
Present value of defined benefit obligation at 01.01.	2,427.8	2,507.2
Interest expenses on defined benefit obligation	5.7	3.4
Current service cost (employer)	49.9	50.7
Contributions paid/benefits paid out	-90.1	-96.7
Employee contributions	28.4	29.6
Past service cost (employer)	-0.4	1.4
Business combination	21.9	33.4
Administration costs (excluding asset management costs)	1.1	1.1
Actuarial gains/losses	62.9	-109.7
Present value of defined benefit obligations at 31.12.	2,507.2	2,420.4

On the balance sheet date, the active members' share of the defined benefit obligation was CHF 1,439.7 million (previous year: CHF 1,545.7

million). The share of those drawing a pension in the defined benefit obligation was CHF 980.7 million (previous year: CHF 961.5 million).

26.5 Change in fair value of plan assets

CHF millions	2020	2021
Fair value of plan assets at 01.01.	2,189.0	2,249.4
Interest income from plan assets	5.0	3.1
Employer contributions	37.9	38.1
Employee contributions	28.4	29.6
Contributions paid/benefits paid out	-91.2	-96.3
Business combination	13.3	23.7
Return on plan assets (excluding interest based on discount rate)	67.0	163.7
Fair value of plan assets at 31.12.	2,249.4	2,411.3

26.6 Asset structure of plan assets

CHF millions	31.12.2020	%	31.12.2021	%
Cash and cash equivalents	73.6	3.3	120.8	5.0
Equity instruments	767.6	34.1	873.2	36.2
Debt instruments	774.3	34.4	749.2	31.1
Other instruments	198.4	8.8	187.4	7.8
Properties	435.5	19.4	480.7	19.9
Total plan assets	2,249.4	100.0	2,411.3	100.0
- thereof own transferrable financial instruments	4.7		5.6	
- thereof properties used by BKW	17.0		18.6	

Equity capital instruments include investments in shares and are generally listed at their market price in an active market. As a percentage of the total assets, the proportion of Swiss shares at the end of the reporting period was 16.4% (previous year: 17.8%) and that of foreign shares was 20.9% (previous year: 16.4%). Investments in Swiss and foreign shares are made directly (through external asset managers) and through investment foundations and funds.

The composition of debt instruments as a percentage of total assets on December 31, 2021, was 18.3% (previous year: 17.2%) for Swiss bonds, 8.9% (previous year: 7.9%) for foreign bonds with currency hedging and 3.6% (previous year: 8.8%) for mortgage loans and mortgage bonds. The bonds and mortgage bonds are listed in an active market at their market price, whereas there is no market price listing in an active market for the mortgage loans.

Most of the other instruments are listed in an active market at their market price.

On December 31, 2021, the proportion of property as a percentage of total assets was split between 12.0% (previous year: 9.5%) for properties (direct investments in Switzerland) and 8.3%

(previous year: 6.5%) for property funds listed in active markets (of which almost half involved foreign properties).

The effective return from the plan assets was 7.4% in the current year (previous year: 3.0%).

26.7 Actuarial assumptions

	Switzerland 2020	Germany 2020	Switzerland 2021	Germany 2021
Discount rate	0.15 %	0.74 %	0.30 %	1.18 %
Expected rate of future salary increases	0.50 %	2.75 %	0.50 %	2.75 %
Expected rate of future pension increases	0.00 %	1.75 %	0.00 %	1.75 %
Mortality table	BVG 2015 GT	Heubeck 2018 G	BVG 2020 GT	Heubeck 2018 G

The weighted average term of the employee pension plan obligation amounted to 14.2 years (previous year: 14.7 years). The change in demographic assumptions (Note 26.3) relates to an

update assessment of the likelihood of departure based on Pensionskasse BKW's past experience and the adjustment of the technical bases.

Sensitivities of the major actuarial assumptions

The discount rate, changes in salaries and pensions, and life expectancy constitute significant actuarial assumptions and were therefore subjected to a sensitivity analysis. In the event of an increase/decrease in the assumptions shown below, the employee pension plan obligation will vary as follows:

31.12.2021 CHF millions	Defined benefit obligation	
	Increase	Decrease
Discount rate (0.25% change)	-79.4	84.5
Salary increase (0.25% change)	5.6	-5.8
Changes in pensions (+0.25% change)	66.0	-
Life expectancy (1 year change)	80.2	-80.7

31.12.2020 CHF millions	Defined benefit obligation	
	Increase	Decrease
Discount rate (0.25% change)	-85.3	90.8
Salary increase (0.25% change)	5.4	-5.9
Changes in pensions (+0.25% change)	67.7	-
Life expectancy (1 year change)	79.3	-80.7

The sensitivity analysis was conducted on the basis of a method that extrapolates the impact on the employee pension plan obligation through

changes in the above assumptions at the end of the reporting period.

26.8 Estimated contributions for the next period

CHF millions	2020	2021
Expected employer contributions	40.8	37.5
Expected employee contributions	30.2	29.6

27 Other non-current liabilities

CHF millions	31.12.2020	31.12.2021
Assigned rights of use	307.6	311.9
Other non-current financial liabilities	46.6	37.1
Other non-current liabilities	0.2	0.2
Total	354.4	349.2

The assigned rights of use consist of third-party payments for transit rights to transmission systems, plant usage rights, and contributions to grid costs (connection contributions). Such assigned rights are recognized on the balance sheet at

the nominal value of the cash inflow less any reversed amounts charged to income. The liability is reversed on a straight-line basis over the useful life of the facility but for no longer than the life of the relevant assigned right.

28 Share capital and reserves

28.1 Share capital

The issued and fully paid-in share capital of BKW AG amounting to CHF 132.0 million consists

of 52,800,000 registered shares at a par value of CHF 2.50 each.

Major shareholders

To BKW's knowledge, the following shareholders held more than 3% of the shares as of December 31:

	31.12.2020	31.12.2021
Canton of Bern	52.54%	52.54%
Groupe E Ltd.	10.00%	10.00%

Transactions in treasury shares

	Number	Carrying amount CHF millions	Cash-relevant proportion CHF millions
31.12.2019	21,024	1.5	
Purchases	520,814	44.5	44.5
Sales	-502,764	-42.3	-36.5
31.12.2020	39,074	3.7	8.0
Purchases	397,986	42.3	42.3
Sales	-408,825	-42.5	-33.5
31.12.2021	28,235	3.5	8.8

28.2 Reserves

Capital reserves

Capital reserves include reserves paid in by shareholders.

Retained earnings

Retained earnings consist of legal and statutory reserves (excluding capital reserves), retained earnings from previous years and gains/losses on the sale of treasury shares.

Treasury shares

BKW shares held by BKW or its Group companies are deducted from equity at acquisition cost. As of December 31, 2021, 28,235 shares (previous

year: 39,074) were held by BKW AG and its Group companies.

Other reserves (attributable to BKW shareholders)

CHF millions	Currency translations	Valuation reserve of financial assets measured at fair value	Cash Flow Hedging	Actuarial gains/losses	Total
At 31.12.2019	-344.4	-0.1	-2.9	74.6	-272.8
Currency translations					
– Currency translations	-19.0				-19.0
– Reclassification to the income statement	1.0				1.0
Financial assets at fair value through other comprehensive income					
– Value adjustments		0.1			0.1
– Reclassification to retained earnings		-0.1			-0.1
Hedging transactions (Group companies)					
– Value adjustments			-0.1		-0.1
Hedging transactions (Associates)					
– Value adjustments			-3.1		-3.1
Actuarial gains/losses					
– of Group companies				4.2	4.2
– of associates				6.4	6.4
Income taxes				-0.6	-0.6
At 31.12.2020	-362.4	-0.1	-6.1	84.6	-284.0
Currency translations					
– Currency translations	-35.7				-35.7
Hedging transactions (Group companies)					
– Value adjustments			-210.9		-210.9
– Reclassification to the income statement			0.2		0.2
Hedging transactions (Associates)					
– Value adjustments			3.4		3.4
Actuarial gains/losses					
– of Group companies				273.2	273.2
– of associates				30.8	30.8
Income taxes			44.3	-60.2	-15.9
At 31.12.2021	-398.1	-0.1	-169.1	328.4	-238.9

Currency translations

Reserves for currency translations contain currency differences arising from the translation of the financial statements drawn up in foreign currencies of foreign Group companies and associates. In addition, it includes the unrealized changes in the value of financial instruments used to hedge net investments in a foreign business operation (net investment hedge)

in the amount of the effective portion of the hedge, as well as its realized gains and losses from completed hedging transactions, provided that the hedged item of the underlying transaction has not yet been recognized in income.

Valuation reserve of financial assets at fair value through other comprehensive income

This valuation reserve includes changes in the value of financial assets at fair value through profit or loss until their realization. When these financial assets are sold, the valuation reserve is reclassified to retained earnings.

Cash Flow Hedging

The hedging reserve comprises unrealized changes in the value of financial instruments as a hedge of payment streams (cash flow hedges).

Actuarial gains/losses

The reserve for actuarial gains and losses recognizes the effect from periodic actuarial recalculations of employee benefit assets/liabilities.

BKW pursues a strategy aimed at the sustainable increase and retention of corporate value. The aim of BKW capital management is to ensure the Group's long-term capital market standing and financing capability by maintaining a balance sheet structure that is compatible with the defined target rating and to keep the potential impact of fluctuations in the value of the entire financial and risk portfolio within narrow boundaries. BKW is committed to a consistent dividend payout based on a ratio of 40 to 50% of net profit adjusted for special effects. BKW's financial resources primarily serve the core business and provide the requisite scope for action in accordance with the requirements of the Group strategy. There were no changes in capital management in the 2021 financial year.

28.3 Capital management**29 Derivatives**

The following table provides information on replacement values and contract volumes for derivative financial instruments open on the balance sheet date in respect to energy trading as well as interest and exchange rate hedging. Derivatives that qualify as hedging instruments under IFRS 9 and are treated according to hedge accounting provisions are disclosed separately.

CHF millions	Positive replacement value		Negative replacement value		Contract volume	
	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021
Energy derivatives	143.1	1,703.8	205.5	1,777.1	2,305.6	3,344.8
Interest rate swaps			4.7	4.4	15.0	15.0
Currency forward contracts	0.3	8.5	0.3		269.7	426.7
Hedge accounting						
– Energy derivatives		70.5		272.3		319.7
– Interest rate swaps	0.3			1.7	100.0	100.0
– Currency forward contracts			0.1		36.8	
Total	143.7	1,782.8	210.6	2,055.5	2,727.1	4,206.2
of which:						
– Current derivatives	131.1	1,585.4	178.7	1,769.8		
– Non-current derivatives	12.6	197.4	31.9	285.7		

Accounting principles

Derivatives are recorded at fair value on the balance sheet, as positive replacement values (receivables) or negative replacement values (liabilities). The contract volume corresponds to the basic value or contract volume of the underlying derivative financial instrument.

Energy derivatives

BKW trades in contracts in the form of forwards with fixed and flexible profiles as well as futures on electricity, gas, oil, coal, and certificates. Contracts concluded with the sole intention of achieving a trading margin, as well as hedging transactions resulting from extended production portfolio management, are treated as financial instruments and designated as energy derivatives.

Transactions that are open on the balance sheet date are recognized at fair value. BKW receivables in respect to counterparties are recorded

under assets as positive replacement values (under Derivatives), while payables are recorded under liabilities as negative replacement values (under Derivatives). Positive replacement values correspond to the costs that BKW would incur to replace all transactions that represent benefits for BKW if all counterparties were simultaneously unable to pay and the transactions could be immediately replaced. Negative replacement values correspond to the costs that counterparties would incur to replace all transactions that represent benefits for them if BKW were no longer able to meet its obligations. Ongoing transactions with positive or negative replacement values are netted if the respective contract terms provide for this, and settlement is legally enforceable and intended.

Realized and unrealized gains and losses from energy derivatives are recorded as income from proprietary energy trading or as income from energy hedges as applicable within net sales.

30 Hedge accounting

Financial instruments can be used to hedge fluctuations in the fair value of an asset or liability (fair value hedge), to hedge exposure to variability in cash flows (cash flow hedge) and to hedge exposure of net investments in business operations abroad (net investment hedge). This is done in accordance with the existing guidelines governing BKW's hedging and credit risk policy.

Realized and unrealized changes in value from financial instruments that serve to hedge exchange rate and interest rate risks from current business activities in a way that makes economic sense and that is in accordance with Group guidelines but that do not qualify as hedging transactions are recognized in the financial results so that net income is affected.

The following hedging transactions were open on December 31, 2021:

30.1 Energy price risk

The risks from energy price fluctuations of BKW's electricity generation position are hedged. Fixed-price contracts accounted for as energy derivatives and settled on a gross basis have been designated as hedging instruments in cash flow hedges in part and in accordance with BKW's risk management since the 2021 financial year. The hedged item is the highly probable future sale of energy. The economic relationship between the

hedged item and the hedging instrument is based on the fact that the key parameters of the hedged item and the hedging instrument, such as maturity, contract value, and currency, are identical. A hedging ratio of 1:1 has been applied. No ineffective portion of this hedging relationship was reported in the income statement in the reporting year.

The following table shows the effects of energy hedges on financial positions:

CHF millions	31.12.2021
Hedged item	
Nominal amount, net	128.7
Change in value used for calculating hedge effectiveness	212.3
Hedging instrument	
Contract volume, net	128.7
Carrying amount asset	70.5
Carrying amount liability	-272.3
Line item in the balance sheet	Derivatives
Change in fair value for calculating hedge effectiveness	-210.9
Change in the value of the hedging instrument recognized in equity	-210.9
Line item in profit or loss affected by the reclassification of the hedge ineffectiveness	Net sales
Amount reclassified from the hedge reserve to profit or loss due to the realization of the hedged item	0.0
Line item in profit or loss affected by the reclassification of the hedge reserve	Net sales
Balance remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied	28.1

The following table shows the date of the contract value of the hedging instrument and the average price of the hedging instrument:

	Maturity		
	2022	2023	2024
Commodity contracts – purchases			
Contract volume in CHF million	16.4	43.5	35.6
Average price in CHF			
– Coal	55.9	62.0	62.5
– Emission allowances	24.1	43.0	56.5
Commodity contracts – sales			
Contract volume in CHF million	24.9	110.0	89.3
Average price in CHF			
– Power	44.1	55.3	56.5

30.2 Interest rate risk

Fair value hedge

An interest rate swap with a contract volume of CHF 100 million exists for conversion of fixed interest rates into variable rates/to hedge against fluctuations in the fair value of 50% of the issued Green Bond (nominal value CHF 200 million, maturity July 29, 2027, interest rate 0.25% p.a.). This hedging relationship is assessed as highly effective and qualifies as a fair value hedge. The change in the fair value of the Green Bond amounted to CHF +2.0 million (previous year: CHF –1.2 million). No ineffective portion of this hedging relationship was reported in the financial result either in the reporting year or in the previous year.

In the current year, due to the replacement of CHF LIBOR by the new reference interest rate (SARON), the CHF LIBOR interest rate swap was replaced with an equivalent interest rate swap referenced to SARON.

30.3 Currency risk

Cash flow hedge

As of the balance sheet date, there is no hedging transaction to hedge exchange rate fluctuations on energy procurement in EUR. All hedging instruments expired in the financial year. In the financial year, the hedging instrument qualified as a cash flow hedge. No ineffective portion of this hedging relationship was reported in the financial result either in the reporting year or in the previous year. The measurement in the previous year (CHF –0.1 million) was recorded under other comprehensive income.

Net investment hedge

In 2012 and 2013, BKW placed three registered bonds with nominal amounts of EUR 275.0 million in total. The registered bonds were placed in Germany and hedge a part of its investment projects in that country. The registered bonds have been designated as a net investment hedge. Foreign exchange gains or losses on the registered bonds are recognized in other comprehensive income and correspondingly offset the gains or losses from currency conversion of the designated net investments. No ineffective portion of the hedging relationships was reported in the financial result either in the reporting year or in the previous year.

31 Related parties

The following financial relationships between BKW and related parties existed in the periods reported. Unless stated otherwise, all transactions were conducted under the same terms and conditions as with independent third parties.

CHF millions	2020	Parent 2021	2020	Associates 2021	2020	Pension funds 2021
Income						
– Energy sales	2.4	2.6	36.5	109.8		
– Other sales and services	2.3	4.4	79.0	28.9	2.7	3.1
– Financial income	0.2	0.1	1.5	0.8		
Expenses						
– Energy purchases			245.7	271.8		
– Water charges	15.7	15.7				
– Other purchases and services	0.4	0.4	96.2	101.3	35.3	35.7
– Taxes and charges	2.2	1.7				
– Financial expenses	0.1	0.1				
– Income taxes	23.9	5.9				
Dividends						
– Dividends received			20.8	22.1		
– Dividends paid	61.0	66.6			0.1	0.1
Assets						
– Cash and cash equivalents	23.8	22.0				
– Receivables and accruals	1.3	2.3	51.7	52.5	0.4	0.2
– Current financial assets			20.8	24.8		
– Non-current financial assets			18.7	39.3		
– Rights of use			9.9	9.3		
Liabilities						
– Liabilities and accruals	24.7	9.4	33.2	39.7	9.5	12.4
– Loans	4.8	2.6				
– Rights of use			0.6	0.6		
– Non-current provisions	0.0	1.0				

Transactions with the parent

The Canton of Bern is the majority shareholder of BKW. As such, it has a controlling influence on all decisions at the Annual General Meeting, including the election of members of the Board of Directors and the appropriation of retained earnings. The relationship with the Canton of Bern, its authorities, public-law institutions, and

the private-law companies it controls takes place on many levels: BKW delivers energy and other services, purchases material and services, and pays taxes, water rates, and other levies and charges. In addition, financial transactions are conducted with Berner Kantonalbank, in which the Canton of Bern holds a majority interest.

Transactions with associates

Reported transactions consist of energy deliveries, energy transports, dividends, engineering services (income), operational management and maintenance/servicing (income), energy purchases, material/third-party services, and other services (expense). Energy produced by partner plants is billed to shareholders at production cost (including interest and repayment of borrowed funds) on the

basis of existing partner contracts. In 2021, associates borrowed CHF 27.6 million in loans from BKW (previous year: CHF 6.6 million). Repayments reduced loans in the reporting year by CHF 23.4 million (previous year: CHF 6.1 million). In the current year, BKW capitalized services and materials from associates worth CHF 0.4 million (previous year: CHF 0.5 million).

Transactions with pension funds

Transactions with pension funds are conducted as part of the occupational pension plan and consist of employer contributions, administrative charges (personnel, operational, and administra-

tive costs), real estate services (management of properties), and financial transactions (liquidity management).

Transactions with the Board of Directors and Group Executive Board

Remuneration

CHF millions	2020	2021
Short-term benefits	4.8	5.8
Contributions to pension plans	1.0	0.9
Share-based payments	1.7	1.1
Total	7.5	7.8

32 Leasing

The lessee arrangements relate to wind farms, leases for land and distribution facilities, easements on land, building rentals, vehicles, and other movable property, plant, and equipment.

CHF millions	2020	2021
Leases in the consolidated income statement		
Income from operating leases	0.7	0.8
Expense relating to short-term leases	0.5	0.4
Expense relating to low-value assets	0.8	0.6
Expense relating to variable lease payments not included in the measurement of lease liabilities	0.4	0.6
Interest expense on lease liabilities	2.1	2.0
Leases in the consolidated cash flow statement		
Total cash outflows from lessee arrangements	41.7	47.0

The lessor arrangements mainly concern heating systems under heat contracting. The future undiscounted lease payments as of the balance sheet date were:

CHF millions	31.12.2020	31.12.2021
Up to 1 year	0.7	0.8
Later than 1 year and not later than 2 years	0.7	0.7
Later than 2 years and not later than 3 years	0.5	0.6
Later than 3 years and not later than 4 years	0.4	0.5
Later than 4 years and not later than 5 years	0.3	0.5
More than 5 years	3.5	4.4
Total	6.1	7.5

Accounting principles

Assets from rights to use leased assets are reported on the balance sheet item "Property, plant, and equipment". See Note 21. Adjustments to rights to use leased assets due to revaluations of lease liabilities are reported as "Contract adjustments".

The terms of the lease liabilities are disclosed in Note 38.3. The lease liability is discounted by applying an incremental borrowing rate specific to maturities and countries unless the interest rate on which the lease payments are based is available.

Lease liabilities are presented on the balance sheet under current and non-current financial liabilities.

33 Additional disclosures on the cash flow statement

The cash and cash equivalents item covers cash on hand, bank account balances, and cash invested with financial institutes for a maximum period of three months.

CHF millions	31.12.2020	31.12.2021
Bank and cash balances	810.1	916.0
Term deposits	15.0	15.0
Total cash and cash equivalents	825.1	931.0

Adjustments to the operating cash flow for non-cash transactions are composed as follows:

CHF millions	2020	2021
Depreciation, amortization and impairment	243.3	231.3
Income from associates	-39.0	-40.4
Gains/losses from sale of non-current assets	0.5	-6.0
Change in non-current provisions (excl. interest and excl. utilization of nuclear provisions)	26.8	-87.6
Change in assigned rights of use	-13.6	-13.5
Change from the valuation of energy derivatives	76.4	1.8
Other non-cash positions	12.7	19.6
Total adjustment for non-cash transactions	307.1	105.2

The cash outflow of CHF 107.3 million (previous year: CHF 57.9 million) for the acquisition of Group companies corresponds to the cash outflow:

- for business combinations in the reporting year amounting to CHF 76.9 million (previous year: CHF 11.9 million, see Note 5 for details)
- plus the payments made in 2021 of deferred and contingent consideration liabilities amounting to CHF 29.6 million (previous year: CHF 46.0 million) and
- plus payments for acquisitions of companies of CHF 0.8 million that do not qualify as business combinations

Sub-total “cash flow from operating activities before utilization of nuclear provisions”

To ensure better interpretability and comparability of the effective operating cash flow, the “cash flow from operating activities” item includes a subtotal of the cash flow before utilization of provisions for nuclear decommissioning and waste disposal.

This is because the costs for nuclear decommissioning and waste disposal will continue to be incurred in connection with the decommissioning of the Mühleberg Nuclear Power Plant in the future. These costs represent the utilization of

existing provisions and are therefore charged to “cash flow from operating activities” determined in accordance with IAS 7. However, the nuclear decommissioning is not related to BKW’s actual operating performance, and reported “cash flow from operating activities” is therefore not a suitable metric for assessing operating cash generation in BKW’s view.

Most of the costs for nuclear decommissioning and waste disposal are borne by the state-run decommissioning and waste disposal funds. BKW is thus entitled to a refund of the costs incurred, although the costs incurred and the refund do not coincide chronologically. Both payments into and refunds from the state funds are classified in the cash flow statement as part of “cash flow from investing activities.” This means there is therefore a discrepancy in the presentation of these directly related cash flows. To adequately interpret cash flow, the corresponding individual items presented separately in the cash flow statement should be considered together. Therefore, the utilization of provisions with and without claim to refunds is reported separately in “cash flow from operating activities.”

34 Share-based payments

BKW employees have the opportunity to purchase BKW AG share capital on preferential terms. Full-time employees of BKW and members of the Board of Directors (except the Group Executive Board and senior management) are offered a limited number of BKW shares every year at a fixed preferential price, set for that year, subject to a blocking period. In the reporting year, employees had the opportunity to acquire up to 509,225 shares in BKW (previous year: 371,675 shares) at a preferential price. In the 2021 financial year, 131,204 shares (previous year: 85,464 shares) were purchased at a price of CHF 67.45 per share (previous year: CHF 50.45). The underlying present value per share was CHF 108.00 (previous year: CHF 73.50). The personnel expense for this share-based payment was CHF 5.3 million (previous year: CHF 2.0 million). No purchase rights remained open on the balance sheet date.

As part of the performance management process, BKW shares are allocated to senior management in March of the following year. In the 2021 financial year, 17,560 shares (previous year: 20,221) with a fair value of CHF 106.00 per share (previous year: CHF 78.20) were allocated. The shares are subject to a blocking period.

In addition, a performance-related bonus has been allocated to members of the Group Executive Board in the form of BKW shares as part of their fixed annual base salary. The shares are allocated annually and again in the first quarter of the calendar year following the assessment year. Therefore, no allocation was made in the 2021 calendar year. In 2020, the allocation was made for the last time in the fourth quarter of the current year. In the process, 21,065 shares were allocated at an underlying fair value of CHF 94.00. The allocated shares are subject to a blocking period.

The total personnel expense booked from the allocation of shares to the Group Executive Board and senior management amounted to CHF 1.9 million (previous year: CHF 3.6 million). No purchase rights remained open on the balance sheet date.

Allocation of shares to employees is not subject to any other conditions in either of the aforementioned cases, hence there is no vesting period and the compensation is recorded on the grant date. Fair value is measured on the basis of the share price. The corresponding expense is recognized in personnel expenses at the time of the grant being made. In relation to the share purchase program, the personnel expense corresponds to the difference between the fair value and the preferential price paid by employees.

35 Group companies with material non-controlling interests

With BKW Netzbeteiligung AG, which is headquartered in Switzerland, BKW holds a Group company with material non-controlling interests. BKW Netzbeteiligung AG holds interests in Swissgrid Ltd.

The financial information of BKW Netzbeteiligung AG is disclosed separately in the table below. The breakdown is before the elimination of inter-company transactions.

CHF millions	BKW Netzbeteiligung Ltd.	
	31.12.2020	31.12.2021
Non-controlling interests in %	49.9%	49.9%
Carrying amount of non-controlling interests	180.5	187.2
Net income allocated to non-controlling interests	5.7	6.6
Dividends on non-controlling interests	5.7	0.0
Balance sheet		
Non-current assets	361.7	374.2
Current assets	0.1	1.0
Non-current liabilities	0.0	0.0
Current liabilities	0.0	0.0
Income statement		
Financial income	11.4	13.5
Net profit	11.4	13.3
Cash flow statement		
Cash flow from operating activities	11.4	12.5
Cash flow from investing activities	0.0	-12.5
Cash flow from financing activities	-11.5	0.0

36 Assets and liabilities measured at fair value

Assets and liabilities measured at fair value are classified according to the following hierarchy:

- Level 1: valuations based exclusively on listed prices in active markets for identical assets or liabilities. BKW currently classifies listed securities and energy trading futures under this level.
- Level 2: valuations based on inputs which are observable either directly (e.g. as prices) or indirectly (e.g. derived from prices). These inputs have a material impact on the recognized fair value. On this hierarchy level, BKW includes over-the-counter derivatives (all forward energy trading contracts, interest rate swaps, and forward currency contracts), as well as the proportional share of net assets of the state funds (federal decommissioning and waste disposal funds). The assets of the state funds are managed by the Federal Government; BKW has no access to the managed assets. These assets are invested in accordance with the defined investment strategy, generally in products that have listed prices on active markets. To a limited extent, investments may also be made in assets for which there are no listed prices on active markets. Such investments are valued by the global custodian. BKW has no influence on the valuation method used. The annual statement of the funds is audited by

external auditors each year and published by the federal offices responsible.

- Level 3: valuations that apply inputs with a material impact on fair value that are not based on observable market data. BKW classifies mainly illiquid energy derivatives, unlisted equity instruments, contingent purchase price payments, and liabilities relating to non-controlling interests on this level. The illiquid energy derivatives include contracts with physical delivery in 2022, which have option- alities with regard to volumes and variabilities with regard to prices. These derivatives are valued using a Monte Carlo simulation. The primary input factors are the expected commodity prices and volatilities. The contingent purchase price payments and liabilities relating to non-controlling interests result from business combinations. The valuation requires management estimates of non-observable input factors. The fair values take into account expected cash flows, sales forecasts, and other performance criteria. The effect of a change of 10% in the most important non-observable input factors would have no material impact on comprehensive income and the equity of BKW.

There were no transfers between the different levels during the year under review or during the previous year.

CHF millions	Carrying amount at 31.12.2021	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Financial assets (current and non-current)				
– Interest in state funds	1,374.8		1,374.8	
– Debt instruments	0.1		0.1	
Derivatives (current and non-current)	1,712.3		1,657.7	54.6
Inventories				
– Certificates (proprietary trading)	22.0	22.0		
Financial assets at fair value through other comprehensive income				
Derivatives (current and non-current) – Hedge Accounting	70.5		70.5	
Non-current financial assets				
– Equity instruments	7.3			7.3
Financial liabilities at fair value through profit or loss				
Other financial liabilities (current and non-current)				
– Contingent purchase price liabilities in relation to business combinations	55.2			55.2
– Liabilities relating to non-controlling interests	5.7			5.7
Derivatives (current and non-current)	1,783.2		1,677.9	105.3
Financial liabilities at fair value through other comprehensive income				
Derivatives (current and non-current) – Hedge Accounting	272.3		272.3	
CHF millions	Carrying amount at 31.12.2020	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Financial assets (current and non-current)				
– Interest in state funds	1,287.0		1,287.0	
– Debt instruments	50.4		50.4	
Derivatives (current and non-current) ¹	143.7		121.9	21.8
Inventories				
– Certificates (proprietary trading)	11.0	11.0		
Financial assets at fair value through other comprehensive income				
Non-current financial assets				
– Equity instruments	7.5			7.5
Financial liabilities at fair value through profit or loss				
Other financial liabilities (current and non-current)				
– Contingent purchase price liabilities in relation to business combinations	56.6			56.6
– Liabilities relating to non-controlling interests	6.8			6.8
Derivatives (current and non-current) ¹	210.6		196.7	13.9

1 A part of the derivatives presented under fair value level 2 in the prior year classified as level 3. The prior year figures are restated accordingly.

In addition, the liabilities on December 31, 2021, include the following at fair value:

- Bonds in the amount of CHF 98.2 million (previous year: CHF 100.2 million) as part of a fair-value hedge (Level 2).

The Level 3 assets and liabilities measured at fair value developed as follows during the reporting period:

CHF millions	2020	Assets 2021	2020	Liabilities 2021
At 01.01.	7.2	29.3	89.8	77.3
Additions	0.7	0.4	10.3	21.6
Disposals	-0.4	-0.6	-30.7	-30.4
Changes in value included in profit or loss	21.8	32.8	8.3	98.9
Changes in value included in other comprehensive income	0.0	0.0	-0.4	-1.2
At 31.12.	29.3	61.9	77.3	166.2

The changes in value included in profit or loss include:

- CHF 32.8 million (previous year CHF 21.8 million) from derivatives in assets
- CHF 91.4 million (previous year CHF 13.9 million) in liabilities from derivatives and CHF 7.2 million (previous year CHF -5.2 million) from contingent purchase price liabilities.

37 Disclosure of financial assets and liabilities

37.1 Carrying amount by balance sheet item and allocation to individual categories in accordance with IFRS 9

Financial assets

CHF millions	Note	Financial assets at amortized cost		Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		2020	Total 2021
		2020	2021	2020	2021	2020	2021		
Cash and cash equivalents	33	825.1	931.0					825.1	931.0
Trade accounts receivable	15	538.7	808.0					538.7	808.0
Other current financial receivables	15	89.4	423.8					89.4	423.8
Current financial assets	19	113.1	77.2	50.4	0.1			163.5	77.3
Derivatives (current and non-current)	29			143.7	1,712.3		70.5	143.7	1,782.8
Financial accruals	18	100.2	108.8					100.2	108.8
Non-current financial assets	19	47.1	54.4			7.5	7.3	54.6	61.7
Total		1,713.6	2,403.2	194.1	1,712.4	7.5	77.8	1,915.2	4,193.4

Financial liabilities

CHF millions	Note	Financial liabilities at amortized cost		Financial liabilities at fair value through profit or loss		Financial liabilities at fair value through other comprehensive income		Lease liabilities		Total	
		2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Trade accounts payable	23	366.0	535.0							366.0	535.0
Other current financial liabilities	23	82.7	252.4	37.9	32.1					120.6	284.5
Current financial liabilities	24	69.7	819.1					38.3	43.1	108.0	862.2
Derivatives (current and non-current)	29			210.6	1,783.2		272.3			210.6	2,055.5
Financial accruals	18	141.3	228.5							141.3	228.5
Non-current financial liabilities	24	1,176.7	953.1	100.2	98.2			153.2	164.6	1,430.1	1,215.9
Other non-current financial liabilities	27	21.1	8.3	25.5	28.8					46.6	37.1
Total		1,857.5	2,796.4	374.2	1,942.3	0.0	272.3	191.5	207.7	2,423.2	5,218.7

Due to short residual terms to maturity, the carrying amounts of loans and receivables and financial liabilities at amortized cost correspond approximately to the fair value. On December 31, 2021, a difference existed between these values in respect to the debenture bonds, which are

included under financial liabilities. The price of the bonds (fair value Level 1) as of year-end amounted to CHF 963.4 million (previous year: CHF 982.2 million) with a carrying amount of CHF 893.0 million (previous year: CHF 894.0 million).

37.2 Net results of financial assets and liabilities by measurement category in accordance with IFRS 9**Net result**

CHF millions	Financial assets at amortized cost		Financial assets and liabilities at fair value through profit or loss		Financial assets and liabilities at fair value through other comprehensive income		Financial liabilities at amortized cost		Total	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Included in net sales:										
– Income from proprietary energy trading			27.4	20.2					27.4	20.2
– Income from energy hedging			26.4	58.4					26.4	58.4
Included in other operating revenue			9.7	2.7				2.6	9.7	5.3
Included in operating expenses	-3.4	-2.0	-3.5	-10.1					-6.9	-12.1
Included in financial result	2.3	-12.1	-1.5	8.1	0.1	0.1	-35.9	-34.8	-35.0	-38.7
Included in other comprehensive income			0.4	1.2	0.1	-210.9	1.4	12.9	1.9	-196.8
Total	-1.1	-14.1	58.9	80.5	0.2	-210.8	-34.5	-19.3	23.5	-163.7

In the financial years shown, no financial instruments were designated as being measured "at fair value through profit or loss."

37.3 Netting arrangements

BKW concludes reciprocal transactions with a range of contractual partners in the scope of its business activities. Where contractually agreed netting procedures have been agreed and the prerequisites for netting balance sheet items

have been met, the resulting receivables and liabilities due and owed are reported as net items on the balance sheet.

The following amounts are netted off on the balance sheet on the balance sheet date:

CHF millions	2020			2021		
	Gross values	Netting off	Net values	Gross values	Netting off	Net values
Trade accounts receivable	1,255.8	-717.1	538.7	1,554.2	-746.2	808.0
Trade accounts payable	-1,083.1	717.1	-366.0	-1,281.2	746.2	-535.0
Positive replacement values	659.3	-516.2	143.1	8,349.7	-6,575.4	1,774.3
Negative replacement values	-721.7	516.2	-205.5	-8,624.8	6,575.4	-2,049.4

38 Financial risk management

38.1 Principles of risk management

Risk management is viewed as a supporting function for senior management. Its purpose is to provide decision makers with a transparent representation of the risks associated with individual business activities. The core element is the risk management process, which systematically identifies, assesses, and manages risks and monitors the implementation of risk mitigation measures.

The spectrum of risk monitored by the BKW Group Executive Board includes external risks such as cyber security, the regulatory environment, climate, and environmental topics, in addition to risks from the company's operating activities and strategy. The risks are quantified on the basis of their financial impact and probability and presented as a variation from planned values. Non-financial dimensions are also always taken into account.

Market price, share price, currency, liquidity, interest rate, and credit risks are measured on a continual basis and monitored, controlled, and verified regularly in the periodic risk management process. In addition to management of operational risks, there are also principles for management of liquidity and current and non-current cash deposits. Risk management therefore forms an integral component of all of BKW's business and management processes (including strategic planning).

The Risk Management team reports directly to the Head of Finance and Controlling. It prepares the specifications and tools that allow a systematic approach to the topic of risk, coordinates the risk management process across the Group, and supports the company management in assessing and controlling the risk situation. The Board of Directors last assessed the risks related to operating activities at its meeting on December 1, 2021.

38.2 Credit risks

Credit risk is defined as the potential loss that may arise due to a possible deterioration in creditworthiness or the insolvency of business partners or the non-fulfillment of contractual obligations. Credit risk comprises replacement value, receivables, and advance performance risks. The credit risks are managed centrally by Risk Management. The risk management process comprises credit appraisals of counterparties, rating, and limit allocations, exposure monitoring, and reporting.

Credit risks are managed using credit limits. Credit appraisal involves the use of an internal rating system that assigns credit ratings to counterparties. The appraisal also takes into account external ratings by recognized rating agencies. A credit limit is allocated to each counterparty based on the defined credit rating category and the reported equity, and this is monitored daily. If a credit limit is breached, measures are initiated in cooperation with operational areas. To assess the risk of the overall portfolio, risk weights are calculated using the Basel II internal ratings-based approach.

The following table indicates the credit risk related to trade accounts receivable, to derivatives with a positive replacement value, and to current accounts and term deposits with credit institutions on the balance sheet date, broken down by credit rating. The standardized rating process covers trading, bank, and sales counterparties, as well as other counterparties above a certain credit risk threshold. Other counterparties are monitored on a decentralized basis using individual approaches.

CHF millions	31.12.2020	31.12.2021
Rating AAA to AA-	323.1	392.6
Rating A+ to BBB-	866.7	2,821.0
Rating BB+ and lower	46.0	303.1
Other counterparties	452.1	479.8
Total	1,687.9	3,996.5
Included under:		
– Trade accounts receivable	538.7	808.0
– Other financial receivables	89.4	423.8
– Derivatives (current and non-current)	143.7	1,782.8
– Current financial assets (term deposits only)	91.0	50.9
– Cash and cash equivalents	825.1	931.0

The maximum credit risk (excluding guarantees granted) corresponds to the amount of outstanding monetary financial assets on the balance sheet date. As of December 31, 2021, the maximum credit risk for BKW was CHF 4,186.0 million (previous year: CHF 1,907.7 million) and corresponds to the carrying amount of all financial assets in accordance with Note 37.1, with the exception of the equity instruments contained there. The maximum loss presented is

based on the assumption that all counterparties simultaneously become unable to discharge their payment obligations and that existing collateral and netting arrangements cannot be utilized.

As of the balance sheet date, there were issued guarantees of CHF 43.1 million (previous year: CHF 36.0 million), which increase the maximum credit risk accordingly.

Collateral is required primarily for counterparties in the energy trading business, with the credit-worthiness of the collateral issuer being subject to assessment and rating. Customers may be granted a higher limit than defined for the assigned credit category if collateral is provided. These securities can cover both billed and unbilled items. Collateral amounting to CHF 505.7 million was held for trade accounts receivable and derivatives recorded on the balance sheet as of December 31, 2021 (previous year: CHF 74.1 million).

A cluster risk would arise if excessive credit were granted to an individual customer. The potential loss and the resultant write-down would be disproportionately high if the counterparty were to default. For this reason, care is taken to ensure risks are adequately distributed, with a maximum limit (maximum permissible loan amount) set for each counterparty or group.

On the balance sheet date, counterparties in Switzerland accounted for 38% of the credit risk (previous year: 79%). The increase in the proportion of foreign counterparties compared with the previous year is primarily attributable to energy derivatives, which are mainly concluded with counterparties in Germany, France, and Italy.

38.3 Liquidity risks

Liquidity is defined as the ability to cover cash outflow requirements at any time without restrictions.

On the Group level, liquidity management is based on the Group's mid-term planning, budget, and forecast. Rolling liquidity plans with a 12-month horizon are drawn up for the entire Group on the basis of these documents and current findings. These plans are used to examine the rationale behind long-term measures in light of the latest information as well as to identify potential liquidity shortfalls and formulate tactics to optimize the financial result.

BKW hedges energy positions on the exchanges or with other energy traders. In energy trading on the exchanges, counterparty risks are usually reduced by collateral in the form of liquidity. In addition, for transactions with very few energy traders, collateral in the form of liquidity or bank guarantees is also used to reduce counterparty risks. Price fluctuations on the energy markets therefore have a direct impact on BKW's liquidity. On the one hand, BKW manages these risks through positions that are settled on the exchanges or with energy traders with offsetting collateral. On the other hand, BKW absorbs the remaining liquidity fluctuations through specific proactive planning of liquidity risks from energy trading using a liquidity-at-risk model, by holding appropriate liquidity reserves in cash, and by ensuring potential liquidity in the form of credit lines with banks.

Residual terms to maturity of financial liabilities

The following tables provide information on the residual terms to maturity and cash flows of financial liabilities on a non-discounted basis.

CHF millions	Note	Carrying amount at 31.12.2021	Due within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due between 3 and 5 years	Due after 5 years
Non-derivative financial liabilities							
Trade accounts payable	23	535.0	535.0				
Other current financial liabilities	23	284.5	284.5				
Financial accruals	18	228.5	228.5				
Financial liabilities	24	2,078.1	873.6	76.1	79.2	307.5	982.2
– of which lease liabilities	24	207.7	46.2	43.1	36.2	43.5	52.4
Other non-current financial liabilities	27	37.1	0.0	14.2	14.8	7.6	0.5
Total non-derivative liabilities		3,163.2	1,921.6	90.3	94.0	315.1	982.7
Derivative financial assets and liabilities							
Energy derivatives							
– Positive replacement values	29	1,774.3	1,576.8	368.7	22.9	0.9	0.1
– Negative replacement values	29	-2,049.4	-1,769.8	-427.4	-47.1	-0.2	0.0
Net replacement values		-275.1	-193.0	-58.7	-24.2	0.7	0.1
Forward exchange contracts and interest rate swaps							
– Positive replacement values	29	8.5	8.5	0.0	0.0	0.0	0.0
– Negative replacement values	29	-6.1	0.0	0.0	0.0	-1.7	-4.4
Net replacement values		2.4	8.5	0.0	0.0	-1.7	-4.4
Gross cash flows related to derivatives							
– Gross outflow			-47,190.3	-1,755.3	-400.4	-12.7	-101.3
– Gross inflow			47,262.2	1,729.9	368.3	8.0	100.0

Amounts in foreign currencies are converted at the exchange rate on the balance sheet date. The table shows the cash flows for interest-bearing liabilities including the corresponding interest

rate payments. The cash flows for derivative financial instruments do not take netting arrangements into account.

CHF millions	Note	Carrying amount at 31.12.2020	Due within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due between 3 and 5 years	Due after 5 years
Non-derivative financial liabilities							
Trade accounts payable	23	366.0	366.0				
Other current financial liabilities	23	120.6	120.6				
Financial accruals	18	141.3	141.3				
Financial liabilities	24	1,538.1	96.8	287.2	71.1	320.5	1,048.4
– of which lease liabilities	24	191.5	41.3	38.9	34.6	39.1	52.9
Other non-current financial liabilities	27	46.6	0.0	33.6	9.4	2.8	0.8
Total non-derivative liabilities		2,212.6	724.7	320.8	80.5	323.3	1,049.2
Derivative financial assets and liabilities							
Energy derivatives							
– Positive replacement values	29	143.1	130.8	28.1	7.2	0.1	
– Negative replacement values	29	–205.5	–178.2	–37.8	–12.1	–0.3	
Net replacement values		–62.4	–47.5	–9.7	–5.0	–0.2	0.0
Forward exchange contracts and interest rate swaps							
– Positive replacement values	29	0.6	0.3				0.3
– Negative replacement values	29	–5.1	–0.4				–4.7
Net replacement values		–4.5	–0.1	0.0	0.0	0.0	–4.4
Gross cash flows related to derivatives							
– Gross outflow			–7,867.4	–1,538.0	–608.0	–28.5	–101.6
– Gross inflow			7,969.2	1,582.1	458.2	13.2	100.5

38.4 Market risks

Market risks arise from price and exchange rate fluctuations on unsecured positions of the energy and financial business. The procedure for measuring, managing, and monitoring risk positions has been defined in accordance with BKW's risk policy. Energy and certificate price risks are managed centrally in Trading. When placing effect limits on overall risk, market correlations, and market liquidity are considered using the value-at-risk-based market risk-capital ratio. BKW's interest rate, share price risk, and exchange rate risk are aggregated in a Group-level risk portfolio. The Group Executive Board approves the MRC, VaR, and position limits required for management purposes. Risk management ensures that risks are continuously monitored and reported.

38.4.1 Share price risk

BKW is exposed to a share price risk for financial assets at fair value through other comprehensive income and financial assets at fair value through profit and loss, as well as for interests in state funds (see Note 19). Receivables from state funds do not come under the definition of a financial instrument under the terms of IAS 32 and consequently are not covered by the following statements on risk measurement.

38.4.2 Interest rate risks

The production of power and operation of transmission and distribution grids are capital-intensive. They are financed over the long term with phased due dates. This minimizes the impact of interest rate changes on the cash flow situation. In addition, interest rate hedging instruments are used where necessary. Cash is invested over the short to medium term, primarily in variable-interest positions.

38.4.3 Currency risks

Energy trading is largely conducted in euros. Exchange rate fluctuations have an impact on the results of financial and earnings performance stated in Swiss francs. To the extent considered necessary, foreign currency positions are secured by means of forward exchange transactions or currency swaps.

38.4.4 Energy price risks/CO₂ certificate price risks

Energy and certificate positions are taken in asset management and proprietary trading. Non-hedged material energy and CO₂ positions are

permitted in the current year and in up to six subsequent years.

38.4.5 Risk measurement

The market risks of energy and certificate products are measured using the market risk capital ratio (MRC), while interest rate, exchange rate, and share price risks are measured using value-at-risk (VaR). For the VaR calculation, BKW uses a confidence level of 99% with a one-year (interest rate products and equities) or one-day (currencies) holding period. For the MRC, a confidence level of 97.5% and a maximum holding period of six months is used in accordance with Basel III rules.

Value at risk

CHF millions	31.12.2020	31.12.2021
Interest	0.7	0.0
Share price ¹	2.6	2.5
Currencies	0.7	2.4

1 Related to "Financial assets at fair value through other comprehensive income"

The value at risk shows value fluctuation risk based on individual risks that, given no change, could occur in a 12-month period (interest rates, share price) or one-day period (currencies), taking into account the defined confidence level. The values shown would impact the results and equity.

In the absence of any impairments, fluctuations in the value of assets at fair value through Other comprehensive income not affecting results have no influence on the annual results but are recorded directly in Other comprehensive income.

The risk of unfavorable price movements for unsecured positions in electricity, gas, CO₂, coal, and oil is determined using the market risk capital ratio (MRC) method. As a supplement to the VaR approach, the MRC ratio indicates the minimum risk capital that should be available to ensure trading losses arising from adverse market developments do not cause a liquidity bottleneck. The calculations are based on a Monte Carlo method, which considers both market correlations and market liquidity. The model parameters are estimated based on a rolling 512-day observation period. Risk management is based on MRC, VaR, and position limits. Proprietary trading is additionally subject to loss limits.

As of December 31, 2021, the MRC for proprietary trading amounted to CHF 44.7 million (previous year: CHF 34.1 million).

38.5 Climate Risks

Risks associated with climate change may have a negative impact on BKW's business activity and thus its financial result. For this reason, the BKW Group Executive Board carries out systematic monitoring of climate risks, which it classifies in two categories. The first category comprises the physical risks. These include extreme weather events that may result in the unavailability of grids or power plants, or in the interruption of supply chains or failure of suppliers owing to extreme weather events at the place of production. BKW also monitors transition risks. More stringent regulatory frameworks and the associated risk of stranded assets, changes to the market environment, new technologies, negative feedback from the capital market owing to carbon footprint or changes in consumer behavior are all examples of risks in this category. BKW's monitoring allows it to make timely, proactive operational and strategic preparations for the risks associated with climate change.

39 Contingent liabilities and investment obligations

CHF millions	31.12.2020	31.12.2021
Guarantees		
– in favor of associates	2.6	6.2
– in favor of third parties	33.4	36.9
Investment obligations	4.8	4.6
Total	40.8	47.7

Contingent liabilities

CHF 14.8 million of the guarantees granted (previous year: CHF 14.0 million) have a term to maturity of up to 12 months. Guarantees amounting to CHF 12.5 million (previous year: CHF 6.5 million) are granted for an unlimited term.

Nuclear power plant operators are under a limited obligation to make supplementary contributions

to the decommissioning and disposal funds in the event that an individual contributor is unable to pay.

Due to existing partner contracts, shareholders in partner plants are obliged to pay the annual costs due on their shares (including interest and repayment of borrowed funds).

40 Events after the balance sheet date

Acquisition – UMB Group

On February 18, 2022, BKW completed the acquisition of the full-service IT provider UMB. UMB is one of the leading independent IT companies in the Swiss market. It has a broad range of offerings for end-to-end technology and business transformation, including consulting, engineering, operation services, cloud offerings, and hardware and software. UMB employs around 500 people at a total of 11 locations and generates sales in the low three-digit million range. The purchase price for UMB is approximately CHF 200 million. BKW expects the transaction to generate goodwill on the order of CHF 150 million.

UMB will become part of BKW Building Solutions but will remain an independent Group company. In the future, the name UMB will be retained for the entire IT division of BKW Building Solutions.

Approval of the consolidated financial statements

The Board of Directors of BKW authorized the approval of these consolidated financial statements on 10 March 2022. The consolidated financial statements are subject to the approval of the BKW General Meeting on 16 May 2022.

Bond issue

BKW successfully issued a CHF 200 million fixed-rate senior bond on the Swiss capital market on January 27, 2022. The bond has a coupon of 0% and a maturity of 2 years and 8 months. The short maturity of the bond fits perfectly into the existing maturity profile.

The bond was placed on advantageous terms in view of the continued favorable conditions on the capital market and the financing of the growth strategy.

The bond was listed on the SIX Swiss Exchange. The payout was on February 18, 2022.

Conflict in Ukraine

The risks in the European energy market associated with the conflict in Ukraine have been identified and are being monitored closely. Due to its risk framework and strong financial position, BKW is well positioned to deal with these risks.

Group companies and Associates

	Energy	Grid	Services	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	Company law closing date
Group companies									
Switzerland									
A. Dietrich Kälte Klima Lüftung AG			•		Beringen	0.2	CHF	100.0	31.12.
A1 Elektro AG			•		Urdorf	0.1	CHF	100.0	31.12.
Abonax AG	•				St. Gallen	1.0	CHF	56.1	31.12.
ActVisual GmbH			•		Kloten	0.02	CHF	100.0	31.12.
AEK Build Tec AG			•		Rickenbach	0.1	CHF	100.0	31.12.
AEK Elektro AG			•		Solothurn	0.5	CHF	100.0	31.12.
AEK Energie AG	•	•	•	•	Solothurn	6.0	CHF	100.0	31.12.
AEK onyx AG	•	•		•	Solothurn	1.0	CHF	100.0	31.12.
AEK Pellet AG	•				Balsthal	9.0	CHF	100.0	31.12.
AEP Planung und Beratung AG			•		Widnau	0.1	CHF	100.0	31.12.
Aerovent Crissier SA			•		Crissier	0.1	CHF	100.0	31.12.
Aerovent Service SA			•		Villars-Ste-Croix	0.1	CHF	100.0	31.12.
ahochn AG			•		Dübendorf	0.3	CHF	100.0	31.12.
Aicher, De Martin, Zweng AG			•		Lucerne	0.1	CHF	100.0	31.12.
alphaTrust.ch Ltd			•		Luterbach	0.1	CHF	100.0	31.12.
Arnold AG			•		Wangen an der Aare	0.5	CHF	100.0	31.12.
Arpe AG			•		Buckten	0.1	CHF	100.0	31.12.
ASAG Air System AG			•		Langenthal	0.1	CHF	100.0	31.12.
b+s Elektro Telematik AG			•		Ormalingen	0.1	CHF	100.0	31.12.
Balzer Ingenieure AG			•		Chur	0.1	CHF	100.0	31.12.
Baumeler Leitungsbau AG			•		Buchrain	0.1	CHF	100.0	31.12.
Biomassekraftwerk Otelfingen AG	•				Otelfingen	0.5	CHF	100.0	31.12.
BKW AEK Contracting AG	•				Solothurn	0.2	CHF	100.0	31.12.
BKW Building Solutions AG			•		Ostermundigen	0.2	CHF	100.0	31.12.
BKW Energie AG	•	•	•	•	Bern	132.0	CHF	100.0	31.12.
BKW Engineering AG			•		Bern	0.1	CHF	100.0	31.12.
BKW Infra Services AG			•		Wangen an der Aare	0.1	CHF	100.0	31.12.
BKW Management AG				•	Bern	0.1	CHF	100.0	31.12.
BKW Netzbeteiligung Ltd.		•			Bern	25.2	CHF	50.1	31.12.
BKW Smart Energy & Mobility AG	•				Solothurn	0.3	CHF	100.0	31.12.
BKW Wallis AG	•				Visp	0.1	CHF	100.0	31.12.
BPU Ingenieurunternehmung AG			•		Burgdorf	0.1	CHF	100.0	31.12.
cc energie sa				•	Murten	1.0	CHF	66.7	31.12.
ceed Ltd.			•		Solothurn	0.1	CHF	100.0	31.12.
Curea Elektro AG			•		Landquart	0.2	CHF	100.0	31.12.
Darnuzer Ingenieure AG			•		Davos	0.4	CHF	100.0	31.12.
DG E-Services SA			•		Bussigny	0.1	CHF	100.0	31.12.
DG Rail SA			•		Bussigny	0.1	CHF	100.0	31.12.
DG Rental SA			•		Bussigny	0.1	CHF	100.0	31.12.
Duvoisin-Groux SA			•		Bussigny	0.1	CHF	100.0	31.12.
E3 HLK AG			•		Kriens	0.1	CHF	100.0	31.12.
ELBATECH AG			•		Ibach	0.1	CHF	100.0	31.12.
ELBATECH IMMO AG			•		Ibach	0.5	CHF	100.0	31.12.
Elektrizitätswerke Wynau AG, Langenthal	•				Langenthal	3.0	CHF	100.0	31.12.
Elektro Feuz AG			•		Grindelwald	0.1	CHF	100.0	31.12.
Elektro Naegelin AG			•		Frenkendorf	0.1	CHF	100.0	31.12.
Elektro Winter AG			•		Rapperswil-Jona	0.3	CHF	100.0	31.12.

	Energy	Grid	Services	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	Company law closing date
Group companies (continued)									
Elektro-Nikolai AG			●		St. Niklaus	0.1	CHF	100.0	31.12.
enerpeak ag			●		Dübendorf	0.1	CHF	100.0	31.12.
Flotron AG			●		Meiringen	0.3	CHF	100.0	31.12.
Frey + Gnehm Ingenieure AG			●		Olten	0.1	CHF	100.0	31.12.
Gebr. Bräm AG			●		Zürich	0.2	CHF	100.0	31.12.
Gesellschaft Mont-Soleil	●				Bern	-	CHF	65.0	31.12.
Gloor Planzer AG			●		Männedorf	0.1	CHF	100.0	31.12.
GRIAG Holding AG			●		Burgdorf	0.1	CHF	100.0	31.12.
Grunder Ingenieure AG			●		Burgdorf	0.1	CHF	100.0	31.12.
Guggisberg Kurz AG			●		Ostermundigen	0.2	CHF	100.0	31.12.
Hensel AG Elektrotechnische Unternehmungen			●		Zürich	0.2	CHF	100.0	31.12.
Hertig Haustechnik AG			●		Wohlen AG	0.1	CHF	100.0	31.12.
Hertli & Bertschy AG, elektrische Anlagen			●		Tafers	0.1	CHF	70.0	31.12.
Hinni AG			●		Biel-Benken	0.2	CHF	100.0	31.12.
Holzwärme Grindelwald AG	●				Grindelwald	2.5	CHF	93.4	31.12.
Idro Arvigo SA	●				Calanca	0.8	CHF	95.2	31.12.
Inag-Nievergelt AG			●		Zurich	0.7	CHF	100.0	31.12.
inelectro sa			●		Porrentruy	0.5	CHF	100.0	31.12.
ISP Electro Solutions AG			●		Ostermundigen	0.9	CHF	100.0	31.12.
IWM AG			●		Monthey	0.1	CHF	100.0	31.12.
Jaggi & Rieder AG			●		Saanen	0.1	CHF	100.0	31.12.
Jermann Ingenieure und Geometer AG			●		Arlesheim	0.1	CHF	100.0	31.12.
Juvent SA	●				Saint-Imier	6.0	CHF	70.0	31.12.
Karl Waechter AG			●		Zurich	0.1	CHF	100.0	31.12.
KINDSCHI indschegners e geometers SA			●		Scuol	0.1	CHF	100.0	31.12.
Kraftwerk Augand AG	●				Thun	15.0	CHF	51.0	31.12.
Kraftwerk Gohlhaus AG	●				Lützelflüh	1.3	CHF	59.9	31.12.
Kraftwerk Lauenen AG	●				Lauenen	2.0	CHF	85.0	31.12.
Kraftwerk Soubach AG	●				Lauterbrunnen	2.8	CHF	90.0	31.12.
Kraftwerk Spiggebach AG	●				Reichenbach i.K.	3.8	CHF	51.0	31.12.
Kraftwerke Fermelbach AG	●				St. Stephan	4.5	CHF	80.0	31.12.
Kraftwerke Kander Alp AG	●				Kandersteg	2.5	CHF	60.0	31.12.
Kraftwerke Milibach AG	●				Wiler (Lötschen)	1.0	CHF	80.0	31.12.
Kraftwerke Ragn d'Err AG	●				Surses	6.0	CHF	80.0	31.12.
Kull Elektro AG			●		Birmensdorf	0.1	CHF	100.0	31.12.
Lutz Bodenmüller AG			●		Beringen	0.1	CHF	100.0	31.12.
Marcel Rieben Ingenieure AG			●		Köniz	0.1	CHF	100.0	31.12.
Michel Rime SA			●		Echallens	0.2	CHF	100.0	31.12.
my meeting GmbH			●		Baar	0.02	CHF	100.0	31.12.
Neukom Marzolo AG			●		Rafz	0.2	CHF	100.0	31.12.
ngworx.AG			●		Zürich	0.2	CHF	100.0	31.12.
onyx Energie AG	●	●	●	●	Langenthal	10.5	CHF	100.0	31.12.
OSTAG Ingenieure AG			●		Burgdorf	0.1	CHF	100.0	31.12.
pi-System GmbH			●		Oberkirch LU	0.02	CHF	100.0	31.12.
R. Monnet et Cie SA			●		Lausanne	0.2	CHF	100.0	31.12.
Raboud Energie SA			●		Bulle	0.1	CHF	100.0	31.12.
Regionaler Wärmeverbund AG Heimberg-Steffisburg (REWAG)	●				Heimberg	2.5	CHF	51.0	31.12.

	Energy	Grid	Services	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	Company law closing date
Group companies (continued)									
Ruefer Ingenieure AG			●		Langnau i.E.	0.1	CHF	100.0	31.12.
Schmid, Amrhein AG			●		Lucerne	0.3	CHF	100.0	31.12.
Schönenberger & Partner AG Sanitäre Anlagen			●		Tobel-Tägerschen	0.1	CHF	100.0	31.12.
Sigren Engineering AG			●		Winterthur	0.1	CHF	100.0	31.12.
Simmentaler Kraftwerke AG	●				Erlenbach i.S.	7.3	CHF	84.2	31.12.
Société des Forces Electriques de la Goule SA	●	●			Saint-Imier	3.5	CHF	84.3	31.12.
sol-E Suisse AG				●	Bern	0.1	CHF	100.0	31.12.
swisspro Automation AG			●		Urdorf	0.1	CHF	100.0	31.12.
swisspro Ltd.			●		Urdorf	0.5	CHF	100.0	31.12.
swisspro NW Ltd.			●		Allschwil	0.3	CHF	100.0	31.12.
swisspro PM Ltd.			●		Urdorf	0.1	CHF	100.0	31.12.
swisspro Solutions AG			●		Urdorf	0.1	CHF	100.0	31.12.
swisspro SR Ltd.			●		Renens	0.1	CHF	100.0	31.12.
TID Technische Informationen & Dienstleistungen									
P. Tschannen GmbH			●		Schüpfen	0.1	CHF	100.0	31.12.
TopoFlight AG			●		Meiringen	0.2	CHF	100.0	31.12.
uhub.io ag				●	Bern	0.1	CHF	100.0	31.12.
WAB Technique S.à r.l.			●		Marly	0.02	CHF	100.0	31.12.
Weber AG, Stäfa			●		Stäfa	0.1	CHF	100.0	31.12.
Werner Electro AG			●		Brig-Glis	0.1	CHF	100.0	31.12.
Wind Energy Trading WET AG	●				Lausanne	0.1	CHF	100.0	31.12.
Winkelmann Elektro AG			●		Kerzers	0.1	CHF	100.0	31.12.
Wiserock AG			●		Meiringen	0.1	CHF	100.0	31.12.
ws automation AG			●		Sursee	0.1	CHF	100.0	31.12.
Austria									
AEP Planung und Beratung GmbH			●		Schwaz	0.04	EUR	100.0	31.12.
Daninger + Partner Engineering GmbH			●		Graz	0.04	EUR	100.0	31.12.
Hydroconsult GmbH			●		Graz	0.03	EUR	100.0	31.12.
IGBK GmbH			●		Graz	0.04	EUR	100.0	31.12.
IKK Engineering GmbH			●		Graz	0.04	EUR	100.0	31.12.
IKK Group GmbH			●		Graz	0.04	EUR	100.0	31.12.
TBH Ingenieur GmbH			●		Graz	0.04	EUR	100.0	31.12.
Witrisal GmbH			●		Graz	0.04	EUR	100.0	31.12.
Croatia									
igr d.o.o.			●		Zagreb	0.02	HRK	100.0	31.12.
France									
BKW France SAS	●				Paris	4.0	EUR	100.0	31.12.
Ferme Eolienne de Saint Germier SAS	●				Paris	3.0	EUR	100.0	31.12.
Ferme Eolienne de Saint Julien du Terroux SAS	●				Paris	2.8	EUR	100.0	31.12.
Hydronext SAS	●				Neuilly-sur-Seine	0.2	EUR	100.0	31.12.
Parc Eolien de Fresnoy Brancourt SAS	●				Paris	0.04	EUR	100.0	31.12.
Sameole Bois du Goulet SAS	●				Paris	2.3	EUR	100.0	31.12.
Société RAZ Energie 3 SAS	●				Paris	3.9	EUR	100.0	31.12.
Germany									
Arnold und Gladisch Objektplanung Generalplanung GmbH			●		Berlin	0.03	EUR	100.0	31.12.
Assmann Beraten + Planen GmbH			●		Berlin	0.6	EUR	100.0	31.12.
BKW Bippen Wind GmbH	●				Berlin	0.03	EUR	100.0	31.12.

	Energy	Grid	Services	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	Company law closing date
Group companies (continued)									
BKW Deutschland GmbH	●		●		Berlin	0.1	EUR	100.0	31.12.
BKW Dubener Platte Wind GmbH	●				Berlin	0.03	EUR	100.0	31.12.
BKW Energie Wilhelmshaven Beteiligungs-GmbH	●				Berlin	0.03	EUR	100.0	31.12.
BKW Energy Solutions GmbH			●		Weiterstadt	0.03	EUR	100.0	31.12.
BKW Engineering Innovation & Management GmbH			●		Metzingen	0.03	EUR	100.0	31.12.
BKW Engineering SE			●		Berlin	0.1	EUR	100.0	31.12.
BKW Erneuerbare Energien GmbH	●				Berlin	0.03	EUR	100.0	31.12.
BKW Holleben Wind GmbH	●				Berlin	0.03	EUR	100.0	31.12.
BKW Infra Services Europa SE			●		Radebeul	0.1	EUR	100.0	31.12.
BKW Landkern Wind GmbH	●				Berlin	0.1	EUR	100.0	31.12.
BKW Wind Service GmbH	●				Berlin	0.03	EUR	100.0	31.12.
CLIMAPLAN GmbH. Ingenieure für Versorgungstechnik			●		Munich	0.1	EUR	100.0	31.12.
DfN Dienstleistungen für Nukleartechnik GmbH	●				Heidelberg	0.03	EUR	100.0	31.12.
EMUTEC GmbH			●		Norderstedt	0.03	EUR	100.0	31.12.
EWIS GmbH			●		Speyer	0.03	EUR	100.0	31.12.
Hascher Jehle Assoziierte GmbH			●		Berlin	0.03	EUR	100.0	31.12.
Hascher Jehle Berlin GmbH			●		Berlin	0.03	EUR	100.0	31.12.
Hascher Jehle Design GmbH			●		Berlin	0.03	EUR	100.0	31.12.
Hascher Jehle Generalplanungsgesellschaft mbH			●		Berlin	0.03	EUR	100.0	31.12.
Hascher Jehle Objektplanung GmbH			●		Berlin	0.03	EUR	100.0	31.12.
Hascher Jehle Planen und Beraten GmbH			●		Berlin	0.03	EUR	100.0	31.12.
IFB Eigenschenk GmbH			●		Deggendorf	0.03	EUR	100.0	31.12.
IFB Eigenschenk und Partner GmbH			●		Pesterwitz	0.1	EUR	100.0	31.12.
igr Aerodrome Engineering GmbH			●		Hamburg	0.03	EUR	90.0	31.12.
igr GmbH			●		Rockenhausen	1.9	EUR	100.0	31.12.
igr Lindschulte Ingenieurgesellschaft mbH			●		Erfurt	0.03	EUR	100.0	31.12.
IHB GmbH Ingenieurdienstleistungen			●		Leipzig	0.1	EUR	100.0	31.12.
ingenhoven architects gmbh			●		Düsseldorf	0.3	EUR	100.0	31.12.
ingenhoven architects international gmbh & co. kg			●		Düsseldorf	0.02	EUR	100.0	31.12.
ingenhoven architects international participation gmbh			●		Düsseldorf	0.03	EUR	100.0	31.12.
Ingenieurbüro Prof. Dr.-Ing. Vogt Planungsgesellschaft mbH			●		Leipzig	0.03	EUR	100.0	31.12.
Institut Dr.-Ing. Gauer Ingenieurgesellschaft mbH			●		Regenstauf	0.03	EUR	100.0	31.12.
Institut Gauer GmbH			●		Regenstauf	0.3	EUR	100.0	31.12.
ITS Ingenieurgesellschaft mbH			●		Gotha	0.03	EUR	100.0	31.12.
KAE Kraftwerks- & Anlagen-Engineering GmbH			●		Hausen	0.03	EUR	100.0	31.12.
KFP Ingenieure GmbH			●		Buxtehude	0.03	EUR	100.0	31.12.
KFP Prüfindenieure GmbH			●		Buxtehude	0.03	EUR	75.0	31.12.
KMT Planungsgesellschaft mbH			●		Hamburg	0.1	EUR	100.0	31.12.
Lindschulte + GGL Ingenieurgesellschaft mbH			●		Krefeld	0.03	EUR	85.0	31.12.
Lindschulte Industrial Engineering GmbH			●		Lingen	0.03	EUR	100.0	31.12.
Lindschulte Ingenieur Holding GmbH			●		Nordhorn	0.1	EUR	100.0	31.12.
Lindschulte Ingenieurgesellschaft mbH, Düsseldorf			●		Düsseldorf	0.03	EUR	60.0	31.12.
Lindschulte Ingenieurgesellschaft mbH, Hannover			●		Burgwedel	0.03	EUR	75.0	31.12.
Lindschulte Ingenieurgesellschaft mbH, Münster			●		Münster	0.03	EUR	87.5	31.12.
Lindschulte Ingenieurgesellschaft mbH, Nordhorn			●		Nordhorn	0.03	EUR	100.0	31.12.
Lindschulte KHP Planungsgesellschaft mbH			●		Oldenburg	0.03	EUR	90.0	31.12.
Lindschulte Prüf- und Sachverständigen GmbH			●		Nordhorn	0.03	EUR	75.0	31.12.

	Energy	Grid	Services	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	Company law closing date
Group companies (continued)									
Lindschulte Thillmann GmbH			●		Koblenz	0.03	EUR	90.0	31.12.
LTB Leitungsbau GmbH			●		Radebeul	1.0	EUR	90.0	31.12.
osd GmbH			●		Frankfurt am Main	0.03	EUR	100.0	31.12.
PALATIA Ingenieur- und Städtebau GmbH			●		Rockenhausen	0.04	EUR	100.0	31.12.
Podufal & Wiehofscky Generalplanung GmbH			●		Löhne	0.03	EUR	100.0	31.12.
Propertunities Immobilien Consulting GmbH			●		Düsseldorf	0.03	EUR	80.0	31.12.
Proxima Solutions GmbH	●				Berlin	0.03	EUR	100.0	31.12.
QSB Holding GmbH			●		Lübbecke	0.03	EUR	100.0	31.12.
R & P Ruffert Ingenieurgesellschaft mbH, Düsseldorf			●		Düsseldorf	0.03	EUR	100.0	31.12.
R & P Ruffert Ingenieurgesellschaft mbH, Erfurt			●		Erfurt	0.03	EUR	100.0	31.12.
R & P Ruffert Ingenieurgesellschaft mbH, Halle			●		Halle	0.03	EUR	100.0	31.12.
R & P Ruffert Ingenieurgesellschaft mbH, Hamburg			●		Hamburg	0.03	EUR	100.0	31.12.
R & P Ruffert Ingenieurgesellschaft mbH, Limburg			●		Limburg a. d. Lahn	0.03	EUR	100.0	31.12.
Ranner Projektmanagement GmbH			●		München	0.03	EUR	100.0	31.12.
Reeder & Raum Happurg Ingenieurgesellschaft mbH			●		Happurg	0.03	EUR	100.0	31.12.
Seuss Ingenieure GmbH			●		Amberg	0.03	EUR	100.0	31.12.
Solar-Log GmbH	●				Geislingen	0.03	EUR	100.0	31.12.
STKW Energie Dörpen Verwaltungs-GmbH	●				Berlin	0.03	EUR	100.0	31.12.
U.T.E. Ingenieur GmbH			●		Regensburg	0.03	EUR	100.0	31.12.
WALD + CORBE Consulting GmbH			●		Hügelsheim	0.03	EUR	100.0	31.12.
Italy									
BKW Hydro Italia S.r.l.	●				Milan	25.4	EUR	100.0	31.12.
BKW Italia S.p.A.	●			●	Milan	13.4	EUR	100.0	31.12.
Genzano Solar S.r.l.	●				Milan	0.01	EUR	100.0	31.12.
Green Castellaneta S.p.A.	●				Milan	0.1	EUR	100.0	31.12.
Luminosa Energia S.r.l.	●				Milan	0.01	EUR	100.0	31.12.
Proxima S.r.l.	●				Milan	0.01	EUR	100.0	31.12.
Tamarete Energia S.r.l.	●				Ortona	3.6	EUR	60.0	31.12.
Traital S.r.l.			●		Milan	0.04	EUR	100.0	31.12.
Volturno Wind S.r.l.	●				Milan	0.03	EUR	100.0	31.12.
Wind Farm Buglia S.r.l.	●				Milan	0.03	EUR	100.0	31.12.
Wind Farm S.r.l.	●				Milan	0.02	EUR	100.0	31.12.
Wind International Italy S.r.l.	●				Milan	52.2	EUR	100.0	31.12.
Montenegro									
igr consult d.o.o.			●		Tivat	0.001	EUR	100.0	31.12.
Norway									
BKW Norway NWP AS	●				Oslo	0.1	CHF	100.0	31.12.
Marker Vindpark AS	●				Oslo	0.003	EUR	100.0	31.12.
Proxima Scandinavia AS	●				Oslo	0.1	NOK	100.0	31.12.
Singapore									
ingenhoven LLP			●		Singapore	-	SGD	100.0	31.12.
Joint operations									
Switzerland									
Bielensee Kraftwerke AG BIK	●				Biel	20.0	CHF	50.0	31.12.
Kraftwerk Sanetsch AG (KWS)	●				Gsteig	3.2	CHF	50.0	31.12.
Wärme Mittelland AG	●				Solothurn	1.0	CHF	50.0	31.12.

	Energy	Grid	Services	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	Company law closing date
Joint operations (continued)									
Germany									
Lindschulte Ingenieurgesellschaft mbH, Emsland			●		Meppen	0.03	EUR	50.0	31.12.
Associates									
Switzerland									
EDJ, Energie du Jura SA	●				Delémont	7.4	CHF	41.0	30.09.
Electra-Massa AG	●				Naters	20.0	CHF	16.1	31.12.
Electricité de la Lienne SA	●				Sion	24.0	CHF	33.3	30.09.
Erdgas Thunersee AG	●				Interlaken	6.9	CHF	33.3	31.12.
ETRANS Ltd.		●			Baden	7.5	CHF	11.5	31.12.
EVTL Energieversorgung Talschaft Lötschen AG	●				Wiler (Lötschen)	1.3	CHF	49.0	31.12.
Externes Lager der Kernkraftwerke Schweiz	●				Baden	–	CHF	25.0	31.12.
Forces Motrices de Mauvoisin SA	●				Sion	100.0	CHF	19.5	30.09.
GEBNET AG	●				Buchegg	7.0	CHF	40.9	31.12.
Grande Dixence SA	●				Sion	300.0	CHF	13.3	31.12.
Kernkraftwerk Leibstadt AG	●				Leibstadt	450.0	CHF	14.5	31.12.
Kernkraftwerk-Beteiligungsgesellschaft AG (KBG)	●				Bern	150.0	CHF	33.3	31.12.
Kraftwerk Berschnerbach AG	●				Walenstadt	4.5	CHF	49.0	31.12.
Kraftwerk Wannenfloh AG	●				Rüderswil	0.3	CHF	31.9	31.12.
Kraftwerke Hinterrhein AG	●				Thusis	100.0	CHF	7.7	30.09.
Kraftwerke Mattmark AG	●				Saas-Grund	90.0	CHF	11.1	30.09.
Kraftwerke Oberhasli AG	●				Innertkirchen	120.0	CHF	50.0	31.12.
Kraftwerke Wiler-Kippel AG	●				Kippel	6.0	CHF	34.0	31.12.
Metanord SA	●				Bellinzona	18.0	CHF	33.3	31.12.
Nagra, National Cooperative for the Disposal of Radioactive Waste	●				Wettingen	–	CHF	14.3	31.12.
NIS AG		●			Sursee	1.0	CHF	25.0	31.12.
Oberland Energie AG	●				Thun	9.1	CHF	49.0	31.12.
Officine Elettriche dell'Engadina SA	●				Zernez	140.0	CHF	30.0	30.09.
Officine Idroelettriche della Maggia SA	●				Locarno	100.0	CHF	10.0	30.09.
Officine idroelettriche di Blenio SA	●				Blenio	60.0	CHF	12.0	30.09.
Société des Forces Motrices du Châtelot SA	●				Les Planchettes	6.0	CHF	11.7	31.12.
Swisseldex Ltd.		●			Bern	1.0	CHF	21.4	31.12.
Swissgrid Ltd.		●			Aarau	320.4	CHF	36.4	31.12.
Thermosource AG	●				Biel	2.0	CHF	50.0	31.12.
Trinkwasserkraftwerk Saas-Grund AG	●				Saas-Grund	1.2	CHF	40.0	31.12.
Zwilag Zwischenlager Würenlingen AG	●				Würenlingen	5.0	CHF	10.7	31.12.
France									
Centrale électrique de la Plaine S.à r.l.	●				Drémil-Lafage	0.001	EUR	33.3	31.12.
Germany									
HelveticWind Deutschland GmbH	●				Berlin	0.03	EUR	29.0	31.12.
Onyx Grundstück Wilhelmshaven GmbH & Co. KG	●				Wilhelmshaven	–	EUR	33.0	31.12.
Onyx Kraftwerk Wilhelmshaven GmbH & Co. KG	●				Wilhelmshaven	–	EUR	33.0	31.12.
Italy									
EP Produzione Centrale Livorno Ferraris S.p.A.	●				Rome	10.0	EUR	25.0	31.12.
HelveticWind Italia S.r.l.	●				Milan	0.01	EUR	29.0	31.12.
Norway									
Nordic Wind Power DA	●				Oslo	–	EUR	28.1	31.12.

Statutory auditor's report on the audit of the consolidated financial statements



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To the General Meeting of
BKW AG, Berne

Berne, 10 March 2022

Statutory auditor's report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of BKW AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated income statement, consolidated statement of comprehensive income, changes in consolidated equity and consolidated cash flows statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 22 to 96) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.



Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.



Classification and valuation of energy trading contracts & application of Hedge Accounting

– Risk

As disclosed in Note 7 Net Sales and 29 Derivatives, BKW enters into energy supply and purchase contracts with third parties. Depending on the motive for entering into such contracts, they either qualify as own-use transactions or as financial instruments (hedge or trading transaction). The distinction between own-use transaction and financial instrument has a significant impact on the accounting treatment, since own-use transactions are not recognized on the balance sheet. In the income statement those transactions are recorded as energy procurement cost respectively revenue on a gross basis. Financial instruments are recognized at fair value at each balance sheet date. The result is presented on a net basis within revenue. BKW has accounting guidelines for categorizing, measuring and recognizing such contracts.

As disclosed in Note 30, Hedge Accounting, in the reporting year BKW implemented hedge accounting in its energy business. The accurate application has a significant impact on the reported results within the statement of income, the statement of other comprehensive income and the statement of shareholders' equity.

– Our audit response

Our audit procedures, to confirm that no reclassifications of contracts initially classified as own-use transactions or financial instruments have occurred, and the accounting treatment applied corresponds to the original designation of the contract, is based on control based approach and inquiries of employees in charge. Furthermore, we tested and assessed, on a sample basis, the existing internal controls regarding the reconciliation of the entered contracts. At year end, we have selected a sample and involved our valuation specialists to assess the proper balance sheet recognition of contracts qualifying as financial instruments. Finally, we analyzed the designated hedge accounting transactions by verifying the treatment of ineffectiveness and testing the completeness of the relevant hedge accounting documentation.

Our audit procedures did not lead to any reservations concerning classification and valuation of energy trading contracts or the accurate application of hedge accounting.

Valuation of nuclear provision

– Risk

On 20 December 2019, the Mühleberg nuclear power plant was decommissioned. BKW is legally required to cover the cost for the ongoing decommissioning of the power plant and the disposal of its nuclear waste. The nuclear provision is due to its significant balance and the various assumptions used, a key element of our audit. As described in Note 25, every five years an updated cost calculation is prepared. The cost study (last time conducted in 2021) is subsequently assessed by the Swiss Federal Nuclear Safety Inspectorate (ENSI). The update of the cost calculation was carried out on behalf of and following the requirements of the Administrative Commission of the Decommissioning Fund for Nuclear Facilities and Waste Disposal Fund for Nuclear Power Plants (AC STENFO) and in cooperation with swissnuclear. In accordance with Note 25, the provisions are adjusted at each balance sheet date based on the updated cost estimate.



– **Our audit response**

To assess the nuclear provision, we gained an understanding of the different assumptions and recorded amounts. We compared those with the calculations and records of BKW. In addition, we agreed the recorded amounts with the latest available cost study. We assessed, based on BKW-internal and -external information, the financial impact and change in estimate. Moreover, we assessed the recorded adjustments, among other things due to the use since the decommissioning.

Our audit procedures did not lead to any reservations concerning valuation of the nuclear provision.

Valuation of onerous contracts (price curves)

– **Risk**

BKW holds investments in various associated companies. BKW has commitments to purchase energy at a cost-plus price from its partner power plants. Depending on the cost structure of the partner power plant as well as the current and expected development of prices (electricity price curve), this can result in an onerous contract. BKW does not recognize an impairment on the investment but records a provision under “Onerous contracts energy procurement” in accordance with Note 25. Various assumptions of future developments, which may have a significant impact on the valuation of onerous contracts, need to be made. The provisions for onerous contracts are also material and, as set out above, are based on several assumptions.

– **Our audit response**

WAmong other things, we discussed with management the process for identifying onerous contracts. To assess the calculation and assumptions of onerous contracts, we involved internal valuation specialists. The price curves were compared with external studies.

Our audit procedures did not lead to any reservations concerning the valuation of onerous contracts (price curves).



Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report and our auditor’s reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://www.expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.



Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Rico Fehr
Licensed audit expert
(Auditor in charge)

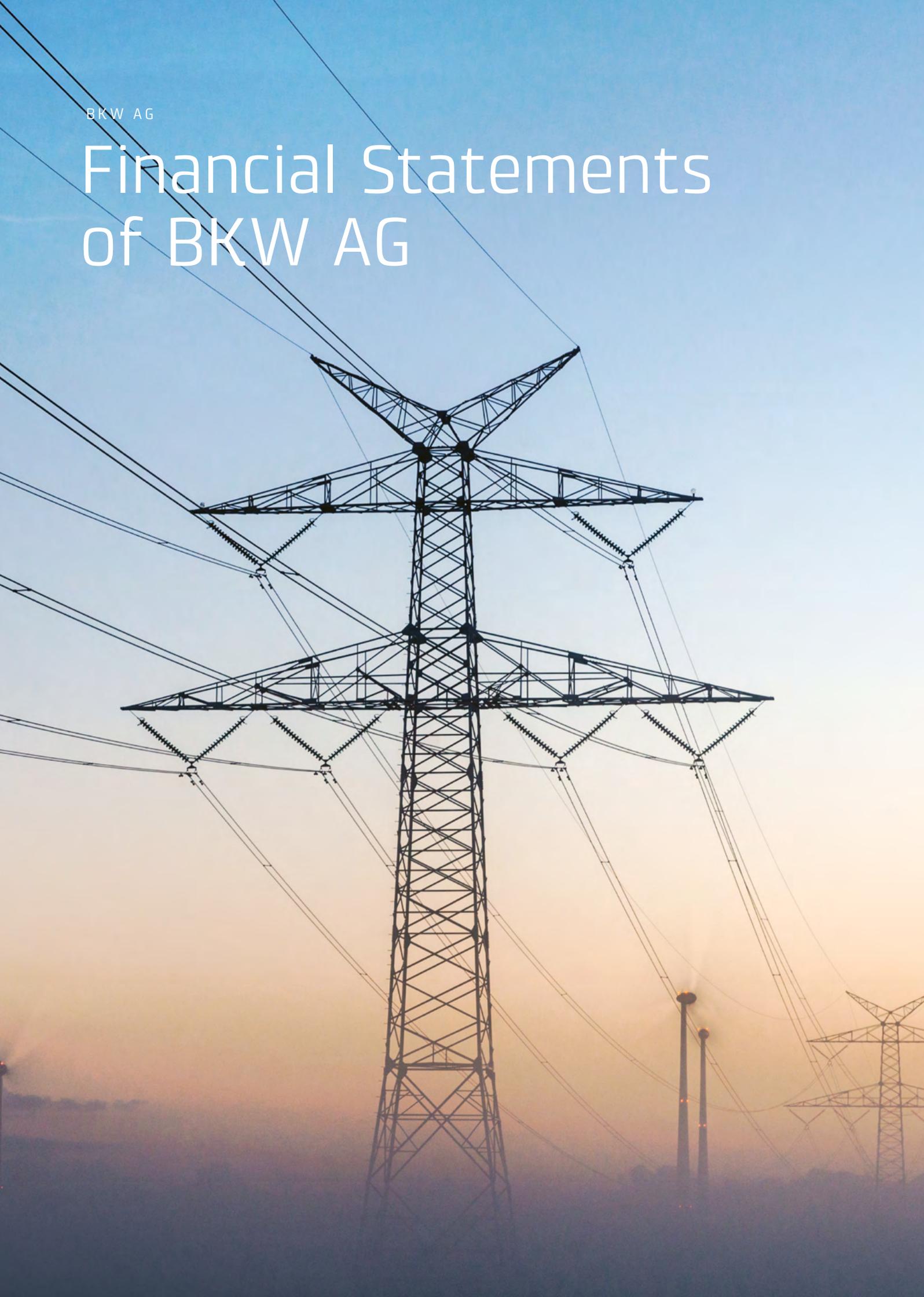
Philippe Wenger
Licensed audit expert



BKW systematically focuses on innovation and technology. For the first time, a traction current project of German Railways is being planned using the digital method Building Information Modeling (BIM). Learn more at www.bkw.ch/ar21

BKW AG

Financial Statements of BKW AG



Income Statement

CHF millions	2020	2021
Dividend income	133.1	137.9
Financial income	29.4	29.0
Other operating income	1.0	1.3
Total earnings	163.5	168.2
Interest expense	-28.6	-28.4
Other financial expenses	-0.9	-0.8
Other operating expenses	-5.4	-6.3
Direct taxes	-1.8	-1.0
Total expenses	-36.7	-36.5
Net profit	126.8	131.7

Balance Sheet

CHF millions	31.12.2020	31.12.2021
Assets		
Cash and cash equivalents	6.7	14.8
Receivables		
– from third parties	0.3	0.8
– from subsidiaries	200.9	748.3
Prepaid expenses and accrued income	2.4	2.7
Total current assets	210.3	766.6
Loans		
	1,184.1	1,456.7
Other financial assets		
– from third parties	6.6	5.6
Investments	1,489.8	1,675.1
Total non-current assets	2,680.5	3,137.4
Total assets	2,890.8	3,904.0
Liabilities		
Trade accounts payable		
– to third parties	0.1	0.1
– to subsidiaries	1.1	0.0
Current interest-bearing liabilities		
– Bonds	0.0	200.0
– Loans payable	0.0	548.3
– to subsidiaries	0.0	472.7
Other current liabilities		
– to third parties	0.3	0.9
Deferred income and accrued expenses	8.4	8.7
Total current liabilities	9.9	1,230.7
Non-current interest-bearing liabilities		
– Bonds	900.0	700.0
– Loans payable	283.9	272.3
Total non-current liabilities	1,183.9	972.3
Total liabilities	1,193.8	2,203.0
Share capital	132.0	132.0
Statutory capital reserves		
– Reserves from capital contributions	26.1	26.1
Statutory retained earnings		
– Statutory retained earnings	1,153.7	1,155.0
– Reserve for treasury shares	1.3	0.0
Voluntary retained earnings		
– Profit carried forward	259.5	259.6
– Net profit	126.8	131.7
Unappropriated retained earnings	386.3	391.3
Treasury shares	–2.4	–3.4
Total shareholders' equity	1,697.0	1,701.0
Total liabilities and shareholders' equity	2,890.8	3,904.0

Notes to the Financial Statements

Accounting and valuation principles

The financial statements were prepared in accordance with the requirements of Swiss law, in particular the articles on commercial accounting and financial reporting of the Swiss Code of Obligations (Articles 957 to 962).

Receivables

Receivables are stated at their nominal value minus operationally necessary impairments. The receivables stated on the balance sheet are mainly short-term loans from BKW Energie AG.

Non-current assets

The holdings retained by BKW AG have been valued individually at acquisition cost minus any necessary impairments.

Financial loans are measured at nominal value.

Current liabilities

Liabilities are recognized at nominal value. The liabilities to subsidiaries recognized on the balance sheet are mainly current account liabilities from BKW Energie AG.

Non-current liabilities

Non-current liabilities are valued at nominal value. The loans payable include the existing registered bonds.

Shareholdings

Company name, legal form, headquarters	Purpose	Share capital CHF	Capital share 31.12.2020 %	Capital share 31.12.2021 %
BKW Energie AG, Bern	Energy, Grid, Services	132,000,000	100.0	100.0
BKW Building Solutions AG, Ostermundigen	Services	200,000	n/a	100.0
BKW Engineering AG, Bern	Services	100,000	n/a	100.0
BKW Infra Services AG, Wangen an der Aare	Services	100,000	n/a	100.0
BKW Management AG, Bern (formerly BKW Grid Switzerland Ltd., Bern)	Other	100,000	100.0	100.0
BKW Netzbeteiligung Ltd., Bern	Grid	25,200,000	50.1	n/a
sol-E Suisse AG, Bern	Energy	100,000	100.0	n/a

In all cases, the holding corresponds to the percentage of shares and voting rights. The

companies in which BKW AG holds indirect interests are listed on pages 91 to 96.

Bonds

CHF millions	31.12.2020	31.12.2021
3 % debenture bond 2007–2022	200.0	200.0
0.75 % debenture bond 2018–2025	200.0	200.0
2.5 % debenture bond 2010–2030	300.0	300.0
0.25 % green bond 2019–2027	200.0	200.0
Total	900.0	900.0

Share capital

The BKW AG share capital as of December 31, 2021, amounts to CHF 132 million and is divided into 52,800,000 registered shares at a nominal value of CHF 2.50 each.

Major shareholders

To BKW's knowledge, the following shareholders held more than 3% of the shares as of December 31:

	31.12.2020	31.12.2021
Canton of Bern	52.54 %	52.54 %
Groupe E Ltd.	10.00 %	10.00 %

Treasury shares

	CHF millions	BKW AG Number	CHF millions	Group companies Number	CHF millions	Total Number
At 31.12.2019	1.5	21,024	0.0	0	1.5	21,024
Additions	32.7	380,014	11.8	140,800	44.5	520,814
Transfer	-0.3	-4,024	0.3	4,024	0.0	0
Disposals	-31.5	-373,014	-10.8	-129,750	-42.3	-502,764
At 31.12.2020	2.4	24,000	1.3	15,074	3.7	39,074
Additions	24.2	232,446	18.0	165,540	42.2	397,986
Transfer	0.8	6,130	-0.8	-6,130	0.0	0
Disposals	-24.0	-234,341	-18.5	-174,484	-42.5	-408,825
At 31.12.2021	3.4	28,235	0.0	0	3.4	28,235

Contingent liabilities

CHF millions	31.12.2020	31.12.2021
Guarantees for consolidated companies in favor of third parties	526.6	526.2

Shares held by members of the Board of Directors and Group Executive Board

Members of the Board of Directors

Number of shares		31.12.2020	31.12.2021
Urs Gasche	Chairman (until 07.05.2021)	4,897	n/a
Roger Baillod	Chairman (since 07.05.2021, previously member)	5,200	5,775
Hartmut Geldmacher	Deputy Chair	6,120	6,695
Dr. Carole Ackermann	Member	1,200	1,775
Prof. Dr. Petra Denk	Member (since 07.05.2021)	n/a	0
Rebecca Guntern	Member	1,200	1,775
Andreas Rickenbacher	Member	200	775
Kurt Schär	Member	1,800	2,375
Total		20,617	19,170

In 2021, the members of the Board of Directors acquired a total of 4025 shares in the scope of the BKW share purchase program (previous year: 3250 shares). The share-based payments from

the purchase amount to CHF 94,000 (previous year: CHF 38,000) and comprise the benefit in fair value of the preferential purchase of BKW shares on the basis of its tax value.

Members of the Group Executive Board

Number of shares		31.12.2020	31.12.2021
Dr. Suzanne Thoma	CEO	44,181	44,181
Ronald Trächsel	CFO	24,870	24,870
Dr. Philipp Hänggi	Head of Production	7,928	7,928
Dr. Roland Küpfer	Head of Power Grid	13,341	10,041
Dr. Corinne Montandon	Head of Group Markets & Services (since 01.01.2021)	n/a	2,323
Total		90,320	89,343

Individual shares held by members of the Board of Directors and Group Executive Board are subject to a blocking period of up to three years.

APPROPRIATION OF RETAINED EARNINGS

Proposal to the General Meeting

CHF	
Profit carried forward	259,629,521
Net profit	131,710,010
Unappropriated retained earnings	391,339,531

The Board of Directors proposes that retained earnings be appropriated as follows:

CHF	
Dividend of CHF 2.60 per share entitled to a dividend ¹	137,206,589
Balance carried forward	254,132,942
Total	391,339,531

1 Dividends are not paid on treasury shares held by BKW AG. The number of shares that are entitled to receive a dividend at the time of preparation of the financial statements amounts to 52,771,765. The last trading day to which a right to receive dividends is granted is 17 May 2022. As of 18 May 2022, the shares will be traded ex-dividend. Had all shares been entitled to receive a dividend, the dividend payment would have amounted to CHF 137,280,000 and the balance carried over would have been CHF 254,059,531.

Subject to approval by the General Meeting, the following will be paid out:

CHF	
Dividend per share	2.60
Minus 35% withholding tax	0.91
Net dividend	1.69

Bern, March 10, 2022

In the name of the Board of Directors
 Chairman of the Board
 Roger Baillod

Report of the statutory auditor on the financial statements



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To the General Meeting of
BKW AG, Berne

Berne, 10 March 2022

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of BKW AG, which comprise the income statement, balance sheet and notes to the financial statements (pages 104 to 108), for the year ended 31 December 2021.



Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.



Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements for the year ended 31 December 2021 comply with Swiss law and the company's articles of incorporation.



Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.



Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Rico Fehr
Licensed audit expert
(Auditor in charge)

Philippe Wenger
Licensed audit expert



Electromobility is booming – and BKW is right in the middle of it: with a competence center, a great deal of know-how, and a large network of installers. It offers total solutions for municipalities, property managers, companies, and private individuals. Learn more at www.bkw.ch/ar21



BKW GROUP

Sustainability Report



INTRODUCTION

Overall solutions for sustainable development

BKW acknowledges its social responsibility for sustainable development. As an international and trailblazing energy and infrastructure service provider, it employs the latest technologies and innovations to use our resources efficiently. BKW contributes to the development goals of the UN Agenda 2030 and, as a participant in the United Nations Global Compact, is committed to responsible business practices.

BKW wants to help shape the transformation of the energy supply and foster the use of renewable energy. Production, supply, and private infrastructure need to meet increasingly stringent technical, regulatory, and environmental requirements. At the same time, the environmental impact of climate change is becoming more extreme. BKW develops, plans, and implements sustainable solutions that take these new demands into account. Its business activities in the fields of energy, buildings, and infrastructure serve as the foundation for its contribution to dealing with global challenges. By supporting customers who are facing issues arising from climate change, digital transformation, and urbanization, BKW is committed to helping to find a balance between prosperity and the environment.

Since February 2021, BKW has been a participant in the United Nations Global Compact, which involves making a commitment to responsible corporate governance in order to achieve sustainable development. By participating in this network and through successful dialogue in the Swiss National Contact Point for OECD Guidelines

for Multinational Enterprises, BKW has reaffirmed its commitment to decent working conditions and fair conduct in all its business activities. Over the past year, it has been working to analyze its impact on the environment and society as well as to reduce negative impacts.

BKW will continue to intensively dedicate itself to continuous improvement in 2022. This year, BKW is renewing its commitment to responsible corporate governance by confirming its support for the 10 principles of the United Nations Global Compact in the areas of human rights, labor standards, environmental protection, and anti-corruption.

After participating for the last year, BKW is publishing a progress report for the first time this year. This progress report describes the actions being taken to continuously improve the integration of the Global Compact and its principles into its business strategy, corporate culture, and daily operations. BKW also undertakes to forward this information to its stakeholders using its communication channels.

“BKW is a participant in the Global Compact, which commits it to responsible corporate governance and sustainable development.”

Dr. Suzanne Thoma

WE SUPPORT



More information at
www.globalcompact.ch

CORPORATE SUSTAINABILITY

Sustainability management at BKW

BKW's sustainability management makes it possible for the company to make a material contribution to the sustainable development of society and the economy. To do this, BKW identifies and assesses sustainability risks that influence its business activities.

BKW's mission, "Solutions for a future worth living" guides its sustainability management: BKW designs infrastructure for living spaces and makes a positive contribution to climate protection, fosters a humane working environment, and helps to bring about an ethical economy. Along the way, it operates according to the precautionary principle and the objective of avoiding and reducing harm to people and the environment.

The BKW Board of Directors is ultimately responsible for all strategic decisions on sustainability

issues and responsible corporate governance. The compliance & sustainability department coordinates sustainability management. It is responsible for further development of the strategic framework with a view to sustainability and advises the individual divisions and companies of the BKW Group in regard to sustainability issues. BKW also tracks important developments in politics, society, and the market through its membership in the Swiss Business Council for Sustainable Business (öbu) and its participation in events organized by the Global Compact Network Switzerland & Liechtenstein.



More information at
www.bkw.ch/sustainability

Managing sustainability risks

BKW incorporates sustainability risks into corporate risk management and into strategic decisions. In this process, sustainability management works closely with compliance, risk management, and the business departments and functions. Discussions take place as required. The departments involved cooperate to identify and assess sustainability risks and initiate any necessary actions that may arise as a result. These include existing processes for checking the integrity of (potential) business partners or preventive compliance training and consulting for employees in sales, trading, and project acquisitions.

Since 2021, BKW has been using risk management software to process sustainability risks in a structured manner, to define actions to be taken, and to create reports. This tool will be gradually expanded and it will be accessible to all Group companies during the course of 2022. In conjunction with this, BKW will also work more intensively on identifying and assessing sustainability risks. In addition, all employees and suppliers can use an anonymous and confidential whistleblower system to report incidents that are in breach of the law, the BKW Code of Conduct, or other internal regulations, and may therefore pose risks.

In 2021, BKW conducted an analysis of the most relevant sustainability risks that pose risks to, or arise from, its business activities. This included surveying the sustainability risks relating to the four areas of the United Nations Global Compact: environment and climate, human rights, labor standards and social issues, and anti-corruption.



The following section lists these topic areas and outlines how to deal with them in terms of due diligence.

Environment and climate

As an energy and infrastructure company, BKW bears a special responsibility with regard to the environment and climate, as in this context impacts on third parties cannot be avoided. Examples include impacts from hydroelectric plants on species and ecosystems, environmental pollution risks from operational activities (such as oil spills in plants, power plant expansion, SF6 leaks in substations), and emissions from thermal power plants. These risks can be reduced through continuous monitoring of operations and certified environmental management systems for energy production and grid operation activities.

With regard to climate change, the following risks have been identified for BKW. Physical climate-related risks include:

- Extreme floods or droughts can affect the output of run-of-river hydroelectric plants
- Powerful storms can damage the distribution grid or turbines on wind farms
- Landslides near reservoirs or grids in mountainous areas can cause damage
- Long-term glacial melt can change water levels and the reliability of inflow into reservoirs
- Natural forces can cause supply bottlenecks in countries where goods are produced or disrupt supply routes



In addition, the following climate-related transition risks¹ impact BKW:

- Increasing CO₂ prices for gas and coal-fired power plants influencing profitability
- Regulation of products, such as heating system types, leading to a reduction in business activities

Human rights

For BKW, there is a risk that human rights may be violated in the supply chain (such as through forced labor or child labor) and that the rights of indigenous peoples may be affected by energy projects abroad. This can lead to reputational damage for BKW. To appropriately address these risks, measures such as training for all employees on the Code of Conduct, a binding Code of Conduct for all suppliers, the performance of due diligence audits in the supply chain, and human rights due diligence audits for projects are in place.

Labor standards and social issues

In the area of employee matters and social issues, BKW's business activities could give rise to various risks: the risk of adverse effects on

employee health as a result of dangerous work, hazardous working conditions at supplier sites, and risks to society due to failure of critical infrastructure in the Swiss energy system. For BKW, risks in the area of labor standards and social issues lie in the loss of employees due to accidents, illness, or turnover, as well as in financial losses or reputational damage in the event of infrastructure damage. To avoid or reduce these risks, BKW has a Suppliers' Code of Conduct and a Safety Policy. The company also regularly implements activities and campaigns to improve occupational health and safety. BKW performs continuous checks and preventive maintenance measures on its infrastructure. To enable a quick and appropriate response in cases of doubt, an emergency management system has been established in all divisions, along with a crisis management system at the Group level.

Anti-corruption

In relation to bribery and corruption, no relevant risks have currently been identified for BKW and originating from it to society. Nevertheless, BKW maintains a high level of awareness for these issues and provides targeted training for employees working in sales, for example.



More information at
[www.bkw.ch/
codeofconduct](http://www.bkw.ch/codeofconduct)

[www.bkw.ch/
procurementpolicy](http://www.bkw.ch/procurementpolicy)

¹ Transition risks, including policy and legal measures in response to climate change, technological changes, market reactions, and reputational risks.

SOCIAL RESPONSIBILITY

BKW's contribution to the Sustainable Development Goals

BKW acknowledges its social responsibility for combating the major global challenges. The focus is on issues such as climate change, a renewable energy supply, and sustainable design of urban spaces. Together with other stakeholders, BKW would like to find answers and make a contribution to a future worth living. This also creates opportunities for BKW as an international and trailblazing energy and infrastructure service provider.

In addition to the principles of the UN Global Compact, BKW is also committed to the Sustainable Development Goals (SDGs) of the UN Agenda 2030. In collaboration with a consulting firm specializing in sustainability, in 2019 BKW analyzed the most significant impacts of its business activities on the environment, society, and the economy along the entire value chain. Based on this work, the company identified 10 of these 17 Sustainable Development Goals where it can

achieve the greatest impact, with these SDGs now forming the basis of sustainability management at BKW.

In the 2021 financial year, BKW put its focus on making progress in regard to 5 SDGs. These affect BKW's core business and are currently of particular concern to the company and society (see figure).

Sustainable Development Goals of BKW



Focus 2021

In the 2021 financial year, BKW put its focus on making progress in regard to 5 SDGs. These affect BKW's core business and are currently of particular concern to the company and society (see figure).

BKW's contributions to the five focus topics are described in more detail in the following sections: The final section of this report summarizes information on contributions to SDGs 6, 9, 11, 12, and 15.



SDG 13: Climate Action

Products and services to mitigate climate change and adapt to climate change are at the core of BKW's corporate strategy

From page 120:



SDG 7: Affordable and Clean Energy

The energy transition and the expansion of renewable energy are strategically relevant, with BKW adding value to society in this area

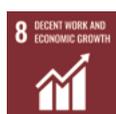
From page 124:



SDG 3: Good health and well-being

Healthy and productive employees are the foundation for BKW's business performance

From page 129:



SDG 8: Decent work and economic growth

Decent working conditions, resource efficiency, and sustainable economic growth are the cornerstones of economic success

From page 133:



SDG 16: Peace, justice, and strong institutions

Fair, non-discriminatory, and respectful interaction with all business stakeholders is a high priority of BKW

From page 136:



SDG 13: Climate Action

Why SDG 13 is relevant for BKW

The challenges associated with climate protection and climate change are increasing steadily. However, the growing need for solutions to reduce emissions and adapt to climate change also offers business opportunities for BKW. With renewable electricity generation, energy efficiency solutions, and heating networks based on renewable energy, BKW Energy and its approximately 1,900 employees are contributing to overarching solutions in the provision of a climate-friendly energy supply. There is close cooperation with the roughly 3,500 employees of BKW Building Solutions, who through their installations of heat pumps, photovoltaic systems, and charging stations are contributing to the climate-friendly electrification for heating and mobility requirements.

BKW also supports its customers in avoiding and reducing emissions as well as in adapting to the climate change that is already taking place. The focus is on measures such as municipal risk

assessments for heavy rainfall, construction of flood retention basins, land restoration planning, climate change adapted architecture, and general design of resource-efficient infrastructures. The highly specialized expertise for these types of services is provided by BKW Engineering and its 3,400 or so employees.

BKW itself is also expected to fulfill demanding requirements. It can reduce greenhouse gas emissions in its own operations, thereby contributing to meeting the commitments made in the Paris Climate Agreement. However, the production of electricity in fossil-fuel power plants goes hand in hand with CO₂ emissions, and the distribution grid relies on the use of insulating gases in substations. A company-owned vehicle fleet is necessary for business operations, as is business travel in the context of international projects. Within this framework, BKW is attempting to make its operations as climate-friendly as possible.

Products and services for climate protection and adapting to climate change

The focus on a CO₂-neutral future and on services for adapting to climate change are key elements of BKW's growth strategy. These trends are driving the growth of BKW's markets and also its economic opportunities. Management in all the various competency areas is responsible for developing solutions for combating the consequences of climate change, and this is carried out in the Group companies who have the relevant expertise on these issues. Experts in various disciplines are constantly monitoring developments and trends and consistently gearing their offerings toward the growing demand from customers and markets for climate-relevant products.

Many of the relevant competencies are concentrated in BKW Engineering's Innovation Center, enabling them to be efficiently and effectively put to use. The Innovation Center is a place of co-creation that brings together interdisciplinary science, technology, business, and societal needs for the development of innovative projects. Cooperation between BKW's network and external partners results in prototypes for CO₂-free solutions in areas such as construction and logistics.



Activities and progress in 2021

In 2021, BKW Energy produced some 5,100 GWh of CO₂-neutral electricity within the production portfolio of its own renewable installations and renewable installations in which it has a stake. CO₂ emissions of some 1.1 million metric tons would have been released into the atmosphere if this electricity had been generated using the average European production mix².

Sustainable generation of heat makes an important contribution to reducing emissions. In 2021, BKW AEK Contracting AG moved forward with 21 projects involving climate-friendly, local heating solutions for large properties and households.

One specific example was the commissioning of the Bolligen district heating grid, which is operated using a heating plant fired with regionally sourced woodchips. In the final build-out phase, CO₂ emissions will be reduced by around 5,700 metric tons annually when compared with fossil fuels. With its entire portfolio of heating grids, in 2021 BKW AEK Contracting AG achieved reductions in CO₂ emissions of approximately 47,000 metric tons compared to fossil fuel.

Pellet heating systems are considered to be a climate-friendly alternative to oil and gas heating systems. As the second-largest pellet producer in



The use of pellets is environmentally friendly and economically viable.

Switzerland, AEK Pellet AG was able to meet the higher demand by increasing its pellet production. Compared to 2020, its sales rose by 17 percent to 58,000 metric tons of pellets, enough to supply 15,000 single-family homes with heat. Compared to fossil fuels, burning this volume of pellets prevents the release of approximately 80,000 metric tons of CO₂. Using pellets is environmentally friendly and economically viable, as pellets are primarily produced from wood residues from the timber industry and are therefore a by-product.

47,000

metric tons of CO₂ were prevented from being released by BKW's heating networks in 2021 compared to fossil fuels.

80,000

metric tons of CO₂ can be saved compared to fossil fuels when BKW wood pellets are used.

² Emission factor: 230.7 g CO₂e/kWh (source: <https://www.eea.europa.eu/ims/greenhouse-gas-emission-intensity-of-1-eu-countries-2020>, includes Scope 1)

The “BKW Energy & Technology Campus” has been under construction in Solothurn since 2021. This is intended to promote start-ups and facilitate information sharing on issues such as climate-friendly electrification of buildings and mobility and smart technology. However, the campus is also the headquarters of BKW Smart Energy & Mobility AG, a new company founded in 2021 that offers integrated charging infrastructure solutions. It installed around 1,500 charging stations in Swiss buildings last year.

BKW Engineering has also participated in projects to increase the resilience of habitats and infrastructure to the consequences of climate change. For example, BKW companies worked with several municipalities on the development of heavy rainfall hazard maps which in turn enabled concepts and actions to be drawn up to improve the municipalities' flood protection. BKW Engineering was also involved in an Austrian research project that provided insights into how changes in land management can reduce the risk to residential properties and infrastructure from heavy rain events and the resulting stormwater runoff.



Outlook

BKW will continue with its strategy of offering its customers comprehensive solutions to reduce or prevent emissions resulting from industrial production, power and heat supply, logistics, and construction. This includes both the growing renewable power production portfolio (see p. 125, section “Products and services with added energy value”) and the further expansion of services related to the zero-emission supply of heat and electromobility.

One priority is the further development of products and services that enable society to adapt to

climate change. BKW will also systematically record the added value generated by services that reduce and prevent emissions as well as projects that address climate change.

BKW greenhouse gas emissions

Public interest in the CO₂ emissions of companies has risen sharply in recent years. It is in BKW's own interest to reduce emissions caused by its business activities. This is now being tackled under the responsibility of the relevant specialist departments in the company. However, due to the strong growth of the many different companies, there was previously no uniform data basis that could provide comparable key figures and indicators. BKW compiled a greenhouse gas footprint document for the first time in 2021. In the coming months, this will be used to develop goals for reducing emissions.



Activities and progress in 2021

Under the aegis of sustainability management and in collaboration with Swiss Climate, a CO₂ footprint was compiled in 2021 based on the accounting principles of the GHG Protocol and the requirements of the ISO 14064-1 standard. The CO₂ figures include all greenhouse gases as defined under the Kyoto Protocol³. The figures reflect the activities of the business segments of Energy, Grid, and Services as well as production in the power plants, which is considered separately.

Data collection in the business segments covered 54 companies, which together account for around 80 percent of BKW's employees. The values for the entire Group were extrapolated on the basis of the number of employees. All Scope 1 and Scope 2 emissions⁴ were included. The result of the survey is shown in the table below.

³ Carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), halogenated hydrofluorocarbons (HFCs), hydrofluorocarbons (HFCs), and sulfur hexafluoride (SF₆).

⁴ Scope 1 includes heating systems, diesel generators, refrigerants, SF₆ emissions, and vehicle fleet (business travel, transportation). Scope 2 includes power consumption, heating systems (district heating, electric heating, electric heat pumps), and vehicle fleet (electric vehicles).

Overview of emissions by business segment

Emissions in mt CO ₂	Scope 1	Scope 2
Energy	1,480	299
Grid	2,493	654
Services	18,552	2,393
Total	22,525	3,346

Data collection for the power plants included the production figures for 2021 for all power plants owned by BKW and, on a pro-rata basis, all power plants with shareholdings and purchase rights. Scope 1 emissions, as well as Scope 3 emissions associated with the provision of energy, were included in the footprint. Generation of power caused total emissions of 1.6 million metric tons of CO₂. The detailed result is shown in the table below.

Overview of power plant emissions

Emissions in mt CO ₂	Scope 1	Scope 3 ⁵
Own power plants	67,889	43,170
Holdings and purchase rights	1,065,116	490,504
Total	1,133,005	533,674

By compiling the greenhouse gas footprint, BKW is creating transparency with regard to activities and areas associated with high emissions. The CO₂ footprint shows that more than 98 percent of nearly 1.7 million metric tons of CO₂ emissions are generated during power production in power plants. The emissions of these power plants are subject to market conditions caused by fluctuations in demand and in the transportation networks and distribution grids. A good 1 percent of the remaining emissions are caused by BKW's own vehicle fleet. These journeys are necessary for the operation and maintenance of production plants and grid infrastructure and for the performance of local consulting, installation, and maintenance services. A review of the increased use of electric vehicles is currently underway, which will lead to a reduction in emissions.

This greenhouse gas footprint has increased awareness of the issue of emissions. Relevant contacts for future data collection are known and necessary processes have been identified and defined. In 2021, BKW submitted CDP's Climate Change Questionnaire for the first time. Participation in this questionnaire also signals to stakeholders that BKW is committed to continuously improving its own environmental performance.



Outlook

In the coming year, the focus will be on increasing internal data transparency, improving data quality, and expanding the scope of the survey. In this context, the extension to Scope 3 categories that are relevant for BKW is also being considered. Continuation of the participation in CDP will also further increase external transparency regarding climate-relevant issues.

In 2022 an ambition level is to be specified for emissions reductions. Processes, responsibilities, and priorities will be defined in the coming months based on the findings to date. Initial reduction measures will then be derived from these and implemented for the business segments. One possible activity is gradual electrification of the company's vehicle fleet in order to reduce the emissions associated with the services offered. With a central fleet management system, BKW already has a suitable structure in place to efficiently conduct the conversions required to reduce the emissions caused by its vehicles. The biggest proportion of BKW's CO₂ emissions is attributed to power production in fossil fuel-fired power plants. Since control of power plants depends to a large extent on market conditions, grid stability, and the need to ensure a reliable power supply, the potential for reduction is limited in this area. This is all the more reason for BKW to strive at all times to keep these emissions as low as possible through the use of state-of-the-art technology and ongoing optimization.

5 Includes emissions associated with the provision of energy for Scope 1 (such as production and transport fuels)



SDG 7: Affordable and Clean Energy

Why SDG 7 is relevant for BKW

The global trend towards renewable energies and the energy strategy of the federal government in Switzerland offers great opportunities for BKW's growth strategy. BKW Energy is responsible for the planning, construction, and operation of low-CO₂ power and heat generation as well as other comprehensive solutions for the production, storage, and marketing of energy. The competency area is pursuing the strategy of significantly increasing the proportion of renewable energy in the energy mix. Most of the new capacity is to be built in other European countries. In Switzerland, the current regulatory framework and the numerous opportunities for objections from a wide range of interest groups pose significant challenges for implementation of renewable energy projects and also prevent such projects from being expanded in a timely manner. BKW is proactively addressing these challenges through a variety of different memberships and partnerships, such as in AEE Suisse, swissolar,

and Prosumer-Lab, but also by participating in political and social dialogue.

A modern, efficient, and above all controllable power grid is of crucial importance when it comes to modifying and transforming the electrical energy system. The feed-in of decentralized generated renewable power and the electrification of heating requirements and individual mobility call for new solutions for the distribution grid. The 700 or so employees of BKW Power Grid are developing these solutions and capitalizing on the opportunities of digitalization in the process. The trend towards using renewable power instead of fossil fuels requires expansion of grid capacity and improvement of grid control in many locations throughout Switzerland. This is the core business of the approximately 1,500 employees of BKW Infra Services, the competency area for comprehensive, high-quality grid services. In addition to the safe installation of overhead lines and the operation of low to extra high voltage grids, BKW Infra Services also offers other overall

grid and environment services relating to water, telecommunications, and transportation.

In terms of trailblazing solutions in the energy sector, BKW is involved in cooperative ventures such as Swiss Energypark, a platform for innovation, research, and demonstration, and the Endaprime^{TM6} technology and innovation hub, which primarily focuses on smart grid control. The implementation of modern microgrids also forms part of their portfolio. These can be used to bring together energy production from renewable energies, energy storage, and smart distribution on a local level. Smart metering technologies and the Solar-LogTM software and hardware solution from BKW are used to make this possible. Solar-LogTM is sold in 125 countries and ensures optimum operation from solar power plants.

Reducing its own energy consumption is a priority for BKW, which has its own vehicle fleet and several sites that can be described as large-scale energy consumers⁷. The company aspires to increase energy efficiency, conserve energy, and bolster its reliance on renewable energy so that the footprint caused by energy consumption is reduced.

Products and services with added energy value

BKW's growth strategy is driven by society's rising demand for renewable energy and energy efficiency solutions. The company wants to play its part in ensuring that clean and efficiently generated energy continues to be available everywhere and at all times. BKW has set for itself two objectives for its expansion of renewable energy: By 2023, 75 percent of BKW's installed production capacity is to come from renewable energies, and by 2026 the installed renewable capacity of onshore wind and photovoltaic plants is expected to grow from 0.7 GW today to 1 GW. In addition to its own expansion of renewable energy capacity, BKW is laying

the foundation for further expansion with a state-of-the-art, reliable distribution grid. For example, every night for more than two years, algorithms developed by BKW Power Grid have been performing the calculations required for BKW's power grid in order to determine free grid capacity for connecting new photovoltaic installations.

With energy prices on the rise, reducing the energy consumed by buildings and infrastructure is becoming increasingly important. BKW's Services portfolio is meeting this demand. It offers its customers energy monitoring and energy management, operational optimizations of plants or replacements for heat generation plants, billing models such as "Association for own consumption (ZEV)" and data-based solutions such as building automation and Building Information Modeling (BIM). A significant amount of energy can be saved in this way, especially in existing buildings, which helps achieve the federal government's energy strategy. BKW's energy consultants are accredited energy specialists of act Cleantech Agency Schweiz.

! Activities and progress in 2021

Together with our Group companies and partners, BKW operates some 50 hydroelectric plants in Switzerland and Italy with a total output of roughly 1,700 megawatts (MW). BKW generated more than 3,700 gigawatt hours (GWh) of electricity in 2021 with this continuously optimized power plant portfolio. In 2021, the company commissioned the Wiler-Kippel hydroelectric plant, which now provides homegrown energy to meet the power needs of some 2,800 households. In addition, construction work at the Soubach and Augand hydroelectric plants (both in the canton of Bern) and Idro Arvigo (canton of Grisons) has progressed further. In addition, BKW owns some 700 MW of installed capacity in onshore wind and photovoltaics in Switzerland, Germany, France, Italy, and Norway. In a partnership with a project developer, in



More information at www.swiss-energy.ch

1 GW

The installed renewable capacity of onshore wind and photovoltaic installations is expected to grow from 0.7 GW today to 1 GW by 2026.

> 3,700 GWh

In 2021, BKW generated more than 3,700 GWh of electricity with its hydroelectric plants.

6 With the growth of renewable energies and decarbonization, the issues of energy, infrastructure, and buildings are converging. Planning and operating these systems are becoming complex tasks that require support through simulations and analytics. BKW's technology and innovation hub (Endaprime) is developing solutions to face this new reality.

7 As large-scale energy consumers, businesses are under the legal obligation in most cantons to increase their efficiency. Any company that consumes more than 5 GWh/year in heat energy or more than 0.5 GWh/year in electrical energy is classified as a large-scale energy consumer.

2021 BKW acquired its first photovoltaic projects in southern Italy. Thanks to these commissioned projects and acquisitions, BKW is well placed to reach the expansion targets it set for itself.

With its Home Energy solution, which posted growth of 30 percent last year, BKW offers a tailor-made energy system for the home where customers can have a solar power plant installed and add heat pumps or charging stations for electric mobility and thus create an optimally coordinated and sustainable energy system. In the business customer segment, BKW is developing smart energy services on an ongoing basis and since last year has also been offering contracting services for large-scale photovoltaic systems. BKW Building Solutions in turn made a significant contribution to increasing the share of renewable energy in the energy mix in 2021. It installed around 300 new photovoltaic systems on top of single-family homes and apartment buildings as well as on large industrial facilities. It also helped increase energy efficiency and reduce dependence on fossil fuels by installing more than 200 heat pumps in residential and industrial buildings. Furthermore, BKW uses standardized building automation solutions to monitor and optimize energy consumption for customers. For example, long-term savings of around 400 MWh of heat and 1,600 MWh of power were achieved at a company operating at around 150 sites throughout Switzerland.

With an eye toward trailblazing solutions, BKW 2021 experts developed HIVE™, an automated, cellular energy management system, in the Endaprime™ Technology and Innovation Hub. The HIVE™ application interactively demonstrates on a local level how electromobility, decentralized renewable power production, and coordinated use of local batteries will affect the energy system of the future and how the environmental impact will change, among other effects. HIVE™ enables modeling of scenarios so that the corresponding municipalities can optimize their local energy system and make it more sustainable. Tests at Swiss Energypark have confirmed the functional operability of the system.



Outlook

BKW will continue to support its customers in achieving their energy-saving and decarbonization goals in 2022. Expansion of new renewable energy production is being accelerated in accordance with the strategy. Expansion of the portfolio will take place largely through the acquisition and implementation of wind and solar energy projects in the focus countries of Switzerland, Germany, Italy, France, Norway, Sweden, Spain, and Portugal. In the area of sustainable heating solutions, BKW will continue to expand its product range in response to rising demand. In regard to solutions for buildings, installation capacity for decentralized photovoltaic systems will be significantly expanded next year. Activities in grid planning, grid operation, and grid construc-

Around 300

photovoltaic systems were installed by BKW Building Solutions in 2021



More information at www.home-energy.ch



BKW Building Solutions installing a building automation system

tion will continue. New opportunities are opening up primarily due to the increased and optimized use of digital solutions.

To support its customers, BKW will intensify its activities in the areas of energy consulting, energy monitoring, and energy efficiency. BKW will also increasingly implement building automation projects, thereby contributing to measurable energy conservation. The company is planning on offering more digital consulting services and workshops that will help customers make their real estate portfolio more energy efficient. To achieve this, BKW is further expanding the collaboration within its own network.

BKW energy consumption

The company also strives to make more careful and energy-efficient use of natural resources in its operations. Electricity and heating energy are required for the operation of server systems and offices with corresponding lighting and ICT workstations. The Corporate Real Estate division, which is responsible for BKW's buildings, is continuously looking for ways to reduce energy consumption, to replace fossil-fuel fired systems with low-CO₂ systems, and to make optimum use of potential in photovoltaics and waste heat. Since the majority of BKW's sites are rental properties, opportunities to save energy are mainly driven through changes in behavior.

To ensure long-term efficiency gains, energy-saving measures have been and are being consistently implemented in BKW's larger buildings. During the conversion and construction of new commercial and residential properties, renewable energies are used wherever possible, and compliance with building standards such as Minergie is aspired to.



Activities and progress in 2021

For some time now, the Corporate Real Estate division has been taking action to reduce

energy consumption in BKW's buildings and to convert buildings to the use of renewable energy. Some of BKW's operational properties in Switzerland are defined as large-scale energy consumers. As in previous years, BKW achieved the associated 2021 efficiency target by implementing a variety of different measures, including the replacement of lamps and operation optimization of heating and ventilation systems.

The maintenance depot in Luterbach, which was fully commissioned in 2021, is an example of a property with a renewable and efficient energy supply: The power production of the newly constructed photovoltaic system exceeds the average annual electricity consumption of the maintenance depot, while a pellet heating system ensures that heat production is free of CO₂ emissions. And thanks to rainwater harvesting, the consumption of drinking water has been significantly reduced.

As part of the data collection for the greenhouse gas footprint calculation, BKW systematically recorded its energy consumption for the first time in 2021⁸. The results can be seen in the table below. Since some three-quarters of all employees work in the Services segment, this is also where the most energy is consumed.

Overview of energy consumption by business segment

Energy consumption in GWh	Energy	Grid	Services	Total
Electricity consumption	2.54	4.33	7.37	14.24
– thereof renewable	0.03	0.10	1.03	1.16
Heating energy consumption	2.29	3.00	11.94	17.24
– thereof renewable	0.00	0.17	0.83	1.00
Fuels	3.87	5.42	60.77	70.06
Total energy consumption	8.70	12.76	80.08	101.53

⁸ Direct collection of data from 54 companies, which accounted for some 80 percent of the BKW Group's employees. The values for the entire Group were extrapolated on the basis of the number of employees.

**Outlook**

Data collection on energy consumption will continue in the coming years. At the same time, BKW will work on increasing internal data transparency and on improving data quality so that targeted measures to reduce energy consumption can be defined. Based on the data collected, energy-conservation measures will be specified and implemented in the coming year together with representatives from individual business segments. The collected data shows that one priority is the fuel consumption of the company's own fleet. Central fleet management enables

reductions in fuel consumption to be achieved through efficient vehicles, electrification, and consolidation of journeys.

The commitment related to the large-scale energy consumer status will be continued in 2022. The objective is to reach the efficiency target again. The current power supply contract for BKW's headquarters with the 100 percent renewable Energy Origin Water Star is also continuing. BKW is investigating the purchase of renewable electricity for additional sites.



SDG 3: Good health and well-being

Why SDG 3 is relevant for BKW

The 2021 financial year was also dominated by the COVID-19 pandemic, which has brought the issue of health to the forefront of global consciousness. However, SDG 3 is also essential for BKW in ways that go beyond this. The company operates in demanding fields of activity where employees are exposed to a variety of different health and safety risks. These include handling electricity, hazardous materials, and working at height. As an employer, BKW has a duty of care in this context. Safety is therefore of utmost importance, along with maintaining and fostering the physical and mental health of employees.

The many challenges of sustainable design of urban living spaces offer opportunities for the wide array of skill sets at BKW. With all of this in mind, BKW develops products and innovations that further the health and well-being of society. These include lighting solutions to increase personal and traffic safety, mitigation or removal of

asbestos in properties to prevent illness, and support for a healthy indoor climate through modern ventilation systems.

A safe working environment

The company's objective is to avoid accidents, prevent injuries to health promptly, and to ensure that occupational health and safety measures are implemented in compliance with the law at all times. The Group Executive Board defines the safety policy and the associated minimum standards for health and safety for all BKW Group companies. In addition to the Group Executive Board, it is primarily the senior management of each individual Group company that is ultimately responsible for ensuring occupational health and safety as well as compliance with all legal regulations. In all companies, selected employees, who are often in management positions, assume the role of CPOHS (contact person for occupational health and safety) or SO (safety officer). They are the points of contact for any

questions relating to occupational health and safety, and they also conduct training courses, advise management on occupational health and safety, and form the interface to the specialist units in the individual competency areas.

The Group companies are supported by a specialist unit for occupational health and safety, which includes members from all competency areas. They meet as required, but once per quarter at a minimum, and are responsible for monitoring the key figures and effectiveness of the measures taken, facilitating exchange of experience, developing guidelines and recommendations for action, and launching campaigns and training courses for nurturing a general culture of safety. The specialist unit is the point of contact for all safety-related issues within BKW. BKW's CFO ensures that it has direct access to the Group Executive Board. At least once per year, the specialist unit issues an annual report on the safety situation in the Group.



Activities and progress in 2021

Ongoing employee awareness and training were at the heart of the 2021 activities which were designed to prevent accidents and keep awareness of a safe working environment at a high level. Due to differences in requirements and areas of work, different areas of focus were defined in the various competency areas.

BKW Power Grid held several specific safety days and events on occupational health and safety issues, the aim of which was to promote active dialogue among employees. Many internal and external audits and construction site inspections took place. Existing safety requirements were also made more accessible on digital platforms in order to provide employees with timely and direct access to the most up-to-date information.

BKW Building Solutions put its focus on young people and addressed occupational health and safety as a key topic in a retreat held for trainees and apprentices, which was attended by 120 participants. To raise awareness throughout the organization, a "Safety First" film series was also launched, in which all vitally important rules for building technicians were filmed as brief video clips. An FCOS⁹-compliant safety system is also being rolled out at the BKW Building Solutions companies. It has been implemented at around 80 percent of a total of 50 companies.

Another step forward in 2021 was the rollout of a reporting system for unsafe situations and near misses in the Arnold Group, which is part of the BKW Infra Services network. After just six months, the system received more than 60 reports from employees, and 58 of the reports were resolved within two weeks. In order to further strengthen the safety culture, Arnold AG had itself audited according to the Safety Culture Ladder (SCL) certification method. As the first company registered in Switzerland and with an audit result of 98.98 percent, it achieved the first certification level 3. LTB Leitungsbau GmbH, a German company of BKW Infra Services, has also been certified according to SCL level 3 for several years.

The Occupational Health and Safety unit initiated the "Your Health is Close to Our Heart" campaign to raise employee awareness of the challenges of the pandemic. This provided valuable suggestions and ideas for dealing with the pandemic situation and drew attention to internal and external advisory resources. The unit also held a two-day conference in which experiences in regard to topics such as good visibility, unobstructed escape routes, and conflict resolution were exchanged among all safety officers and managers of the BKW Group.



Outlook

The primary goal of all future activities continues to be the prevention and reduction of accidents. To effectively pursue this goal, one focus area in 2022 will be the standardization of Group-wide accident recording and the introduction and collection of key figures throughout the

Group. This is intended to create transparency, enable continuous improvement, and define even more specific measures.

The concept of prevention will continue to be underscored through training and continuing education as well as special safety days and events. In-depth accident investigations, targeted campaigns, and systematic audits will also help to significantly reduce accidents in the future. On a higher level, the specialist unit will again organize platforms for exchanging experiences between safety officers and managers. A Group-wide campaign with a focus on a new safety topic will also be implemented again in 2022.

A healthy working environment

BKW has been supporting its employees with corporate health management since 2007. Through working closely with external partner organizations and specialists, employees are provided with varied and confidential access to a range of services. The corporate health management is based on the legal requirements and the quality criteria of Friendly Workspace of Health Promotion Switzerland as well as the quality criteria for fostering workplace health of the European Network for Workplace Health Promotion (ENWHP).

The corporate health management is part of Human Resources and is open to all employees. The resources correspond to the areas of "Promoting Health," "Maintaining Health," and "Regaining Health." The aim is to promote and maintain health, performance, and the ability of employees to work, to prevent and reduce absences, and to enable employees with health problems or who have had accidents to return to work. Employees who take responsibility for their own health and well-being are to be supported and encouraged.



Activities and progress in 2021

Due to the rapid growth and diversity of the BKW Group, there are currently neither synchronized activities nor uniform key figures and indicators in the corporate health management. In 2021, a Group-level corporate health management team of specialists was assembled to consolidate efforts from the various competency areas and take advantage of synergies. The team of specialists meets once per quarter and consists of representatives from the various Human Resources units at BKW.

"Promoting Health": Since 2014, BKW has offered interested employees a wide range of exercise options. Due to the pandemic and the rise in



remote work, various health-fostering courses in the areas of exercise, structuring work and break times, and ergonomics were held online in 2020. This combined offer was continued in 2021. Thanks to the expanded offerings, especially in terms of online resources, BKW was able to reach more employees and raise their awareness.

"Maintaining Health": An internal point of contact is available to employees for questions relating to physical and mental health as well as social well-being. In regard to issues such as childcare and family member care, BKW works with the non-profit organization profawo. BKW also recently began a partnership with movis, a company that specializes in advising employees on health and social issues. The advice provided is confidential, and employees can quickly receive the support they need.

“Regaining Health”: BKW maintains an internal company case management with the goal of enabling employees with health problems or who have experienced an accident to return to work quickly. A professional internal and external network of specialists and agencies (such as a company doctor, insurance companies) is available to provide support. In addition, the “Resit” reintegration program was again able to offer alternative solutions to several employees who are no longer able to carry out their usual activities for health reasons.



Outlook

In 2022, BKW intends to press ahead with the implementation of the Friendly Workspace quality criteria of Health Promotion Switzerland. Meaningful key figures and indicators are to be developed and collected for BKW in this context. On this basis, targeted analyses can be carried out, action areas can be identified, and effective corporate health management measures can be drafted and implemented.

Products and services for the promotion of health and well-being

Through its products and services, BKW intends to provide added value that also enhances the health and well-being of society, such as illumination of public spaces, noise pollution studies, or renovation of sites and buildings. Development of these products takes place on a decentralized basis within the Group companies which have their own specific expertise and continue to develop their competency areas on their own. In doing so, they align themselves closely to their customers' needs and utilize the exchanges of experience in the BKW network and in association memberships in order to take current trends and developments into consideration.



Activities and progress in 2021

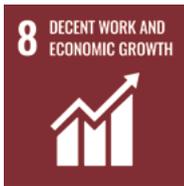
In 2021, traffic infrastructure was made safer through a variety of lighting solutions. For example, standalone solar-powered lights can be appropriately used on large road construction projects or along bicycle paths in order to ensure all road users remain safe. Precisely controlled LED luminaires help prevent accidents by providing good illumination and high visibility at intersections and pedestrian crossings. The positive side effects of this are reduced energy consumption and a reduction in light emissions.

Pollutants in buildings, such as asbestos, radon, mold, or even noise, can have negative impacts on people's health. BKW companies carried out a wide range of projects to reduce these risks, including building pollutant investigations, preparation of noise studies, and surveys and monitoring for radon remediation in public buildings. Contaminated sites were investigated, and demolition work was monitored by experts on industrial sites with the aim of preparing currently contaminated areas for later residential use. BKW Engineering made a direct contribution to a reliable healthcare infrastructure through its work on the architectural and project planning for the modernization of a hospital in Mainz.



Outlook

Urbanization and climate change impacts will pose ever-greater challenges for the well-being of humanity in the future. Various BKW companies will therefore continue to offer proven solutions while developing new solutions that promote health and safety in living and working spaces. In this context, the health aspects are to be more closely considered together with other benefits, such as energy or material efficiency. The many decentralized developments and projects in the BKW network will also be more intensively discussed in the coming year.



SDG 8: Decent work and economic growth

Why SDG 8 is relevant for BKW

BKW can achieve corporate success and its targeted growth only with motivated and competent employees. Positioning BKW as an attractive employer is therefore a key step in attracting and retaining these employees. In turn, BKW wants to offer a working environment that features opportunities to develop, room for entrepreneurial thought and action, equality of opportunity, and freedom from discrimination.

In addition to our own working environment, today's global, wide-ranging, and highly complex supply chains offer powerful leverage for making global progress on sustainable development. That is why BKW relies on cooperation and collaboration with all its business partners. Improving sustainability aspects offers benefits that include reducing risks in the supply chain, protecting the company's reputation, and gaining

advantages in the market when consumers demand responsible business conduct.

A fair and nurturing work environment

Our human resources policy is based on encouraging employees to think like entrepreneurs and take responsibility for their actions, with ongoing development of expertise and fostering of labor market readiness, retention of talent, and measures to prevent the loss of key personnel. This is the standard to which BKW aspires in its human resources policy. Future employee and management development is aligned with BKW's strategy, core values, and employer promise. Employees and managers throughout the company hold development talks on a regular basis. As set out in BKW's salary policy, salaries are determined without regard to gender, age, nationality, or other demographic or personal characteristics.



More information at
www.bkw.ch/workingatbkw

Managers are responsible for creating a fair and nurturing working environment with support from the Human Resources departments of the various competency areas. HR representatives from all competency areas exchange information on a monthly basis on the HR Board.



Activities and progress in 2021

In 2021, the Human Resources departments of the competency areas jointly defined new key and leadership competencies, which are to be used as the basis for future development offerings. The initiative is putting its focus on leadership development because leaders act as role models and multipliers for the entire organization.

BKW also relies on the initiative of its employees when it comes to their own professional development. A Digital Learning Week featuring a wide range of learning opportunities from many different competency areas was held for the first time in 2021. The employees themselves contributed with specific topics, and awareness of "lifelong learning" was also raised. The ideas@work program was also continued. This involves employees devoting a portion of their working time to interdisciplinary innovation projects with internal and external support.

Equal pay for men and women is a matter of course for BKW and demonstrates the fair working environment. The Group Executive Board has clearly formulated the requirement that individual salary increases are not only to be used for top performers but also for employees who need to catch up with others in terms of salary and also to ensure equal pay. Salaries are already reviewed on an annual basis in all competency areas. In 2021, the legally required equal pay analysis was carried out again in Switzerland. The results confirm to BKW that the requirements of the Swiss Gender Equality Act are being complied with in the analyzed companies.



Outlook

While BKW continues to support its employees in their individual and external training and development, in the future there will be a greater focus on learning and development in daily working life. One focus will be digital learning. These resources will be developed according to the employee life cycle. To take

greater account of demographic trends within BKW, the focus here will be on employees in the second half of life. The development of young talent also remains crucial for BKW. To counteract the skills shortage in skilled trades such as heating, ventilation, and air conditioning (HVAC), plumbing, grid electrical systems, and electrical engineering, BKW continues to offer a wide range of apprenticeships.

In 2022 BKW plans to pave the way for equal pay so that statements can be made on this throughout BKW. Fair payment of all interns at BKW is also related to this issue. The next step will be to conduct an overarching analysis across all competency areas and to discuss the topic of fair compensation in the HR Board.

A general priority for 2022 will be the development of targets, actions, and key figures for employee development and equal pay. The aim is to ensure an effective and efficient process and to demonstrate progress in a manner that can be tracked.

Supply chain management

BKW procures some 90 percent of the of the required first-tier goods and services from suppliers in Switzerland. In addition to legally compliant conduct, BKW fosters and compels suppliers to comply with the BKW Suppliers' Code. In the context of this code, suppliers and service providers undertake to assume responsibility for sustainability issues. The Suppliers' Code of Conduct specifically covers respect for human rights, good working conditions, fair competition, environmental protection, and anti-corruption.

To further advance and integrate the issue of sustainability in the supply chain, BKW established a partnership with EcoVadis in 2020 and has since intensified this relationship. The EcoVadis platform enables BKW to assess the sustainability performance of suppliers in relation to the environment, ethics, human rights, working conditions, and sustainable procurement more systematically and also to derive and track any ensuing improvements. The platform is used at several points in the procurement process – as a source of information for supplier qualification and initial assessment and for development

90%

Percentage of the required first-tier goods and services that are procured from suppliers in Switzerland.

meetings together with suppliers. It also helps to identify, reduce, and manage potential sustainability risks in the supply chain.

In addition to EcoVadis, all new suppliers must complete a self-declaration that asks questions covering sustainability, including ethics, the environment, and labor and human rights. This self-declaration is part of the contract together with the General Terms and Conditions of Purchase, which also contain an explicit annex on sustainability issues. To establish sustainability standards in the supply chain, BKW is also involved in cross-industry partnerships such as the “Sustainable Supply Chain Management” joint working group of the Association for Sustainable Business (öbu) and the United Nations Global Compact.



Activities and progress in 2021

After one year of partnership with EcoVadis, BKW can see the positive impact. The target set was to have rated 100 active suppliers on the platform by the end of 2021. There were two waves in which suppliers were onboarded onto EcoVadis, with the first wave including some 70 BKW suppliers and the second wave roughly 55. The focus was on major suppliers of strategic relevance. Suppliers that were already active on EcoVadis were also asked to provide their dashboard. Corporate procurement had therefore rated a total of 125 suppliers by the end of the year, exceeding the original target.

This also enabled BKW to improve its own rating on the EcoVadis platform, particularly in relation to “Sustainable Procurement.” The BKW Procurement Instruction is also currently being revised and standardized across the Group, particularly with regard to sustainability aspects. Key improvements were also made in other areas, such as regarding sustainability criteria for tenders and employee training on sustainability issues. One important new feature relates to BKW’s Suppliers’ Code of Conduct, which was revised and made more stringent in 2021. It now explicitly refers to international standards on responsible corporate governance.



Outlook

In 2022, corporate procurement intends to further develop the Sustainable Supply Chain initiative, with a focus on four areas. First, the development and implementation of an overarching purchasing policy for BKW’s purchasing organizations will provide the framework for future standards. Second, the implementation of a joint procurement scorecard for the BKW Group purchasing organization with agreed development targets and key figures and indicators for sustainability. In addition, processes and interfaces with regard to human rights due diligence in the supply chain will be analyzed and optimized in order to firmly embed such due diligence processes into everyday business routines. Cooperation with EcoVadis and ratings of additional suppliers will also continue in 2022.



More information at
[www.bkw.ch/
procurementpolicy](http://www.bkw.ch/procurementpolicy)



SDG 16: Peace, justice, and strong institutions

Why SDG 16 is relevant for BKW

BKW operates in an international environment with a large number of suppliers, business partners, and project participants and many different stakeholders. The focus of business activities is in European countries in which respect for internationally recognized human rights is already largely reflected in each country's legal requirements. BKW is nevertheless aware that its activities may entail the risk of human rights violations. The company strives to both reinforce positive influences and prevent or mitigate negative ones while also advocating respect for human rights at all times.

In this context, fair, respectful, and non-discriminatory business conduct is a matter of course for BKW. This includes transparency with regard to financial contributions for political activities that affect BKW's framework conditions and refraining from making donations to parties, politicians, and members of the authorities.

Respect for human rights in business activities

An initial analysis of BKW's business activities conducted by Compliance & Sustainability department revealed that risks of involvement in human rights violations exist primarily at two points in the value chain. In the procurement of products of specific commodity groups and from certain countries, especially at the lowest levels of the supply chain. Furthermore, through international projects for the expansion of renewable energy or through project activities with international business partners. The latter may adversely affect the cultural rights of certain vulnerable populations, for example.

Due to the diversity of these activities, compliance with human rights must be ensured in the respective functions and areas. They receive support from external providers such as EcoVadis and internal support from the Compliance & Sustainability department. BKW is committed to respecting human rights in all its activities and

has publicly affirmed this by participating in the United Nations Global Compact.



Activities and progress in 2021

From 2020 to 2021, BKW engaged in a dialogue process with the Swiss National Contact Point (NCP) for the OECD Guidelines for Multi-national Enterprises. This was triggered by a complaint from the NGO "Society for Threatened Peoples" in regard to an alleged violation of the human rights of the indigenous Sami people in Norway through a holding in a wind power project. The dialogue with the NCP was constructive, and BKW will be optimizing its approach based on this experience. The dialogue ultimately ended in success with the issuance of a [joint statement](#). A tangible and specific outcome was implemented with the inclusion of the principle of free, prior, and informed consent of vulnerable populations in the new Code of Conduct.

An interdisciplinary team developed the basis for a training and awareness concept for the pending implementation of the fundamental revision of the Code of Conduct in 2021. In relation to international renewable energy projects, sustainability management had already contacted business development in order to incorporate human rights aspects, particularly with regard to indigenous peoples, into project selection and due diligence.

Corporate procurement also revised BKW's Suppliers' Code of Conduct, explicitly incorporating international standards such as the principles of the United Nations Global Compact and the core standards of the International Labor Organization (ILO). Corporate procurement also carried out initial checks for the risk of child labor in the supply chain.



Outlook

In 2022, the focus will be on implementing the new Code of Conduct and on the results of the dialogue process. To do this, the company is developing and offering various formats for training and raising awareness, some of which are held on a regular basis and are mandatory. Building on basic modules, the formats also plan to consider the specific requirements of the various

specialist functions. For example, there is to be an expansion in the training and awareness raising offers related to human rights in specific functions (such as energy projects in relation to indigenous peoples or child labor in procurement). This will be accompanied by a revision of the internal guidelines in regard to human rights due diligence work in relevant processes.

Measurement of the effectiveness of the actions implemented will be improved. This will include the definition of indicators, updating of existing processes, and close cooperation between sustainability and compliance management and the business units and specialist functions.

Integrity and ethical business conduct

By participating in the United Nations Global Compact, BKW is declaring its efforts to act responsibly and in accordance with the principles of sustainability. Offenses such as corruption, bribery, human rights violations, anti-competitive conduct, misuse of data, and environmental negligence go against our principles and the BKW Code of Conduct. The content of the Code of Conduct is set out in concrete terms in directives, guidelines, and work instructions. These are included in the company's policies, to which all employees have access. All new employees are required to attend training on the Code of Conduct. Internal audits verify that these training courses have been undertaken.

Responsibility for ensuring that policies remain up to date lies with Compliance management, which reports to the Chief Compliance Officer, who in turn reports to the CEO on a regular basis. The CEO and Board of Directors have also defined compliance topics on which they want to be informed on an ad hoc basis. A compliance management system (CMS) supports BKW in identifying compliance risks promptly, defining adequate measures to prevent violations of rules, and implementing such rules effectively and efficiently within the BKW Group. If employees identify compliance violations, they can contact their manager or Compliance management directly or submit a report using the anonymous and confidential whistleblower system.



More information at
[www.bkw.ch/
codeofconduct](http://www.bkw.ch/codeofconduct)

**Activities and progress in 2021**

In 2021, BKW updated its Code of Conduct to meet the current societal requirements and international standards regarding business conduct with integrity. Various aspects of the CMS were also further expanded last year, including internal reporting to the Group Executive Board and the Board of Directors and a clearer definition of responsibilities. As is the case every year, several mandatory compliance training courses for managers were also offered in 2021. This training includes anti-corruption measures.

The whistleblower system was used to submit 48 reports in 2021. These reports were primarily related to suspected violations of the Code of Conduct. All reports were resolved through discussions with all parties involved as well as jointly agreed measures.

**Outlook**

In 2022, the focus will be on further developing the compliance management system and on raising awareness of the whistleblower system throughout the Group. To this end, Compliance, Human Resources, and Communications will jointly implement training and awareness campaigns in the company next year. The new Code of Conduct will come into force and be rolled out across BKW. All employees are required to regularly come to grips with its significance for their daily work. To ensure the effectiveness of the measures undertaken, transparency in regard to which employees (roles and functions) have attended which training courses is to be improved. The progress will be reviewed in internal audits. Recommendations for training should be based on risk, that is, with a focus on topics that are particularly relevant to a function in terms of business conduct with integrity (such as data privacy for employees in customer support and environmental protection for employees in power plant operations).

Summary information on SDGs 6, 9, 11, 12, and 15

Explanation of relevance for BKW

Analysis of the greatest impacts along the value chain showed that BKW, as an energy and infrastructure service provider, can make a contribution to additional global challenges including reliable drinking water supplies (SDG 6), resilient infrastructures (SDG 9), livable residential areas (SDG 11), resource conservation (SDG 12), and healthy ecosystems (SDG 15). As a diverse

network, BKW offers a range of competencies and relevant products and services which contribute to the achievement of these goals. The challenges associated with achieving the SDGs thus represent opportunities for BKW's business model.

On the following pages, the significance of each SDG for BKW and an exemplary contribution it makes for each SDG are presented in brief.

BKW's contributions to SDGs 6, 9, 11, 12, and 15 in 2021**SDG 6: Clean water and sanitation**

Everyone needs drinking water to live, and a well-functioning drinking water supply and a wastewater disposal system are part of

the basic needs of our society. The drinking water grids in Switzerland are decades old in some cases, leading to water losses of around 12 percent¹⁰. BKW is helping to maintain the critical drinking and firefighting water infrastructure with services such as a system for online monitoring of water grids, the smart LORNO¹¹ leak detection system in hydrants, and resource-conserving pipeline rehabilitation. In addition, rapid detection and repair of leaks result in cost savings for customers, which are often municipalities.

Water is also essential to the reliable operation of hydroelectric plants. In 2021, BKW reduced the associated impact on water-based ecosystems by

taking part in ecological restoration projects and by ensuring that fish will be able to migrate past its power plants unencumbered by 2030. It also improves the impairments caused by hydropeaking and sediment regime below the power plants.



BKW Infra Services is committed to the water infrastructure of the future. In 2021, BKW Infra Services company Hinni AG installed the latest generation of the LORNO control system with the FOX option at original LORNO customer Altis Group SA. The system can correlate between hydrants in order to precisely determine the location of leaks. It will be put into service imminently, and the customer already achieved some good results during the test phase, in that the location of existing leaks could be determined. A close cooperation between Altis Group SA and Hinni AG is currently running a campaign to use data analysis and field investigations to detect and locate leaks and then reduce water losses through repairs.



¹⁰Swiss Gas and Water Association, "Statistical Surveys of Water Utilities in Switzerland, Operating Year 2019."

¹¹LORNO is a smart leak detection system that is installed in hydrants. It uses radio data transmission to automatically send information from the drinking water grid to the server. Users are informed by e-mail and/or SMS and can view the details online.



SDG 9: Industry, innovation, and infrastructure

BKW's business model includes the construction of infrastructure that is reliable and resilient in regard to decentralization of the

energy supply and conceivable risks posed by climate change and cyber-attacks. The company is working on smart distribution grids and digital solutions to prepare the grid infrastructure for challenges such as a growing number of "prosumers"¹² decentralized generation, and electrification of heating provision and mobility.

Alongside smart electricity distribution grids, the need for reliable data and communication networks, efficient, environmentally friendly lighting solutions, and resource-conserving buildings also offer business opportunities for BKW as an infrastructure service provider. BKW will use the "Building Information Modeling" (BIM) method in many of its projects in this area. This method maps reality as a digital data model which can be used to simulate building variants, identify potential conflicts between various

infrastructures at an early stage, and use resources sparingly and in a targeted manner.

The year 2021 also demonstrated the importance of tasks such as heavy rainfall protection, drainage planning, and flood protection in residential areas. By drawing up and implementing action plans, BKW is helping to avoid and reduce damage to people, the environment, and infrastructure during extreme weather events.



Together with Deutsche Bahn subsidiary DB Energie, BKW implemented a pilot project using the BIM method in 2021. A 132-kilovolt overhead transmission line from the 1950s had to be replaced in the Basel metropolitan area. The traction power line runs through an area in which infrastructure facilities, commercial buildings, and residential buildings are packed closely together. To meet the challenges of this project, the BIM method was used for the first time for an overhead line project in Germany. This was a test case for the added value that the digital planning and construction of overhead transmission lines can bring. DB Energie's objective was to gather relevant experience together with BKW.

¹²A consumer who is also a producer. An example of this would be a home that obtains power from the grid but also uses a photovoltaic system to produce its own electricity, which it feeds into the grid from time to time.



SDG 11: Sustainable cities and communities

In addition to growth in residential areas, home and work environments, along with infrastructure and human behavior, are becoming increasingly interconnected.

These spaces require energy-efficient buildings, integrated network infrastructures, decentralized renewable energy generation, and modern transport solutions. BKW offers answers to these challenges through its expertise in transport and grid planning, residential water management, flood protection, and wood construction systems. Sustainable architecture is another key core competency and the domain of BKW Engineering in particular. The trademarked term of *supergreen*® represents an integrated concept that includes energy and resource consumption, factors affecting human health, and quality of living spaces.



With the *supergreen*® concept, BKW Engineering company *ingenhoven architects* won a competition for a new urban neighborhood in Munich in 2021. The neighborhood is intended to be both vibrant and diverse and is to consist of apartments, stores, restaurants, child daycare centers, a nursing home, and offices. A wide variety of green spaces, a garden accessible to all residents, and green roofs and terraces set high ecological standards. The use of recycled concrete, photovoltaic power generation, smart use of district heating, and a cradle-to-cradle approach¹³ make for a climate-neutral and energy-optimized neighborhood. Some 40 percent of the apartments will be subsidized or moderately priced in accordance with the Socially Responsible Land Use Act – making the new neighborhood truly a city for all. This urban neighborhood is making a sizable contribution to sustainable development, as it also helps achieve SDGs 7, 12, and 13 in addition to SDG 11.

¹³“From cradle to cradle,” design principle for a systematic circular economy



SDG 12: Responsible consumption and production

The production plants and infrastructure facilities that BKW constructs are built to be used for decades. In addition, predictive maintenance and replacement of individual components extend the service life of functional systems. When plants reach the end of their lives, BKW looks for ways to reuse materials and is committed to waste avoidance and recycling. For example, this is how the dismantling of the Mühleberg Nuclear Power Plant was handled. Materials are reused or recycled whenever reasonable and possible. The “splinter protection stones”¹⁴ were cleaned and tested repeatedly for radioactivity to ensure that they could be safely used elsewhere. They were then crushed and processed into cement in several stages. This enabled 1,200 metric tons of concrete to be retained in

the material cycle for use in new structures. The two block transformers are also valuable resources, and one of them was reused in another power plant. The second was professionally dismantled and recycled.



Extending the life of batteries from electric cars: In a [joint pilot project](#), BKW Energy and start-up sun2wheel are testing solutions for more sustainable production and consumption patterns. After an electric car has traveled approximately 300,000 kilometers, the batteries can be given a second use and used for another 10 years as storage units for surplus solar power, which makes it possible to better deal with load peaks in power consumption. This project helps conserve resources in two different ways: on the one hand, the service life of existing products is extended in a way that makes sense, and on the other hand, no additional products are required that would otherwise assume these functions.



¹⁴Big concrete elements that would have protected the surrounding area from fractured turbine parts in the event of mechanical failure.



SDG 15: Life on land

In the construction of power plants or infrastructure projects, BKW keeps the impact on ecosystems and landscapes to a minimum. The majority of BKW power

plants in Switzerland are certified as "nature-made star" or "naturemade basic," and around 40 projects for the ecological renovation of hydroelectric plants are currently in progress. In addition to these renovation projects, the eco fund is a key tool for restoring natural habitats and fostering biodiversity. In roughly 300 projects to date, floodplain landscapes have been enhanced and rivers revitalized, dry stone walls restored, and invasive species combated. All of this ensures that valuable ecosystems and refuges for protected species and other wildlife are created.



From planning to completion, revitalization work on aquatic habitats often takes several years. With support from the eco fund,

ecological enhancement of the Simme River in the municipality of Boltigen began in 2016. The goal was to create a new river landscape with hedgerows and small structures as well as a floodplain forest that helps various fish and amphibian species to flourish. By the end of 2020, additional project optimizations had taken place, such as reactivation of the side branch that had been cut off in the meantime, and additional rootstocks were grafted. This created a good basis for the development of a floodplain landscape that could thrive on its own.

In addition to specific revitalization projects, the eco fund is continuously working to fight the spread of invasive neophytes. These can jeopardize native biodiversity, destabilize stream banks, and damage buildings, and can even be hazardous to human health. The eco fund and its various partners have been combating these foreign plants for over ten years and have therefore contributed to healthy native ecosystems.





The future belongs to renewable energy sources. In addition to solar and hydroelectric power, this also includes wind energy. BKW is steadily expanding its portfolio in several European countries. Learn more at www.bkw.ch/ar21



ANNUAL REPORT 2021

BKW Green Bond



BKW GREEN BOND

Reporting on allocation and impact



Dear Investors,
Ladies and Gentlemen,

In 2019, BKW became the first listed Swiss company to issue a Green Bond for trading on the Swiss exchange. At the beginning of 2021, BKW and KWO succeeded in issuing Switzerland's first Green Bond for storage power and large-scale hydropower.

Low interest rates and the associated lower investment opportunities are forcing institutional investors to invest in alternative asset classes such as wind and hydropower. This increases the demand for such projects, which in turn reduces the achievable returns on capital, often putting them below BKW's return requirements. Even though we were able to acquire projects for photovoltaic plants in Italy in 2021, we would like to expand our renewable energy portfolio more quickly.

With the start of construction of the new Arvigo hydroelectric plant in Calanca and the commissioning of a Wiler-Kippel hydroelectric plant, we moved closer to our goal of having 75% of our production capacity originating from renewable energy technologies by 2023. At the end of 2021, the proportion of renewable production capacity was unchanged at 74%.

We are making good progress with the construction of the Sousbach hydroelectric plant, and the power plants in Switzerland, France, and Norway are operating according to plan. In 2021, the Norwegian "Herbaks-/Kvendalsfjellet" and "Geitfjellet" projects, which were commissioned in 2020, produced electricity all year round for the first time. The "Roan" project was affected by the Norwegian Supreme Court decision regarding its operating permit in 2021. The operation of the plants is not directly affected by the ruling. The relevant Norwegian ministry has confirmed that it needs a new administrative procedure aimed at finding compensatory measures to ensure that the rights of Sami reindeer herders are guaranteed.

Dialogue in this regard has been initiated with all the stakeholders involved and, in particular, with the Sami. The "Roan" project remained online last year.

The 424.9 GWh of electricity produced in 2021 and attributable to the Green Bond corresponds to the annual consumption of 94,400 households¹ in Switzerland. The CO₂e emissions saved in the same period amount to 6,537.7 metric tons or 14,623 metric tons since the launch of the Green Bond. We are pleased to provide you with details below about the allocation of the net proceeds and the impact we have achieved through the projects financed by the Green Bond in 2021.

Yours sincerely,



Ronald Trächsel
CFO

¹ Calculation based on consumption of a 5-room apartment of 4,500 kWh per annum, according to <https://www.strompreis.elcom.admin.ch>

Reporting on allocation and impact

To ensure the transparency and quality of the Green Bond issued, BKW reports annually on the allocation of net proceeds and impact. The

following reporting principles have been defined for quality assurance purposes:

Green bond reporting principles

Installed capacity (MW)

In the case of live projects, installed capacity in megawatts (MW) indicates the installed capacity attributable to the Green Bond based on the commissioning documentation. In the case of projects under construction, the capacity shows the planned capacity attributable to the Green Bond based on the manufacturer's type certificate or the hydroelectric concession.

The figure is given in CO₂ equivalent (CO₂e), since the IEA takes into account not only CO₂ but also the greenhouse gases CH₄ (methane) and N₂O (nitrous oxide). The following values are used for the calculations:

- Switzerland: 26.3 g CO₂e/kWh
- France: 54.1 g CO₂e/kWh
- Norway 8.6 g CO₂e/kWh

Production (GWh)

Production in gigawatt hours (GWh) indicates production based on production data (energy statistics) for 2021 attributable to the Green Bond.

The direct emissions based on treeze² are used for the projects. These are 0 g CO₂e/kWh each for the small hydropower and onshore wind technologies.

Greenhouse gas emissions in CO₂e (t) saved

The Green Bond projects generate renewable electricity in Norway, France, and Switzerland. When calculating the emissions saved, we assume that the electricity generated by the Green Bond projects would otherwise have been generated using the country's typical production mix.

The CO₂e in metric tons (t) saved is calculated by multiplying the production quantity of a project attributable to the Green Bond by the CO₂e emission factor of the production mix of the country in which the project is located.

The emission factors for these production mixes accordingly form our baseline. We now use the latest information from the International Energy Agency (IEA)¹ for all countries.

Allocation (CHF millions)

The allocation in millions of Swiss francs (CHF millions) corresponds to the amount of the net proceeds from the Green Bond allocated to the corresponding technology.

Allocation (%)

The allocation in % corresponds to the share of the net proceeds from the Green Bond allocated to the respective technology.

1 IEA Statistics Data Service: Emissions Factors, 2020 edition, released 11 September 2020

2 treeze Ltd. (Messmer A., Frischknecht R.) (2016): Umweltbilanz Strommix Schweiz 2014

Reporting on allocation and impact

Technology	Project	Country	Status	Year	Attributable to the Green Bond ...			Allocation ¹			
					Comission- ing	Installed production	Production 2021	CO ₂ e avoided 2021	CHF millions	%	
Small hydro	Ragn d'Err ²	Switzerland	Operation	2016	2.3	7.0	183.2	25.0	12.5%		
	Schattenhalb			2017	1.3	3.9	101.6				
	Spiggebach			2017	0.8	2.9	75.3				
	Sousbach			2025	1.0	0.0	0.0				
Subtotal small hydro					5.4	13.8	360.1				
Wind	Saint Germer	France	Operation	2017	7.1	21.7	1,173.5	175.0	87.5%		
	St. Julien du Terroux			2017	6.1	10.8	581.6				
	RAZ Energie 3			2017	13.4	25.6	1,386.3				
	Roan ³			2018	25.0	76.0	653.8				
	Marker			2019	43.9	143.2	1,231.6				
	Hitra II			Norway	Operation	2019	7.9			22.1	190.2
	Harbaks-/ Kvenndalsfjellet					2020	22.4			63.3	544.6
Geitfjellet			2021	17.1	48.4	416.0					
Subtotal wind					142.9	411.1	6,177.6				
Not allocated								0.0	0.0%		
Total					148.3	424.9	6,537.7	200.0	100.0%		
Total since issuance						916.1	14,622.7				

1 The allocation includes financing of the Sousbach project amounting to CHF 5 million. The remaining CHF 195 million has been used for refinancing.

2 Ragn d'Err: According to the Green Bond Framework, the lookback period of 36 months may be exceeded. The excess must be disclosed transparently. In the case of the Ragn d'Err project, this period was slightly exceeded at 38 months. Due to the project's long term, the project was refinanced with the green bond, despite the overrun being small.

3 Roan: a new admission to operation is required due to a judicial decision. For details, see the CFO foreword.

Independent Auditor's Report on Allocation and Impact



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To the management of
BKW AG, Berne

Berne, 10 March 2022

Independent assurance report

We have been engaged to perform a limited assurance engagement on the information and metrics disclosed in the BKW AG Annual Report 2021 in the chapter "BKW Green Bond" for the reporting period from 1 January 2021 to 31 December 2021:

- Allocation of proceeds and impact metrics (hereafter "the KPIs") as disclosed in the table "Reporting on allocation and impact" on page 151

Our engagement was limited to the KPIs listed above. We have not assessed the following KPIs or information disclosed in the report:

- Information other than the KPIs indicated above
- KPIs related to previous reporting periods
- Qualitative statements



Applicable criteria

BKW AG defined as applicable criteria (hereafter "applicable criteria"):

- "Green Bond reporting principles" presented on page 150
- BKW Green Bond Framework (accessible online on BKW's homepage: www.bkw.ch)

We believe that these criteria are a suitable basis for our limited assurance engagement.

The quantification of greenhouse gases (GHG) is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emission factors and the values needed to combine emissions of different gases.



Responsibility of BKW AG's management

The management of BKW AG is responsible for the selection of the applicable criteria and for the preparation and presentation of the disclosed KPIs in accordance with the applicable criteria. This responsibility includes the design, implementation, and maintenance of internal controls relevant to the preparation of performance measures that are free from material misstatement, whether due to fraud or error.



Independence and quality control

We have complied with the independence and other ethical requirements of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* of the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



Our responsibility

Our responsibility is to express an opinion on the above mentioned KPIs based on the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. This standard requires that we plan and perform this engagement to obtain limited assurance about whether the KPIs in the report are free from material misstatement, whether due to fraud or error.

In accordance with the engagement agreement, our duty of care for this engagement only extends to the management of BKW AG.

Based on risk and materiality considerations we have undertaken procedures to obtain sufficient evidence. The procedures selected depend on the practitioner's judgment. This includes the assessment of the risks of material misstatements in above mentioned performance measures. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in scope than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.



Summary of work performed

Our limited assurance procedures included, amongst others, the following work:

- Assessment of the suitability of the underlying criteria and their consistent application
- Inquiries of company's representatives responsible for collecting, consolidating, and calculating the KPIs in order to assess the process of preparing the data, the reporting system, the data capture and compilation methods as well as internal controls to the extent relevant for the limited assurance engagement
- Inspection of the relevant documentation of the systems and processes for compiling, analyzing, and aggregating sustainability data and testing such documentation on a sample basis
- Analytical procedures and inspection of documents on a sample basis with respect to the compilation and reporting of the performance measures
- Analytical procedures of the Annual Report 2021 regarding plausibility and consistency with the performance measures

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.



Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the KPIs have not been prepared, in all material respects, in accordance with the applicable criteria.

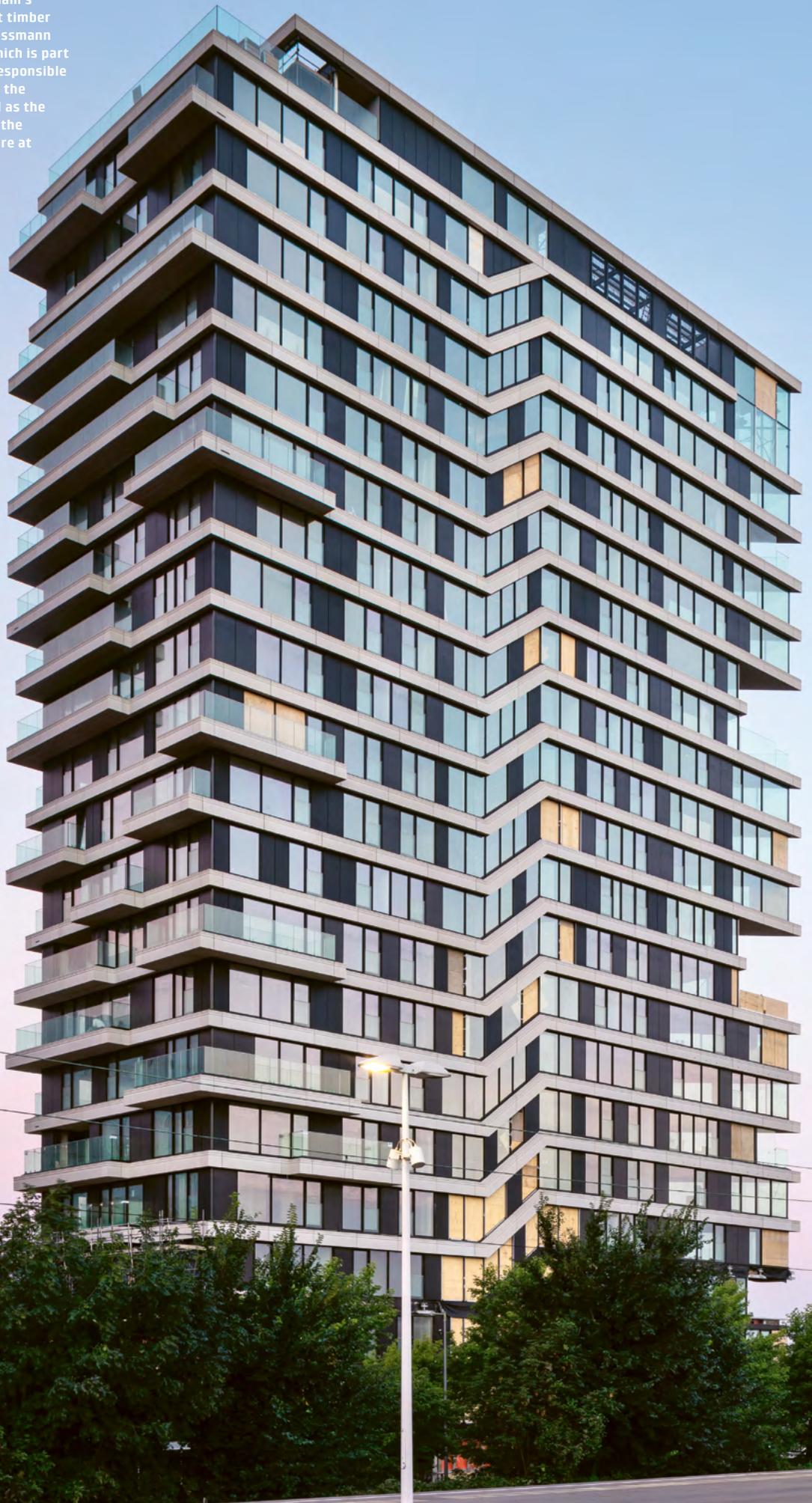
Ernst & Young Ltd

Mathias Zeller
Associate Partner

Mark Veser
Director



At 73 meters high, Amsterdam's "HAUT" is one of the tallest timber skyscrapers in the world. Assmann Beraten + Planen GmbH, which is part of BKW Engineering, was responsible for the structural design of the timber construction as well as the engineering supervision of the construction site. Learn more at www.bkw.ch/ar21



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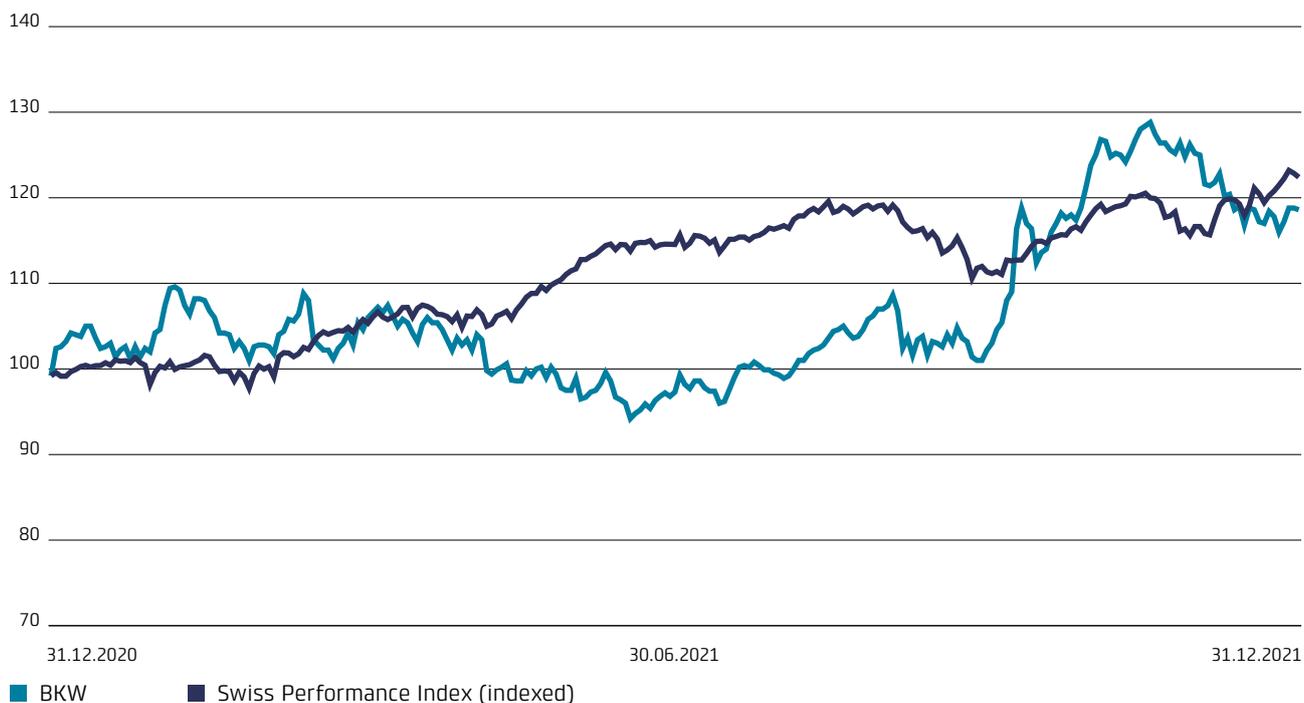
Investor Information



Important information on the share, bonds and financial calendar

Performance of the BKW share

31.12.2020 – 31.12.2021



At the beginning of the year, the BKW share continued its upwards trend. In February and March, following the communication of the excellent annual result for 2020, the share price rose to almost CHF 110. By the middle of the year the share price was fluctuating at around CHF 100. Before rising significantly in the second half of the year and reaching a high of CHF 128.80 in the meantime, both the strong half-year results for

2021, as well as the Capital Markets Day at the end of October with the communication of the ambitious growth targets for the next five years, have given positive impetus to this development. The share closed at CHF 118.60 and thus recorded a strong performance of 19.6% for 2021. The cumulative total shareholder return for the period from 2014 until December 31, 2021, amounts to 433%.

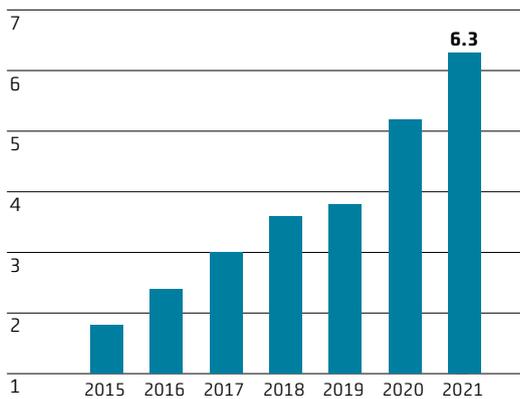
The shares of BKW AG are listed on the main segment of the SIX Swiss Exchange.

Ticker symbol on SIX	BKW
Securities number	13.029.366
ISIN code	CH0130293662

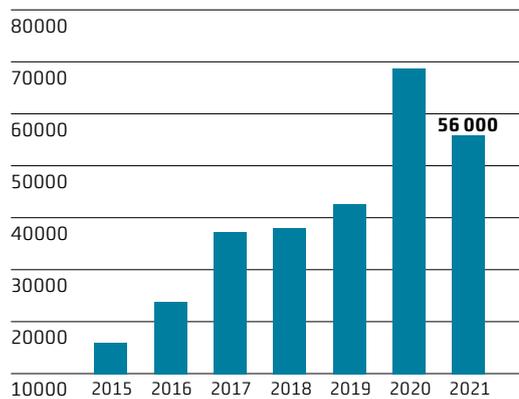
The BKW share is included in the following indices: SPI, SPI Mid, SPI Extra, SPI ex SLI, SPI Select Dividend 20, Swiss All Share, UBS 100

Market capitalization

in CHF billion (as of 12/31)

**Average daily trading volume on SIX**

in units

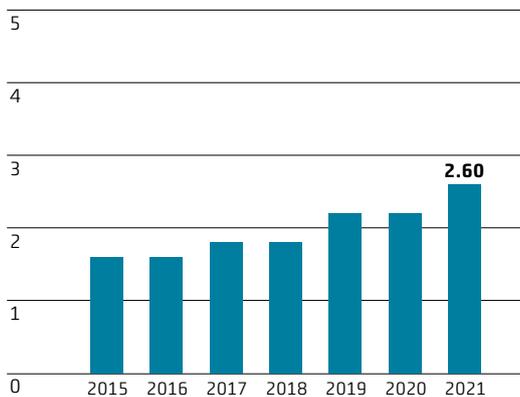
**Dividend policy and dividend yield**

BKW is committed to a consistent dividend payout based on a ratio of 40% to 50% of adjusted net profit.

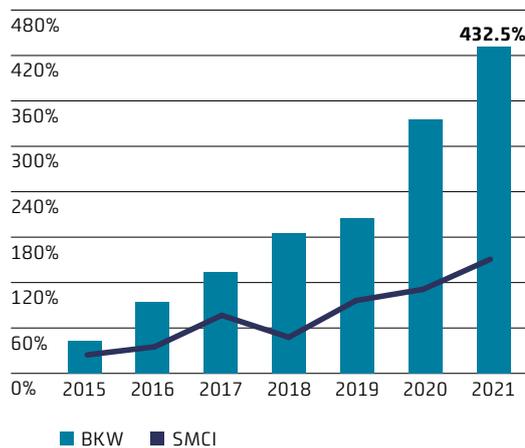
The Board of Directors proposes to the General Meeting a dividend of CHF 2.60 per share for the 2021 financial year. The dividend will be paid out on 20 May 2022.

Dividends

in CHF

**Total shareholder return**

since 2014, as of December 31

**Restrictions on share transferability**

The Company may refuse to register an acquirer of shares in the register of voting shareholders for the following reasons:

- a) If the acquisition results in a natural person, a legal entity, or a partnership holding (directly or indirectly) more than 5% of the entire share capital. The same restriction applies to legal entities, partnerships, groups of persons, or joint ownerships that are bound by capital or voting rights, shared management, or links of another nature. It also applies to all natural persons, legal entities, or partnerships acting jointly or in concert in order to acquire shares;
- b) Unless the acquirer expressly declares that they have acquired the shares in their own name and on their own account.

Major shareholders

To BKW's knowledge, the following shareholders held more than 3% of the shares as of December 31:

	31.12.2020	31.12.2021
Canton of Bern	52.54%	52.54%
Groupe E Ltd.	10.00%	10.00%

The free float amounts to 37.5%.

Key figures per share

CHF	31.12.2020	31.12.2021
Result	6.86	5.77
Equity	70.05	74.24
Dividend	2.40	2.60
Dividend yield (in %) ¹	2.4%	2.2%
Price/earnings ratio ¹	14.5	20.6
Year-end	99.20	118.60
Year high	103.20	128.80
Year low	71.10	94.20

1 Based on year-end price

Bonds

As of December 31, 2021, BKW had the following bonds outstanding:

	Nominal amount	Term	Due	ISIN code
3% debenture bond	CHF 200 million	2007–2022	27.04.2022	CH0030356718
0.75% debenture bond	CHF 200 million	2018–2025	25.10.2025	CH0435590358
2.5% debenture bond	CHF 300 million	2010–2030	15.10.2030	CH0117843745
0.25% green bond	CHF 200 million	2019–2027	29.07.2027	CH0487087295

BKW issued a CHF 200 million fixed-rate senior bond on January 27, 2022. The bond has a coupon of 0% and a maturity of 2 years and 8 months. The short maturity of the bond fits perfectly into the existing maturity profile.

The bond was placed on advantageous terms in view of the continued favorable conditions on the capital market and the financing of the growth strategy. The bond was listed on the SIX Swiss Exchange. The payout was on February 18, 2022.

Financial calendar

General meeting	May 16, 2022
Ex-dividend date	May 18, 2022
Dividend payment	May 20, 2022
Publication of 2022 half-year results	September 6, 2022

Contact: investor.relations@bkw.ch

Production Facts and Figures

	Energy portion ¹ %	Installed production, BKW portion MW	2020 BKW purchases GWh	2021 BKW purchases GWh	Change %
Own power plants and Group companies					
Hydroelectric plants					
Aarberg	100.0	15.0	80.5	79.1	-1.8
Bannwil	100.0	27.0	139.5	122.9	-11.9
Kallnach	100.0	8.1	65.9	59.7	-9.5
Kandergrund	100.0	18.8	103.1	91.9	-10.9
Mühleberg	100.0	45.0	151.4	159.6	5.5
Niederried-Radelfingen	100.0	15.0	77.7	69.4	-10.6
Spiez	100.0	18.6	105.9	99.9	-5.6
Simmentaler Kraftwerke AG	100.0	29.1	105.0	102.9	-2.0
Isch	100.0	1.4	7.6	5.8	-23.7
Société des forces électriques de la Goule SA	100.0	5.2	16.1	22.2	37.4
Elektrizitätswerke Wynau AG	100.0	20.2	85.5	79.2	-7.4
Total hydroelectric plants		203.4	938.2	892.7	-4.9
Fossil-fuel power plants					
Tamarete Energia S.r.l.	60.0	62.4	203.6	136.1	-33.2
New renewable energy					
Fotovoltaik Schweiz	100.0	12.3	11.9	11.5	-3.8
Biomasse Schweiz	100.0	1.3	20.6	18.1	-12.2
Kleinwasser Schweiz	100.0	33.2	146.5	128.7	-12.2
BKW Hydro Italia S.r.l.	100.0	59.8	215.9	179.3	-16.9
Juvent S.A.	100.0	24.2	84.7	77.6	-8.4
Parc Eolien Fresnoy Brancourt SAS	100.0	13.8	37.9	28.5	-24.7
Sameole Bois du Goulet SAS	100.0	10.0	26.2	20.2	-23.1
Ferme Eolienne St Julien du Terroux SAS	100.0	10.3	20.3	18.1	-10.7
Ferme Eolienne de Saint Germier SAS	100.0	10.0	32.9	30.6	-6.8
RAZ Energie 3 SAS	100.0	18.4	33.5	35.3	5.2
BKW Erneuerbare Energien GmbH	100.0	15.0	19.4	14.9	-23.0
BKW Holleben Wind GmbH	100.0	25.5	38.1	32.3	-15.3
BKW Bippen Wind GmbH	100.0	27.6	42.5	32.8	-22.8
BKW Dubener Platte Wind GmbH	100.0	40.0	60.0	49.4	-17.6
BKW Landkern Wind GmbH	100.0	8.0	15.8	12.3	-22.0
Wind Farm S.r.l.	100.0	41.4	50.6	55.9	10.4
Wind Farm Buglia S.r.l.	100.0	20.0	27.7	32.7	18.0
Wind International Italy S.r.l.	100.0	81.9	118.9	134.6	13.1
Volturino Wind S.r.l.	100.0	25.2	61.3	67.3	9.7
Green Castellaneta S.p.A.	100.0	56.0	120.2	114.1	-5.1
Marker Vindpark AS	100.0	54.0	194.4	176.0	
Total new renewable energy		587.9	1,379.5	1,270.2	-7.9
Total own power plants and Group companies		853.7	2,521.4	2,298.9	-8.8

1 Due to special energy supply agreements, the energy portion may deviate from the capital shareholding.

	Energy portion ¹ %	Installed production, BKW portion MW	2020 BKW purchases GWh	2021 BKW purchases GWh	Change %
Holdings and purchasing rights					
Hydroelectric plants					
Bielersee Kraftwerke AG BIK	50.0	18.9	74.0	72.8	-1.7
Officine idroelettriche di Blenio SA	12.0	50.0	111.6	110.4	-1.1
Electra-Massa AG	16.1	54.8	117.6	101.7	-13.5
Electricité de la Liénne SA	25.0	24.9	63.4	70.9	11.7
Engadiner Kraftwerke AG	29.7	121.8	441.0	401.1	-9.0
Grande Dixence SA	13.3	206.0	350.9	313.2	-10.8
Kraftwerke Hinterrhein AG	7.6	50.0	117.5	122.0	3.8
Kraftwerke Mattmark AG	11.1	29.3	75.4	63.7	-15.5
Forces Motrices de Mauvoisin SA	19.5	82.2	230.5	225.2	-2.3
Kraftwerke Oberhasli AG	50.0	659.8	965.1	933.3	-3.3
Kraftwerk Sanetsch AG (KWS)	50.0	9.0	19.2	20.6	7.2
Officine idroelettriche della Maggia SA	10.0	57.2	148.5	141.8	-4.6
Flumenthal	37.9	9.5	50.4	47.0	-6.7
Société des Forces Motrices du Châtelot SA	11.7	4.6	6.9	10.2	48.2
Argessa AG	63.0	20.8	57.5	55.8	-2.9
Total hydroelectric plants		1,398.9	2,829.8	2,689.7	-4.9
Nuclear power plants					
Kernkraftwerk Leibstadt AG	14.5	177.5	1,316.0	698.3	-46.9
Cattenom	3.0	155.0	873.4	927.7	6.2
Total nuclear power plants		332.5	2,189.3	1,626.1	-25.7
New renewable energy					
HelveticWind Sendenhorst GmbH	100.0	4.2	22.8	17.8	-22.1
HelveticWind Lüdersdorf Parstein GmbH	100.0	6.5	42.5	36.5	-14.3
HelveticWind Wulkow GmbH	100.0	2.9	21.8	17.2	-21.0
HelveticWind Prötzel GmbH	100.0	5.2	15.3	0.0	-100.0
HelveticWind Gross Welle GmbH	100.0	5.8	30.6	26.4	-13.8
Mont-Soleil solar power plant	100.0	0.2	0.6	0.5	-10.3
Total new renewable energy		24.8	133.6	98.4	-26.4
Fossil-fuel power plants					
EP Produzione Livorno Ferraris S.p.A.	25.0	192.0	777.0	840.6	8.2
ENGIE Kraftwerk Wilhelmshaven GmbH & Co. KG	33.0	235.0	201.0	1,140.4	467.3
Total fossil-fuel power plants		427.0	978.0	1,981.0	102.6
Unmanaged energy from financial interests		137.4	330.9	384.6	16.2
Total holdings and purchasing rights		2,320.7	6,461.6	6,779.7	4.9
Total production including purchases		3,174.3	8,983.0	9,078.7	1.1

1 Due to special energy supply agreements, the energy portion may deviate from the capital shareholding.

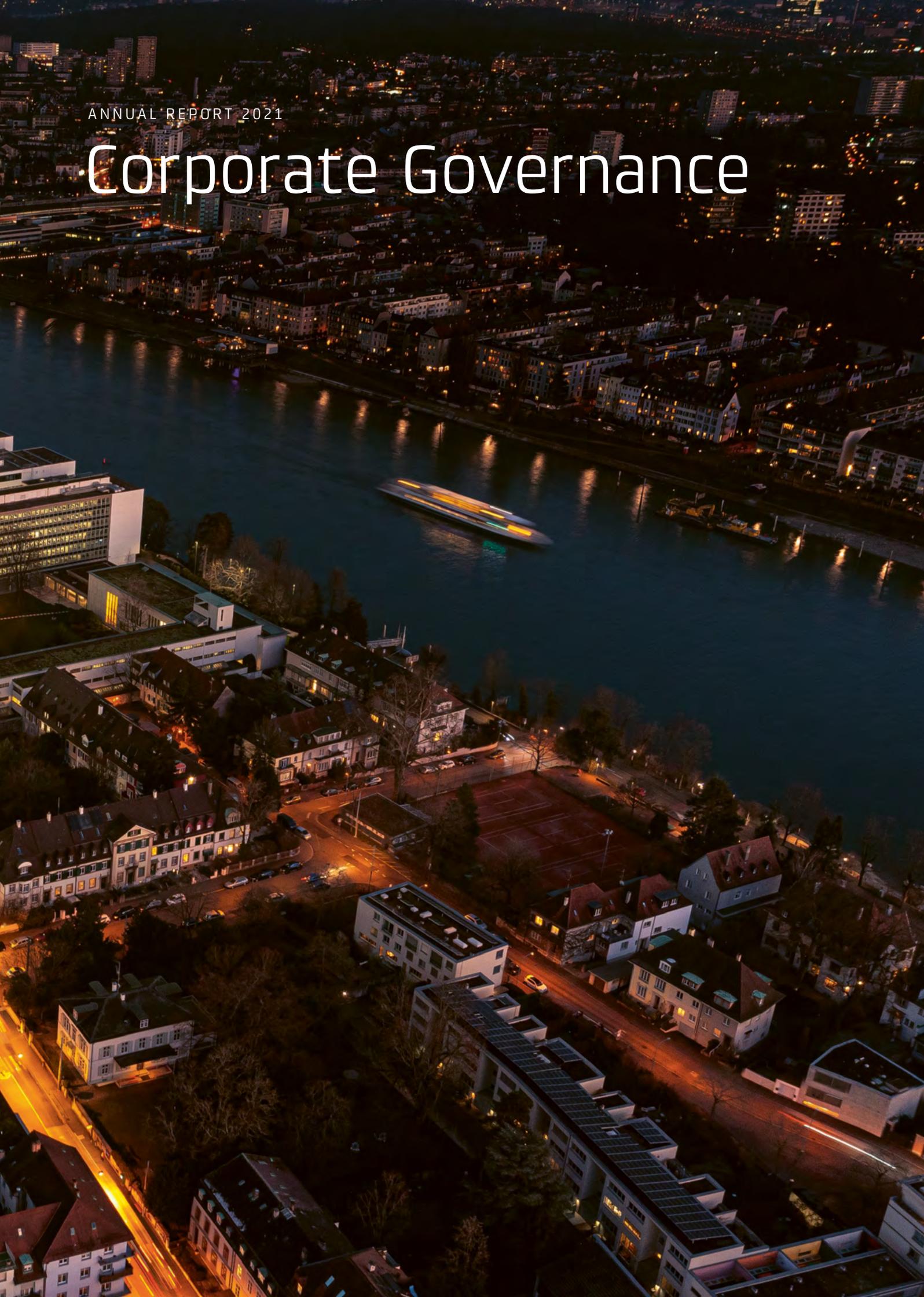


30

Merging automation and electrical engineering for trailblazing solutions – Roche is relying on cross-company collaboration between two BKW Building Solutions companies to build the new “pRED Innovation Center” research center. Learn more at www.bkw.ch/ar21

ANNUAL REPORT 2021

Corporate Governance



Corporate Governance

BKW's Board of Directors and the Group Executive Board attribute great importance to good corporate governance in the interests of its shareholders and other stakeholders such as customers, public corporations, and employees. BKW guarantees transparency and enables its shareholders and other stakeholders to make their investment decisions objectively.

With the implementation of the recognized corporate governance principles as well as a balanced combination of management and controls, BKW also manages the company in a value-driven, sustainable manner according to statutory requirements. BKW integrates material sustainability aspects in its corporate strategy. This is based on regional and global challenges and integrates various stakeholders across dialog processes. In addition to legal provisions, the basic rules relating to corporate governance at BKW are embodied in BKW's articles of incorporation, organizational regulations, Code of Conduct, and regulations governing the committees of the Board of Directors.

The management structure of BKW is designed so that responsibilities are clearly assigned, and unilateral concentration of powers and conflicts of interest are avoided. In line with this, the functions of Chairman of the Board of Directors and CEO are separate. Furthermore, no member of the Board of Directors has an executive function. All members of the Board of Directors, with the exception of Andreas Rickenbacher who was delegated by the Canton of Bern, were nominated for election individually at the General Meeting

in May 2021. Appropriate diversity and gender representation in the composition of the company bodies is our priority.

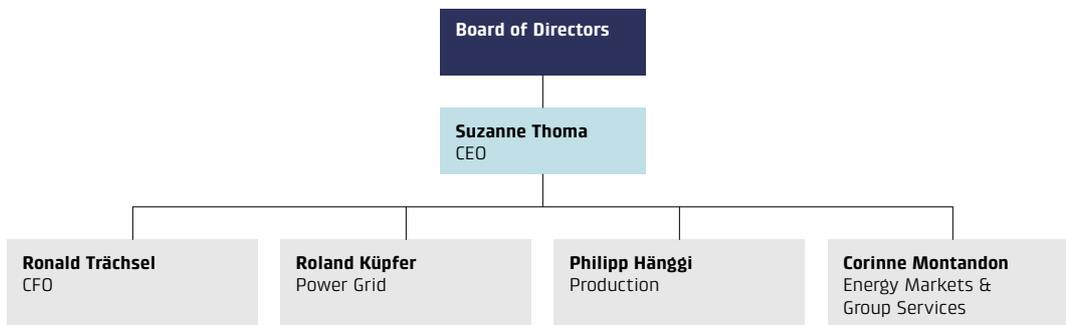
The information below is presented in accordance with the current requirements of the corporate governance guidelines of the SIX Swiss Exchange and the Swiss Code of Best Practice for Corporate Governance 2016 produced by *economiesuisse*. Compensation for the top-level management of the company is reported in the Remuneration Report (see pages 184 to 189 of the Annual Report). The information disclosed in this report reflects the situation as of December 31, 2021. Any material changes that have been agreed or have occurred between this date and the printing of the report are listed in Note 11 of this report. The articles of incorporation of BKW AG at www.bkw.ch/statutes, the organizational structure of the Group Executive Board at www.bkw.ch/organization, the Code of Conduct at www.bkw.ch/codeofconduct, and a range of other useful information can be found on the BKW website. The Sustainability Report can be found on pages 114 to 144 and at www.bkw.ch/sustainability.

1 Group structure and shareholders

1.1 Group structure

The operational Group structure of BKW can be derived from the following illustration and the segment reporting under section 6 on pages 35 to 37 of the BKW Group's consolidated financial statements. The current organization can be viewed on the BKW website at www.bkw.ch/organization.

Suzanne Thoma announced on December 6, 2021, that she will step down as CEO during 2022. The search for a successor is ongoing.



Listed Group companies

The shares of BKW AG, which has its headquarters in Bern, have been listed on the SIX Swiss Exchange since December 12, 2011. On December 31, 2021, BKW's stock market capitalization amounted to CHF 6,258.7 million.

About the BKW share

Securities code	BKW
Securities number	13.029.366
ISIN	CH0130293662
Trading currency	CHF
Type of security	Registered share

Scope of consolidation of the BKW Group

With the exception of BKW itself, BKW's consolidation group only includes companies that are not listed separately on the stock exchange. The individual holdings of BKW in companies that are fully consolidated in the consolidated financial statements are listed on pages 91 to 96 of the consolidated financial statements. In all cases, the holding corresponds to the percentage of shares and voting rights.

1.2 Major shareholders

in %	Holding at 31.12.2020	Holding at 31.12.2021
Canton of Bern	52.54	52.54
Groupe E Ltd.	10.00	10.00
BKW AG and Group companies	0.07	0.05

No other shareholders registered more than 3% of the voting rights of BKW during the reporting year in accordance with Article 120 of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FMIA).

The disclosures pursuant to Art. 120 FMIA that were published by BKW in the reporting year

2021 on the electronic publication platform of SIX Exchange Regulation can be viewed at the link <https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html>.

1.3 Cross-shareholdings

BKW has no cross-shareholdings of more than 5% in a company outside of the BKW Group.

2 Capital structure

2.1 Capital

The share capital of BKW as of December 31, 2021, amounts to CHF 132,000,000.00 and is divided into 52,800,000 fully paid-up registered shares, each with a par value of CHF 2.50.

2.2 Authorized and conditional share capital

As of December 31, 2021, BKW has neither authorized share capital nor conditional share capital.

2.3 Changes in equity over the last three years

The share capital of BKW remained unchanged from 2019 to 2021.

2.4 Shares and participation certificates

All 52,800,000 registered shares in BKW with a par value of CHF 2.50 each are fully paid up. All shares carry equal voting rights. Every share represented at the General Meeting is entitled to one vote. The company does not print or provide certificates for registered shares. However, any shareholder may request that certification of their shareholding be issued free of charge.

BKW has not issued any participation certificates.

2.5 Dividend rights certificates

BKW has not issued any dividend rights certificates.

2.6 Restrictions on transferability and nominee registration

Registered BKW shares can only be transferred by assignment or according to the provisions of the Swiss Intermediated Securities Act. BKW must be notified of the assignment. The Board of Directors may refuse to enter a purchaser in the share register as a shareholder with voting rights if the purchaser:

- controls, directly or indirectly, more than 5% of the total share capital as a result of the entry, or
- did not acquire the shares in his own name and for his own account.

See Art. 5 of the articles of incorporation for details on the entry restriction.
www.bkw.ch/statutes

Nominal entries, that is, entries of shareholders who acquire shares in their own name but for the account of a third party, are possible, but these shares have no voting rights.

See Section 6.2 of this report for the procedure and conditions for lifting the restriction on transferability.

2.7 Convertible securities and options

BKW has no outstanding convertible bonds and has not issued any options.

3 Board of Directors

According to the articles of incorporation, the Board of Directors shall consist of between 7 and 10 members. There are currently 7 members, all of whom are non-executive and independent. The Canton of Bern is entitled to appoint two members to the Board of Directors in accordance with Art. 19 of the articles of incorporation and Art. 762 of the Swiss Code of Obligations (CO). Currently the Canton is using this right to appoint one member to the Board of Directors.

3.1 Members

Composition	Role	Held office since
Roger Baillod	Chairman of the Board, Chairman of the Remuneration and Nomination Committee	2021 (on the BoD since 2013)
Dr. Carole Ackermann	Member, Chairman of the Audit and Risk Management Committee	2018
Petra Denk, PhD	Member, Member of the Audit and Risk Management Committee	2021
Hartmut Geldmacher	Deputy Chair, Member of the Remuneration and Nomination Committee	2011
Rebecca Guntern	Member	2018
Andreas Rickenbacher ¹	Member, Member of the Remuneration and Nomination Committee	2018
Kurt Schär	Member, Deputy Chair of the Audit and Risk Management Committee	2012

1 Delegate of the Canton of Bern

In 2021, as was also the case in the three preceding business years, no member of the Board of Directors was a member of the BKW Group Executive Board or of the management body of any Group company, nor does any member have significant business relationships with BKW or a Group company.

Retirement and resignation during the reporting period

In the current year, Chairman of the Board of Directors Urs Gasche stepped down at the end of his period of office at the General Meeting on May 7, 2021.

3.2 Activities and vested interests

Roger Baillod (1958, CH)

Business economist FH, certified accountant

Professional background, career

Since 2017 Professional board member and management consultant

1996–2016 Chief Financial Officer (until 09/2016) and Member of the Group Executive Board of Bucher Industries AG in Niederweningen, Zurich (until 12/2016)

Significant mandates

- Member of the Board of Rieter Holding AG, Winterthur
- Member of the Board of Klingelberg AG, Zurich
- Deputy Chair of the Board of Directors of Ed. Geistlich Söhne AG für chemische Industrie, Schlieren, and member of the Board of Directors of the subsidiary Geistlich Pharma AG, Wolhusen

Carole Ackermann (1970, CH, A)

Dr. oec. HSG

Professional background, career

Since 2007 CEO and co-founder Diamondscull AG, Zug

2004–2007 Member of the Executive Board Ionbond AG, Olten, CEO Ionbond China

1999–2004 Director Saurer Group AG, Arbon

Significant mandates

- Member of the Board of BVZ Holding AG, Zermatt
- Member of the Board of Allianz Suisse Insurance Company Ltd, Wallisellen
- Member of the Board of Allianz Suisse Life Insurance Company Ltd, Wallisellen
- Member of the Board of BNP Paribas (Switzerland) SA, Genf
- President of the Foundation Board and the Board of Directors of the École hôtelière de Lausanne (EHL)
- Senior Lecturer BWL/Integration Project at the University of St. Gallen

Petra Denk (1972, D)

Professor of Energy and Business

Administration, Prof. Dr.

Professional background, career

Since 2012 Managing Director of the Institute for Systemic Energy Consulting GmbH at the University of Applied Sciences Landshut

Since 2009 Professorship for Energy and Business Administration

2001–2009 E.ON Energie AG, various positions, most recently Head of Portfolio Development International

Significant mandates

- Member of the Supervisory Board of Aixtron SE, Herzogenrath
- Member of the Supervisory Board and Chairman of the Technology Committee of Pfisterer AG, Winterbach

Hartmut Geldmacher (1955, D)

MBA

Professional background, career

Since 2011 Independent entrepreneur

2002–2011 Member of the Board of Management and Employee Relations Director at E.ON Energie AG, Munich

Significant mandates

- Member of the Supervisory Board and Chairman of the Accounts, Finance and Audit Committee of Bayernwerk AG, Regensburg

Rebecca Guntern Flückiger (1972, CH)

Eidg. dipl. pharm. University of Basel, Bachelor of Business Administration

Professional background, career

Since 2020 Head of Europe and Member of the Executive Committee, Sandoz

2018–2019 Head of Cluster Europe, Sandoz Pharmaceuticals AG

2015–2018 Head of Cluster BACH, Sandoz Pharmaceuticals AG

2013–2015 Head of Strategy Accounts & Commercial Excellence WEMEA, Sandoz Pharmaceuticals AG

2011–2013 Country Head of Spain & Cyprus, Sandoz Pharmaceuticals AG

2008–2011 Country Head of Switzerland, Sandoz Pharmaceuticals AG

Significant mandates

- Member of the Board of Directors of various Sandoz country subsidiaries in Europe

Andreas Rickenbacher (1968, CH)
Lic. rer. pol., Business Economist
Professional background, career

Since 2016 Board of Directors, entrepreneur, management consultant; cantonal representative

2016–2018 On the Board of Directors of Swissgrid AG

2006–2016 State Council of the Canton of Berne, Director of Economic Affairs (until June 2016); Cantonal representative on the Board of Directors of Bern Building Insurance (GVB) (2006–2010, ex officio)

2004–2006 Owner of Rickenbacher Projekte GmbH (consulting in marketing and communication; board of directors mandates)

Significant mandates

- Member of the Board of Bernexpo AG, Bern
- Member of the Board of Aebi Schmidt Holding AG, Frauenfeld
- Member of the Board of HRS Holding AG as well as various subsidiaries (Group structure), Frauenfeld
- Deputy Chair of the Switzerland Innovation Foundation, Bern
- President of the Association Int. Lauberhorn Races Wengen, Lauterbrunnen

Kurt Schär (1965, CH)
Radio/TV electronics engineer, marketing planner, and board training for the Swiss Board School
Professional background, career

Since 2014 Owner Sunnsite Management AG, Board of Directors mandates

2001–2014 CEO Biketec AG, Flyer electric bicycle, Huttwil

Significant mandates

- Member of the Board of IE Engineering Group AG, Zurich
- Member of the Board of Boss Info Holding AG, Farnern

3.3 Number of permitted activities

Members of the Board of Directors may hold no more than 10 top-level managerial and governing body mandates in for-profit companies outside of the BKW Group, no more than 5 of which may be exchange-listed companies, and no more than 10 mandates with other legal entities such as foundations and associations that are required to be entered in the commercial register. Exceptions and further information can be found in Art. 21 of the articles of incorporation at www.bkw.ch/statutes.

3.4 Election and term of office

With the exception of the representative appointed by the Canton of Bern, the members of the Board of Directors are elected individually by the General Meeting. Members may be re-elected subject to an age limit of 70 years. The term of office for members appointed by the Canton of Bern in accordance with article 762 OR shall be determined by the cantonal government.

The Chairman of the Board of Directors and members of the Remuneration and Nomination Committee are also elected individually by the General Meeting.

3.5 Internal organization**3.5.1 Division of roles in the Board of Directors**

The Board of Directors is responsible for the overall management of the company and supervision of its corporate bodies. No special functions are defined other than Chairman and Deputy Chair. The Secretary need not be a member of the Board. The Board of Directors is a collective body in which the Chairman is responsible for management and coordination duties as well as monitoring the implementation of the decisions of the Board of Directors and coordination with the CEO. Apart from the specific decisions of the Board of Directors, its members have no personal authority in respect to the company and therefore cannot issue instructions.

The Board of Directors may decide to delegate some of its activities and responsibilities to committees from among its own members. The Board of Directors is supported by two standing committees, the Audit and Risk Management Committee and the Remuneration and Nomination Committee. The function, organization and responsibilities of these two committees are defined in detail in the regulations that have been approved by the Board of Directors. The Board of Directors may also establish ad hoc committees at any time for matters such as major investments, alliances, and cooperations. In the case of ad hoc committees, the Board of Directors will elect the members from among its own members at the first meeting following the General Meeting.

3.5.2 Board committees

Audit and Risk Management Committee

The Audit and Risk Management Committee is composed of three members elected by the Board of Directors. The Chairman of the Audit and Risk Management Committee is also elected by the Board of Directors, while the Deputy Chair is elected by the Audit and Risk Management Committee.

Members of the Audit and Risk Management Committee

Dr. Carole Ackermann	Chairman
Kurt Schär	Deputy Chair
Prof. Dr. Petra Denk	Member

The Audit and Risk Management Committee supports the Board of Directors in supervising the financial management of the company and submits appropriate decision proposals.

Tasks

- Discussion concerning the consolidated financial statements and the half-yearly consolidated financial statements with the internal and external auditors
- Oversight of the subordinate internal auditor and assessment of the activities of the external auditor and its collaboration with the internal auditor
- Preparation for the appointment or discharge of the external auditor and the Head of Internal Audit
- Assessment of the quality of accounting and financial reporting to the Board of Directors based on an assessment by the internal and external auditors
- Assessment of the organization and effectiveness of the internal control system
- Assessment of compliance and the associated organizational structure
- Assessment of the risk situation in the context of the financial statements, the budget and medium-term planning of the Board of Directors
- Regular and timely reporting to the Board of Directors on the Committee's activities and results

Expertise

- Authorizing accounts involving credit approved by the Board of Directors, with the proviso that any extraordinary credit overdrafts are reported to the Board of Directors
- Awarding audit contracts
- Fostering direct contact through the Chairman and members of the Audit and Risk Management Committee, with the internal and external auditors, and with the CEO and CFO
- Setting the amount of compensation paid to the Head of Internal Audit and the external auditor

Remuneration and Nomination Committee

In accordance with Article 24 of the articles of incorporation, the Remuneration and Nomination Committee comprises three members who are each elected from the Board of Directors by the General Meeting for a term of one year. These members may be re-elected. The Remuneration and Nomination Committee decides how to organize all other matters regarding its operation.

Membership of the Remuneration and Nomination Committee

Roger Baillod	Chairman
Hartmut Geldmacher	Member
Andreas Rickenbacher	Member

The Remuneration and Nomination Committee is responsible for developing principles for the selection of candidates for the Board of Directors and the Group Executive Board and, in particular, at top corporate level, for the remuneration strategy and performance targets and criteria of

the BKW Group. It assists the Board of Directors in establishing and reviewing the remuneration system and remuneration principles, and in preparing the proposals to the General Meeting in respect to the total amount of remuneration to be paid to the Board of Directors and the Group Executive Board. The Remuneration and Nomination Committee submits motions to the Board of Directors in respect to all transactions negotiated under its responsibility.

The role and responsibilities of the Remuneration and Nomination Committee are described on pages 187 to 189 of the Remuneration Report.

Temporary Nomination Committee

The Board of Directors formed two Temporary Nomination Committees in 2021 based on Art. 20 (3) of the Articles of Association for the specific search for successors. The first dealt in the first quarter of the year with the evaluation of Roger Baillod's successor following his election as Chairman. This first Temporary Nomination Committee was composed of Urs Gasche, Roger Baillod, and Hartmut Geldmacher.

The second Temporary Nomination Committee was formed in December 2021 to initiate the search for a successor to CEO Suzanne Thoma, who announced her intention to step down in 2022. The second Temporary Nomination Committee is composed of Roger Baillod, Andreas Rickenbacher, and Rebecca Guntern.

3.5.3 The work of the Board of Directors and its committees

The Board of Directors meets at the invitation of the Chairman of the Board or the Deputy Chair acting in place of the Chair, as often as business requires; in general, there are six meetings per financial year. In addition, any member may ask the Chairman of the Board to convene a meeting by submitting their reasons in writing. The dates of the ordinary meetings shall be agreed at an early stage so that all members may attend in person. Before the Board of Directors meetings, each member receives documents that they can use to prepare for the items on the agenda. The CEO and other members of the Group Executive Board participate in each meeting of the Board of Directors in an advisory capacity, unless instructed otherwise by the Chairman of the

Board of Directors. Senior company management, members of the BKW Audit Department and other experts may also be invited to the meetings in an advisory capacity. The Secretary of the Board of Directors, Stefan Emmenegger, attends the meetings of the Board of Directors. The Board of Directors adopts its resolutions at meetings and in telephone or video conferences. It is quorate when the majority of its members are present at the meeting or participating in the telephone or video conference. Resolutions are adopted by a simple majority of members. In the event of parity of votes, the Chairman has a casting vote. Minutes shall be taken of the discussions and resolutions. The minutes shall be approved by the Chairman before being distributed to the other members of the Board and being accepted at the next meeting of the Board of Directors. In 2021, there were six meetings of the Board of Directors with the CEO and the other members of the Group Executive Board in attendance, with the average meeting lasting 3.5 hours. In addition, it held two meetings, each lasting two hours, with the Group Executive Board not present. External experts were not brought in in 2021.

In accordance with its regulations, the Audit and Risk Management Committee convenes at least four ordinary meetings each year. Meetings are normally attended by the CEO, the CFO, the Head of Accounting and Tax, and the Head of Internal Audit. If required, the Chairman may call upon the external auditor, further members of the Group Executive Board, the extended Group Executive Board, senior management, or external experts to attend and provide information. The Committee convened four ordinary meetings during the 2021 financial year, with the meetings lasting an average of three hours. The external auditors attended two meetings.

According to its regulations, the Remuneration and Nomination Committee meets as often as business requires, but at least three times a year. The CEO normally participates in the meetings of the Remuneration and Nomination Committee in an advisory capacity and has the right to submit motions. The CEO does not attend meetings during which the CEO's own remuneration and/or performance are discussed. If required, the Chairman may call upon further members of the Group

Executive Board, the extended Group Executive Board, or external experts to attend and provide information. The Remuneration and Nomination Committee convened three ordinary meetings during the 2021 financial year, with the meetings lasting an average of three hours. The Compensation and Nomination Committee also held a further nine extraordinary meetings and video conferences in which it specifically addressed succession planning for the Board of Directors and the Group Executive Board, the compensation of the CEO and Chairman of the Board of Directors, and the compensation policy. No external experts attended meetings of the Remuneration and Nomination Committee in 2021.

Both the Audit and Risk Management Committee and the Remuneration and Nomination Committee are authorized to negotiate and adopt resolutions provided that a majority of their members are present; resolutions are adopted by simple majority of votes. In the event of parity of votes, the Chairman has a casting vote.

3.6 Roles and responsibilities

In law the Board of Directors is responsible for overall management and supervision of the BKW Group. In accordance with Article 716a para. 1 of the Swiss Code of Obligations (OR), this responsibility is both non-transferable and inalienable. In addition, the Board of Directors is authorized to adopt a resolution on all matters that have not been reserved by law or the articles of incorporation for the General Meeting.

Pursuant to Article 20 of the articles of incorporation, the Board of Directors delegates the full operational business management to the CEO and defines their responsibilities in the organizational regulations. The CEO is the Chairman of the Group Executive Board and is supported by its members. The CEO is responsible for the operational management of the Group and represents the Group externally.

The Group Executive Board consists of the CEO, the CFO, and the heads of the Power Grid, Production, and Energy Markets & Group Services divisions. Decisions of the Group Executive Board are made by the CEO in consultation with the other members of the Group Executive Board. The other members of the Group Executive Board have a right to a voice and may submit motions. The Group Executive Board generally met every two weeks during the 2021 financial year. The meetings last an average of three to five hours. The Group Executive Board supports the CEO in their responsibility for the operational management of the BKW Group. The business divisions are managed directly by their respective division heads. The Group Executive Board may delegate tasks and authorizations within its remit. It also performs preparatory work on matters that are within the remit of official bodies at a higher level.

Responsibilities of the Board of Directors

In addition to its statutory duties, and the business reserved to it in the articles of incorporation, the Board of Directors has the following roles and responsibilities in particular:

- Definition of the *raison d'être*
- Definition of the overarching company strategy
- Approval of highly strategic business, based on the *raison d'être* and potential economic consequences, or of individual projects that could foreseeably have significant negative consequences for the public image of BKW
- Approval of business that is not planned for in the budget or medium-term planning, where BKW's investment exceeds an amount of CHF 25 million
- Approval of the expansion of geographical coverage into new countries
- Approval of the legal organization and top-level management structure (Group Executive Board)
- Approval of financial matters such as budgets and planning, financial statements, the BKW Annual Report and accounting standards, and establishing the BKW Group's financing and investment policy

- Approval of the principles for operation of the internal control system and risk management of the BKW Group, and assessment of the significant risks
- Ensuring compliance with applicable standards

Responsibilities of the CEO

The CEO has the following roles and responsibilities in particular:

- Integration of company strategy and operational business management by:
 - (I) Ensuring the commercial success of the company in the context of the overall economic and industry conditions
 - (II) Developing the main aspects of the implementation of the overall company strategy, including financing, for the attention of the Board of Directors
 - (III) Ensuring the strategic direction set by the Board of Directors
 - (IV) Leading the operational management of the company
 - (V) Reporting on the success of highly strategic business transactions that have been authorized by the Board of Directors, generally around two years after their approval
- Preparation of the financial plans of the company and responsibility for the overall financial results in accordance with the targets set by the Board of Directors
- Making decisions on the organizational structure and the roles and responsibilities of members of the Group Executive Board within the context of the instructions of the Board of Directors
- Appointment of other employees of the BKW Group, particularly the heads of business units for their areas of responsibility as members of the extended Group Executive Board
- Management of the Group Executive Board and personnel under the CEO
- Creation of the performance assessment and preparation of the remuneration review and assessment for the members of the Group Executive Board to be submitted to the Remuneration and Nomination Committee
- Supervision of the Group Executive Board and creation of suitable supervisory bodies to ensure that the company remains on target to reach the defined objectives, meets basic commercial requirements and acts in accordance with the measures adopted by the Board of Directors
- Coordinating between the Group Executive Board and Board of Directors to ensure that the Board of Directors is provided with accurate information at an early stage
- Ensuring compliance with the *raison d'être*, regulations, and codes of conduct, and with applicable requirements of legislation and the articles of incorporation
- Representing the company to employees and third parties, in particular ensuring effective communication with shareholders and stakeholders, including representatives of governments, regulators, and organizations
- Supporting the Chairman in their role of leading the Board of Directors and preparing for meetings of the Board of Directors
- Implementing the decisions of the Board of Directors and its committees

The CEO has delegated the CEO's roles and responsibilities to qualified subordinate positions that the CEO instructs and monitors accordingly.

Responsibilities of the Group Executive Board

The Group Executive Board has the following roles and responsibilities in particular:

- Contributing significantly to the process of ensuring commercial success within the context of the Group strategy and instructions of the CEO
- Actively participating in the leadership, planning, and implementation of the company strategy
- Coordinating and harmonizing the activities and business actions of the individual divisions from the perspective of the BKW Group's overarching interests through close cooperation with the other members of the Group Executive Board
- Contributing proposals for strategic planning and its execution, introduction, and monitoring
- Defining and implementing the principles for cooperation within the BKW Group
- Determining the central risks and risk management
- Promoting ethical behavior and compliance with internal and external rules and regulations

- Responsibility for leadership of the assigned divisions
- Decision-making on the entry of the purchaser of shares in the register of BKW AG shares with voting rights, unless the decision falls under the remit of the Board of Directors. This authorization may be delegated in full or in part to subordinate organizational units
- Preparation, implementation, and creation of the annual plans and budget

The Group Executive Board may resolve to delegate part of its role and responsibilities or the preparation, execution, and monitoring of decisions of the Group Executive Board to committees. The composition, organization, roles, and responsibilities of permanently staffed committees shall be defined in separate regulations. The roles and organization of ad hoc committees shall be determined in the resolution adopted to create them. In respect to the decommissioning of the Mühleberg Nuclear Power Plant, the Group Executive Board has delegated some of its roles to the Group Executive Board Committee for the KKM Decommissioning Project.

Additional information about the Group Executive Board is provided in Section 4 below, pages 176 to 178.

3.7 Information and monitoring instruments in relation to the Group Executive Board

The Board of Directors shall assume responsibility for the supervision of its own committees and shall monitor the work of the CEO and the Group Executive Board by means of a range of reporting processes and rights to inspect business processes and business transactions.

At each of its meetings, the Board of Directors is informed by the CEO and the other members of the Group Executive Board about current business and key business transactions. The Board of Directors is provided with detailed information regarding the course of business at least half-

yearly when the half-year and annual reports are published. The BKW Group has a comprehensive electronic management information system (MIS). The Chairman of the Board of Directors is also informed of current business at regular meetings and discussions outside of the meetings of the Board of Directors. In the case of extraordinary events, the CEO shall inform the Chairman of the Board of Directors without delay. Comprehensive information about risk management is provided in conjunction with the planning and financial statements.

Business that must be dealt with by the Board of Directors is first discussed in a meeting of the Presiding Board. The participants in this meeting are the Chairman of the Board of Directors, the CEO, and the other members of the Group Executive Board.

Monitoring instruments of the Board of Directors in relation to the Group Executive Board

The Board of Directors is responsible for setting up and monitoring the risk management, compliance, and internal audit processes within the BKW Group.

Risk management

The Group Executive Board is responsible for implementing the risk management process as specified by the Board of Directors. The Board of Directors and the Group Executive Board are supported by the Risk Management division, which reports to the CFO. Risk Management is responsible for the Group's strategic risk management, credit risk management, and the operational risk management of trading and treasury. The Risk Committee and a professional risk organization support the Group Executive Board and Risk Management in assessing the risk situation. As part of a systematic periodic risk management process, risks for the entire BKW Group are identified and assessed on an ongoing basis and risk-reducing measures are formulated. The ISO 31000 standard is used as the basis for the integrated risk management process.

In addition to the risks arising from operating activities and strategy, external risks such as cyber security and the regulatory environment are also assessed. Climate and environmental issues, as well as other non-financial dimensions such as reputation, are integral components of this risk assessment and are therefore constantly taken into account.

The focus of operational risk management in 2021 was all the more on the risks associated with the energy business, as the energy markets have never before been so volatile. The sharp rise in prices and the breakdown of formerly reliable correlations between electricity and commodities are causing difficulties for many classic risk models based mainly on historical data. The timely dynamic adjustment of model parameters and the supplementation of risk indicators with adequate stress test scenario analyses are therefore currently of central importance for efficient and high-performance management of market, credit, and liquidity risks.

Compliance

The Board of Directors is responsible for ensuring compliance with applicable standards through its approval and regular inspection of the governance principles and Code of Conduct. The CEO ensures that an appropriately organized system is set up and that controls of compliance with applicable standards are implemented in all areas of the BKW Group. She provides the Board of Directors with a report to this effect at least once a year. In addition, she undertakes an annual comprehensive risk assessment and informs the Board of Directors of the results. Compliance risks at BKW are consistently recorded to a high standard and regularly discussed, assessed, and

monitored. In terms of compliance risks, the focus is on identifying and assessing any violations of mandatory legal requirements and prohibitions, as well as for compliance with the UN Global Compact principles, which BKW undertook to uphold when it joined in 2021. Measures include risk-based training, ad hoc information on new developments, updated regulations, maintenance of whistleblower systems, and clear consultation.

The Board of Directors and Group Executive Board are supported by the Compliance team.

Audit

Internal Audit submits a quarterly report on its auditing activities to the Audit and Risk Management Committee. In particular, the report covers audits of the internal control system of BKW, transaction, and business processes for the whole Group. Internal Audit reports once annually on the implementation of the audit plan formulated by the Audit and Risk Management Committee, and on the implementation of the recommendations made to management on the basis of the audits that were conducted. In the event of serious shortcomings such as the detection of criminal acts or serious breaches of fundamental duties of care, the Internal Audit team will also provide the Audit and Risk Management Committee with a report.

BKW's external auditor is Ernst & Young Ltd., Bern. In its comprehensive report to the Board of Directors each year, it includes information about the audit of the annual financial statements as well as its findings regarding the internal control system.

4 Group Executive Board

Since January 1, 2022, the five-person Group Executive Board has consisted of the following members.

4.1 Members



Suzanne Thoma



Ronald Trächsel



Roland Küpfer



Philipp Hänggi



Corinne Montandon

Group Executive Board

Composition	Role	Since
Dr. Suzanne Thoma	CEO, Member of the Group Executive Board since 2010	2013
Ronald Trächsel	CFO, Deputy to the CEO	2014
Dr. Roland Küpfer	Head of Power Grid	2017
Dr. Philipp Hänggi	Head of Production	2020
Dr. Corinne Montandon	Head of Energy Markets & Group Services	2021

Departures

Dr. Suzanne Thoma announced her intention to step down at the beginning of December 2021. This will take place as soon as a successor takes up the position as CEO.

4.2 Activities and vested interests

Suzanne Thoma (1962, CH)

Dr. sc. techn., dipl. chemical engineering

Professional background, career

Since 2013 CEO
2010–2013 Head of Grid
2007–2009 Head of Automotive WICOR Group, Rapperswil
2002–2007 CEO Rolic Technologies Ltd

Significant mandates

- Member of the Board of OC Oerlikon, Pfäffikon
- Member of the Board of Sulzer AG, Winterthur
- Deputy Chair of Avenir Suisse

Mandates held on the instruction of BKW

- Chairman of the Board of BKW Building Solutions AG, Ostermundigen

Ronald Trächsel (1959, CH)

Lic. rer. pol.

Professional background, career

Since 2014 CFO
2008–2014 CFO Sika Konzern
2000–2008 CEO and CFO Vitra Group

Significant mandates

- Member of the Board and Head of the Audit Committee of ContourGlobal PLC, London
- Member of the Board of Valiant Holding AG, Luzern

Mandates held on the instruction of BKW

- Member of the Board of Kraftwerke Oberhasli AG, Innertkirchen

Roland Küpfer (1958, CH)

PhD in economics, MBA, degree in Electrical Engineering, degree in Computer Science

Professional background, career

Since 2017 Head of Power Grid
2013–2017 CEO Technology Company Multiple Dimensions
2009–2013 CEO Cicor Group
2007–2009 Member of the Executive Board ASCOM Security Communications, Internationalization
2001–2007 Head of Division Schaffner Components, Member of the Group Executive Board

Significant mandates

- Member of the Board of Balluff AG, Bellmund

Mandates held on the instruction of BKW

- Chair of the Board of Arnold AG, Wangen an der Aare
- Member of the Board of cc energie SA, Murten
- Chairman of the Board of Directors of BKW Infra Services AG, Wangen an der Aare

Philipp Hänggi (1968, CH)

Dr. sc. techn. ETH, exec. MBA HSG

Professional background, career

Since 2020 Head of Production
2014–2019 Head of Nuclear and Coal, BKW Energie AG
2004–2014 Managing Director swissnuclear, Alpiq Schweiz AG

Significant mandates

- None

Mandates held on the instruction of BKW

- Member of the Board of Kernkraftwerk Leibstadt AG, Leibstadt
- Member of the Board of Kraftwerke Oberhasli AG, Innertkirchen
- Member of the Board of Grande Dixence SA, Sion
- Member of the Board of Directors of Nagra, National Co-operative for the Disposal of Radioactive Waste, Wettingen
- Chair of the Board of swissnuclear, Olten

Corinne Montandon (1976, CH)**Dr. rer. oec.****Professional background, career****Since 2021** Head of Energy Markets & Group Services**2013–2020** Head of Strategy and Development Networks**2012–2013** Head of Regulatory Management BKW**Significant mandates**

– None

Mandates held on the instruction of BKW

– Member of the Board of Directors of Société de Forces Electrique de la Goule SA, St. Imier

4.3 Number of permitted activities

The members of the Group Executive Board may hold no more than six senior managerial and governing body mandates in for-profit companies outside of the BKW Group, no more than three of which may be exchange-listed companies, and no more than five mandates with other legal entities such as foundations and associations that are required to be entered in the commercial register. Before accepting such new mandates, the members of the Group Executive Board are obliged to obtain the permission of the Chairman of the Board of Directors. Exceptions and further information can be found in Art. 21 of the articles of incorporation at www.bkw.ch/statutes.

4.4 Management contracts

BKW has not delegated any management responsibilities to third parties outside the Group.

5 Remuneration and shareholdings

All information on compensation of the members of the Board of Directors and the Group Executive Board can be found in the Remuneration

Report on pages 184 to 199. The information about shareholdings is on page 108 of the Notes to the Financial Statements.

6 Shareholders' participation rights

The following provisions are taken from the BKW articles of incorporation. These can be accessed at www.bkw.ch/statutes.

6.1 Voting-right restrictions and representation

Shareholders' rights may only be exercised by persons listed in the share register as a shareholder with voting rights. There are no limitations on voting rights for BKW shareholders attending the General Meeting.

Every shareholder with a voting right can attend the General Meeting in person or be represented by another shareholder or an independent designated representative. Shareholders may also assign their proxy and voting instructions electronically; the Board of Directors shall determine the details by which this is done. The independent proxy is obliged to exercise the assigned voting rights as instructed by the shareholder. If instructions were not provided, the vote must be withheld.

Public corporations, legal entities, and trading companies are represented by their corporate bodies, partners, or legal representatives, or by representatives with special written power of attorney.

Every share listed in the share register with voting rights is entitled to one vote at the BKW General Meeting. Shareholders who have participated in the management of the Company in any form shall not be entitled to vote on the resolution to grant discharge of the Board of Directors.

Chairmen shall have full power to determine the procedure for voting and elections. They may, in

particular, order that an open vote or election be repeated at any time by means of a written or electronic ballot or election, if they are in doubt about the result, or order a secret ballot.

6.2 Statutory quorum

Decisions at the General Meeting require a simple majority of votes unless otherwise provided by law. A simple majority of votes also applies to decisions concerning the relaxation or lifting of restrictions on transferability of registered shares.

6.3 Convening the General Meeting and setting the agenda

Notice of the General Meeting is to be given by the Board of Directors at least 20 days prior to the date of the meeting. A meeting may also be called by one or more shareholders whose combined shareholding represents at least 10% of the share capital. This must be requested in writing, stating the agenda items and motions.

Shareholders representing shares with a par value of at least CHF 1 million may ask for items to be included on the agenda. This request must be submitted no later than 50 days before the date of the General Meeting.

6.4 Entries in the share register

The right to attend or to be represented at the General Meeting shall be determined on the basis of the shareholders with voting rights who are entered in the share register on the fifteenth day before the General Meeting.

7 Changes of control and defensive measures

Under the terms of Article 6 of the articles of incorporation, BKW has opted to increase the threshold for a mandatory takeover offer to 49% in accordance with Article 135 of the Financial Market Infrastructure Act (FMIA).

There are no agreements or plans for the benefit of members of the Board of Directors and/or the Group Executive Board or other members of senior management in the event of changes of control.

8 Auditor

Term of office

BKW's auditors are appointed on an annual basis. The current auditors are Ernst & Young Ltd.; the firm has acted as BKW's auditor since 1990. The auditor in charge changes regularly, at least once every seven years in accordance with legal requirements. Rico Fehr has been auditor in charge since 2018; for 2017, it was Bernadette Koch and from 2012 to 2016, Roland Ruprecht.

Fees

The auditors' fees for expenditures incurred by statutory audits of BKW and its consolidated Group companies amounted to CHF 1,022,000 for the reporting year. The fees for other services including non-mandatory audits, audits in accordance with special laws, and consulting in financial reporting amounted to CHF 108,000.

Information instruments of the external auditors

Oversight and control of the external auditor is a key responsibility of the Audit and Risk Management Committee (see Sections 3.5.1 and 3.5.2, pages 169 to 171, under Audit and Risk Management Committee/Responsibilities). The Audit and Risk Management Committee convenes four ordinary meetings per year, in which the auditors sometimes participate. The external auditors

attended for parts of the agenda at a meeting during the 2021 reporting year.

On behalf of the Audit and Risk Management Committee, the external auditors examine the annual financial statements according to the Swiss Code of Obligations (OR) as well as the consolidated annual financial statements. Towards the end of the year, the external auditors must advise the Committee of the audit priorities they have set for the forthcoming year and the rationale for these priorities. The Committee must approve this audit plan and may commission the external auditors to conduct additional specific audits.

The performance of the external auditors and their independence are assessed annually by the Audit and Risk Management Committee. This assessment is based on the quality of the reports, implementation of the audit plans approved by the Committee, and collaboration with the internal auditors. With regard to independence, the Committee examines the relationship between the budgeted audit fee and the fee for other services provided by the auditing company, and what these additional services include.

9 Information policy

BKW is committed to timely dissemination of transparent and comprehensive information to its shareholders and clients as well as its employees and the general public. It regularly informs the media about important events related to its business activities. Information on share prices is published in compliance with the applicable legal requirements for disclosure (ad hoc notifications). These ad hoc notifications can be accessed at the same time as the report to the SIX Swiss Exchange and for a further two years at www.bkw.ch/media-relations

There is also the option of directly receiving free and up-to-date information that may affect share prices from BKW via an email distribution list. This service is offered at www.bkw.ch/pressrelease

BKW provides information on the annual results in the Annual Report, which is available in elec-

tronic form. The Annual Report can be downloaded at www.bkw.ch/annualreport21. BKW also presents its annual results at the yearly Annual Report and Financial Analyst Conference, as well as at the General Meeting. You can find the exact dates for the current and following year at www.bkw.ch/financialcalendar

The Half-Year Report as well as the half-year results from June 30 are available electronically at www.bkw.ch/halfyearreport21.

The Investor and Media Relations managers can be contacted via the website, email, telephone, or postal mail. Their contact details can be found in the editorial information on page 200, and the address of the headquarters is listed on the back cover of this report.

10 Trading blackout periods

BKW sets general trading blackout periods in connection with its annual and half-year financial statements. These apply to all Members of the Board of Directors, the Group Executive Board, and the extended Group Executive Board, minute-takers at meetings of the Board of Directors, its committees and the Group Executive Board, and staff members who help prepare BKW's annual accounts and half-year accounts or who

gain knowledge of these. The fixed trading blackout period applies on the day following the relevant balance sheet date, that is, January 1 or July 1 of each year, and lasts until the end of the day on which the annual and half-year results are published. During these trading blackout periods, persons subject to the blackout are prohibited from trading in BKW AG shares.

11 Significant changes since December 31, 2021

Organizational changes

No significant changes

Directors at the General Meeting on May 16, 2022.

Changes in personnel

On the Board of Directors, Hartmut Geldmacher announced his resignation at the end of the term of office. The Board of Directors proposes Mr. Martin à Porta for election to the Board of

Dr. Suzanne Thoma announced her intention to step down at the beginning of December 2021. This will take place as soon as a successor takes up the position as CEO.



An electrical grid that is reliable and strong is the backbone of modern society. BKW Power Grid uses the possibilities offered by digitalization to plan, build, and operate BKW's electricity grid in line with requirements. Learn more at www.bkw.ch/ar21

ANNUAL REPORT 2021

Remuneration Report



REMUNERATION REPORT

Remuneration system safeguards the success of the company



Dear Shareholders,
Dear Sir/Madam,

This Remuneration Report explains the principles, programs, and governance framework for remuneration of the Board of Directors and Group Executive Board members at BKW. It contains detailed information about the remuneration paid to the Board of Directors and the Group Executive Board in the 2021 financial year.

While BKW was again able to increase its revenue strongly by 15% in the 2021 financial year and successfully continue its trajectory of growth, the ambitious targets for the key profit figures were not fully achieved. The latter is due to the negative one-off effect of the unplanned extensions of the major overhaul of the Leibstadt Nuclear Power Plant. Without this effect, the targets would have been exceeded. All businesses – Energy, Grid, and Services – contributed to revenue growth and together increased BKW's

market value by an additional 20%. The Remuneration Report explains the impact of these results on the variable remuneration of members of the Group Executive Board in the reporting year.

As already stated in the 2020 Remuneration Report, the Board of Directors has revised the remuneration system for the Group Executive Board. The short-term variable component in cash (bonus) is now weighted more heavily, and net operating profit and the relative return on BKW shares have been introduced as new performance indicators. In addition, the allocation of blocked shares is now no longer based on the average share price during 2014 and 2015 but instead on the basis of the average share price during the two years prior to the allocation. The adjusted remuneration system continues to aim to support the long-term success of the company and ensure that the interests of management are in line with those of BKW and its shareholders.

Additional details of the remuneration system are described in this report.

In recent years, the remuneration of the Group Executive Board has gradually been aligned with market levels, against the backdrop of BKW's very strong development in recent years: At the end of 2021, it will have generated sales of CHF 3,554 million with a workforce of around 10,750 employees. This development has also been accompanied by a significant increase in the value of the company.

At the 2022 Annual General Meeting, we will submit this Remuneration Report to you for your approval by way of a consultative vote. You will see that the remuneration paid to the Board of Directors and the Group Executive Board is within the maximum remuneration approved by the Annual General Meeting.

They will also cast a binding vote on the maximum total amount of remuneration for the Board of Directors for the coming period until the next General Meeting, as well as on the maximum total amount of remuneration for the Group Executive Board for the 2023 financial year. Both amounts remain unchanged from the previous year.

On behalf of the Board of Directors, I thank you for your support.

Kind regards



Roger Baillod
Chairman of the Board

1 BKW's remuneration policy

BKW's remuneration policy, as defined by the Board of Directors, is derived directly from BKW's strategy and is aimed in particular at promoting the long-term interests of the company. It is based on the principles described below.

Board of Directors (BD)

In order to strengthen the independence of the members of the Board of Directors in their supervisory activities, they receive only fixed remuneration and attendance fees in cash. In addition, they have the opportunity to acquire a limited number of shares in the company on preferential terms.

Group Executive Board (GEB)

The remuneration system is designed to recruit and retain the most suitable individuals to serve in key functions on a long-term basis. It is also designed to align the interests of the top management with the interests of the company and its shareholders with the aim of sustainably increasing the value of the company. The remuneration system is based on the following principles:

Rewarding performance	Market and internal fairness
Continuity and stability	Simplicity

Rewarding performance

The remuneration of the Group Executive Board is linked to the success of the company and its share price, relative to a broad benchmark.

Continuity and stability

BKW's remuneration system is geared towards both continuity and stability. A significant portion of remuneration is paid in the form of restricted shares in order to link the interests of the Executive Board with those of the company and its shareholders. It is also designed to ensure that

no excessive risks are taken and to reinforce the focus on long-term growth. This means the remuneration system has less leverage than other models of listed companies.

Market and internal fairness

BKW strives for market-oriented remuneration across all functions, regardless of gender, age, nationality, or other demographic characteristics. Remuneration is based on competence and responsibility as well as on performance with a focus on strategy implementation and the company's results. In order to ensure that overall remuneration is in line with the market and performance, BKW regularly reviews the salary bands of the individual professional groups to make sure they are in line with the market median. In 2021, salary equality analyses were also carried out for all major Swiss Group companies. This revealed that all of the companies examined comply with the requirements of the Gender Equality Act.

Simplicity

The remuneration system is designed to be simple and transparent.

Within the scope of this remuneration policy, BKW regularly reviews its remuneration system for the Board of Directors and Group Executive Board at intervals of two to four years. In 2019, BKW commissioned HCM International AG, a specialist consulting firm, to review the remuneration system for the Group Executive Board. This company had not been commissioned to carry out any other work for BKW. No external consultants were commissioned to advise on remuneration issues in the year under review.

The results of the analysis were used by the Board of Directors to instigate changes to the remuneration system starting in 2021. With a view to reviewing the remuneration system, a market comparison of the level of remuneration paid to the Group Executive Board was carried out simultaneously. In order to take BKW's specific position into account, the remuneration was subjected to a representative comparison.

The relevant market for recruiting talent for BKW is made up largely of listed industrial companies of similar size and complexity. Accordingly, listed Swiss industrial companies (excluding the high-salary financial and pharmaceutical sectors) with comparable market capitalization and sales figures were taken into account.

The peer group included the following companies: ams, Bucher Industries, Clariant, Conzzeta, Daetwyler, dormakaba, Fraport, Geberit, Georg Fischer, Givaudan, Landis + Gyr, Lonza, Implenia, OC Oerlikon, SIG Combibloc, Schmolz + Bickenbach (today: Swiss Steel Group), Sonova, Straumann, Sulzer, Swisscom, Tecan and VAT Group.

2 Setting remuneration: organization and responsibilities

The broad outlines of the remuneration system, as well as the corporate bodies involved in the determination of the compensation, are defined in Art. 24 to 29 of the articles of incorporation. These are available on the BKW website at www.bkw.ch/statutes and include the following:

- Remuneration Committee (Articles 24 and 25)
- Voting on remuneration (Articles 26, 27, and 28)
- Remuneration of the Board of Directors (Article 27)
- Remuneration of the Executive Board and additional amounts for new members (Article 28)
- Contracts with members of the Board of Directors and the Group Executive Board (Article 29)

The table below shows how the responsibilities and competencies are divided between the General Meeting (GM), the Board of Directors (BD), and the Remuneration and Nomination Committee (RNC).

Overview of responsibilities and activities

Object	RNC	BD	GM	RNC activities in the year under review 2021		
				February	September	November
Maximum total amount of remuneration of the Board of Directors and the Group Executive Board	PS ¹	S ²	R ³	●		
Additional amount for the remuneration of new members of the Group Executive Board ⁴	R ^{4, 5}			n/a	n/a	n/a
BKW remuneration policy and system	PS	R			●	
Remuneration principles and system for the Board of Directors and Group Executive Board	PS	R				●
Performance criteria for remuneration of the CEO and the members of the Group Executive Board	R ⁵					●
Individual remuneration of the Board of Directors	PS	R ⁶				●
CEO performance assessment and individual remuneration	R ^{5, 6}			●		
Performance assessment and individual remuneration of the members of the Group Executive Committee (excluding the CEO)	R ^{4, 5, 6}			●		
Remuneration Report	PS	R	CV ⁷	●		
Principles governing the selection of candidates for election or re-election to the Board of Directors	PS	R			●	●
Election, dismissal, and succession planning for members of the Board of Directors and the Group Executive Board	PS	R			●	●

1 PS means preparation and submission to the Board of Directors

2 S means submission to the General Meeting

3 R means ratification

4 CEO's proposal

5 Within the scope of the articles of incorporation

6 Within the scope of the maximum total amount approved by the General Meeting

7 CV means consultative vote

Remuneration and Nomination Committee

In accordance with Art. 25 of the Articles of incorporation, the Remuneration and Nomination Committee deals at the highest corporate level with the remuneration strategy as well as with the corporate objectives and performance criteria in connection with the remuneration of the Group Executive Board. In addition, it is also responsible for drawing up the criteria for the selection of candidates for the Board of Directors and the Group Executive Board. The Committee consists of three members and is composed of the following:

Roger Baillod	Chairman of the Board of Directors, Chairman
Hartmut Geldmacher	Deputy Chairman of the Board of Directors, Member
Andreas Rickenbacher	Member of the Board of Directors, Member

The Board of Directors is currently considering splitting the Remuneration and Nomination Committee into a Remuneration and Personnel Committee and, as the need arises, ad hoc Nomination Committees. In this context, the composition of the committees would also be reorganized. In particular, it is envisaged that the Chairman of the Board should no longer simultaneously be the chair of the Remuneration and Human Resources Committees.

As required, executives may be invited to attend meetings of the Remuneration and Nomination Committee. However, no executives are to be present when their own performance or remuneration is discussed or determined as the case may be.

At meetings of the Board of Directors, the Chairman of the Remuneration and Nomination Committee reports to the Board of Directors on the committee's activities and decisions; in urgent cases, information may also be provided between meetings. The minutes of the meetings of the Remuneration and Nomination Committee are made available to the entire Board of Directors.

In 2021, the Committee dealt in its three ordinary meetings with, among other things, the recurring agenda items listed in the table above. In addition, at nine extraordinary meetings and video-conferences, it dealt with succession planning for

the Board of Directors and the Group Executive Board as well as with remuneration issues concerning the BD and the CEO. All members of the committee attended all of its meetings.

At the beginning of 2021, the Board of Directors set up a temporary Nomination Committee to deal with the recruitment of a new Board member to replace Roger Baillod, who had been nominated as Chairman. This committee consisted of Urs Gasche, Roger Baillod, and Hartmut Geldmacher. The temporary Nomination Committee dealt with the election procedure at three meetings in January and February 2021.

Due to the announcement of the retirement of the CEO in the course of 2022, the Board of Directors set up a second temporary Nomination Committee in December 2021. This is composed of Roger Baillod, Andreas Rickenbacher, and Rebecca Guntern and is responsible for finding and proposing suitable candidates for the position of CEO. This second temporary Nomination Committee held two meetings in 2021.

Shareholder involvement

Binding votes on the maximum total amounts of remuneration for the Board of Directors and the Group Executive Board, as well as a consultative vote on the Remuneration Report, were taken at the Annual General Meetings on May 15, 2020, and May 7, 2021. The overall amount for the remuneration of the Board of Directors relates to the period from the current General Meeting to the next General Meeting. By contrast, the overall amount of remuneration of the Group Executive Board relates to the full financial year following the General Meeting.

At the 2021 General Meeting, shareholders approved the total amounts for the remuneration of the Group Executive Board with around 93% in favor and those of the Board of Directors with 97% in favor (AGM 2020: GEB 95% and BD 97%), while approval of the 2020 Remuneration Report at the 2021 AGM was lower with 84% in favor (Remuneration Report 2019 at AGM 2020: 84%). BKW took this result as an opportunity to enter into a dialogue with shareholders in order to clarify their concerns regarding the remuneration policy and plans. This dialogue resulted in the following:

- Shareholders would welcome the introduction of performance indicators for the allocation of restricted shares. The Remuneration and Nomination Committee had intensively discussed the design of this remuneration element and decided that such shares would continue to be granted with a three-year vesting period and no future performance condition. The reason for this decision lies in BKW's remuneration policy: On the one hand, the aim is to establish a link between corporate performance, shareholder interests, and remuneration. At the same time, however, the remuneration system is designed to take into account the fact that individual parts of BKW operate in a regulated environment and are therefore excluded from short- and long-term profit maximization. Furthermore, due to the long-term nature of investments in the Energy and Grid business, false and excessively large short-term incentives should also be avoided through the remuneration structure: The investment horizon for production and grid facilities is at least 30 years or longer. It is therefore justified to design the remuneration system more conservatively with less short-term leverage and to encourage a long-term commitment of the Group Executive Board to the company. However, the performance component is indicated by the development of the share price, as the shares are subject to a three-year vesting period and the Executive Board is thus rewarded for a rise in share price. To avoid false incentives, there is no additional leverage.
- Shareholders also expressed the view that the remuneration of BKW's Group Executive Board is high compared with other companies in which the public sector holds a majority stake. While BKW is a listed company, it also has a majority public-sector shareholder. Despite this, the role of the Canton of Berne is limited to its shareholder position with all its opportunities, risks, and rights. There is neither a legal nor an agreed performance mandate of the Canton of Berne for BKW, nor does the latter have any deficit guarantee from the public sector. The relevant market for the recruitment of talent for BKW consists largely of listed industrial companies of similar size and complexity and not of companies owned by the public sector. Consequently, BKW's remuneration policy must be aligned with listed companies in Switzerland whose remuneration practices differ significantly from those of public companies. The level of remuneration has gradually been brought in line with the going market rate over the past few years. BKW has undergone significant changes during its strategic transformation, generating CHF 3,554 million in revenue and a stock market value of CHF 6.3 billion at the end of 2021 with 10,750 employees. Over the last few years, the overall remuneration of the Group Executive Board has been adjusted accordingly. Despite this, the total remuneration of the members of the Group Executive Board remains below the market median of the peer companies.
- Shareholders expect part of the remuneration of the Group Executive Board to be linked to sustainability targets. BKW publishes a sustainability report as part of its annual report. The key figures and targets on which this report is based will continue to evolve in the coming years. Based on the mature sustainability system, the Board of Directors will examine the possibility of integrating sustainability targets into the remuneration of the Group Executive Board in due course.

3 Remuneration of the Board of Directors

3.1 Remuneration elements for the Board of Directors

BKW's remuneration system is designed in particular to ensure the independence of the Board of Directors in its oversight of the Group Executive Board. For this reason, fixed remuneration elements are at the forefront for the Board of Directors – no performance or success-related component is paid to the Board of Directors.

a) Fixed payment (base salary)

The base salary of the Board of Directors includes a fixed Board member fee. The amount of the fee depends on the particular role (Chairman, Deputy Chairman, member), as well as the memberships and roles pertaining to Board committees.

Role	Gross remuneration (p.a.)
Chairman of the Board of Directors	CHF 336 000
Deputy Chairman of the Board of Directors	CHF 62 400
Member of the Board of Directors	CHF 48 000
Committee Chairman	CHF 12 000

If there is a significant but temporary increase in workload compared to previous years, the Board of Directors may agree to an additional payment of no more than 20% of the fee.

b) Attendance fee

A fixed attendance fee of CHF 2,400 is paid for each instance of attendance at a Board or committee meeting. The Chairman of the Board of Directors did not receive any attendance fees until March 2021. As of March 2021, the Chairman will be compensated for attendance at committee meetings but will continue not to be compensated for meetings of the Board of Directors.

c) Share-based remuneration

Once a year, members of the Board of Directors have the opportunity to invest in the share capital of BKW on preferential terms. Subject to any exceptional situation, the maximum number of discounted shares is 600. The discount is equal to 30% of the average share price over the last quarter of the previous financial year.

Participation in the share purchase program for members of the Board of Directors provides an incentive for a sustainable increase in the

value of the company and links their interests more closely to those of the shareholders. The shares acquired are subject to a three-year blocking period with regard to their sale.

d) Social security contributions (other remuneration)

This remuneration includes social security contributions paid by BKW as well as any withholding taxes. Members of the Board of Directors are not insured by the BKW pension fund.

e) Contracts

Fixed-term or permanent mandate agreements may be concluded with members of the Board of Directors (Art. 29 of the articles of incorporation); only annual election to the Board of Directors by the General Meeting of Shareholders is crucial for the effectiveness of the mandate. No employment contracts exist between BKW and the members of the Board of Directors. The members of the Board of Directors are independent, and their rights and obligations are governed by the standards of company law and the provisions of the articles of incorporation, regulations, and mandate agreements.

The Board of Directors is currently looking into a simplification of its remuneration system with the aim of dispensing with attendance fees and adjusting the fixed fees instead.

3.2 Remuneration paid in 2021

Remuneration paid to the Board of Directors is reported in the financial year in which it is recorded on the financial statements. The remuneration paid to members of the Board of Directors for the financial years 2021 and 2020 is shown below. For individual members of the Board, payment is made in full or in part to the respective employer.

The fixed remuneration and the approaches to attendance fees remained constant in the 2021 financial year. The attendance fee paid depends on the number of meetings attended by the member of the Board of Directors. The Chairman is not paid an attendance fee for ordinary Board meetings but has been paid an attendance fee for committee meetings since March 2021. For the additional expenses and the numerous extraordinary meetings in conjunction with the revision of the remuneration system and the new appointments to the Board of Directors in 2020, the Board of Directors retrospectively approved an additional remuneration of CHF 51.5 thousand for Urs Gasche, who did not receive any attendance fees for this purpose. This is included in the

remuneration table. The share-based remuneration includes the noncash benefit of the discounted purchase of BKW shares. In 2021, each member of the Board of Directors was offered the opportunity to purchase 600 BKW shares (2020: 600 shares) at a preferential price of CHF 67.45 per share (2020: CHF 50.45). The underlying market value at the closing price on the first day of the reference period (i.e., on March 17, 2021) was CHF 108 (2020: CHF 73.50) per share. Due to the various changes on the Board of Directors and the imminent departure of the CEO, the number of meetings in the reporting year remained similar to the previous year. The total remuneration paid to the members of the Board of Directors in 2021 thus remained constant.

AUDITED

Remuneration of members of the Board of Directors in 2021

AUDITED

CHF thousands		Fixed remuneration	Attendance fee	Share-based remuneration ¹	Total remuneration	Social security contributions	Total
Roger Baillod	Member/Chairman since 05/2021	252	36	13	301	2	303
Hartmut Geldmacher	Deputy Chairman	62	43	13	118	56 ²	174
Dr. Carole Ackermann	Member	56	24	13	93	2	95
Prof. Dr. Petra Denk	Member since 05/2021	32	14	0	46	0	46
Urs Gasche	Chairman until 05/2021	192 ³	0	13	205	23	228
Rebecca Guntern	Member	48	14	13	75	12	87
Andreas Rickenbacher	Member	48	43	13	104	16	120
Kurt Schär	Member	48	24	13	85	2	87
Total		738	198	91	1,027	113	1,140

1 The share-based payments correspond to the difference between the taxable market value (closing price on the first day of the reference period less 16.038%) and the purchase price under the share purchase programme (average price in Q4 of the previous year less 30%).

2 Includes withholding tax in addition to social security contributions.

3 Includes remuneration of CHF 51.5 thousand approved by the Board of Directors in term of office 2021/2022 for additional expenses and numerous extraordinary meetings in conjunction with the revision of the remuneration system and new appointments. The Chairman of the Board of Directors was not entitled to any attendance fees in 2020.

Remuneration of members of the Board of Directors in 2020

CHF thousands		Fixed remuneration	Attendance fee	Share-based remuneration ¹	Total remuneration	Social security contributions	Total
Urs Gasche	Chairman	336	0	7	343	44	387
Hartmut Geldmacher	Deputy Chairman	62	79	7	148	73 ²	221
Dr. Carole Ackermann	Member	48	31	7	86	1	87
Roger Bailod	Member	60	29	7	96	1	97
Rebecca Guntern	Member	48	22	7	77	12	89
Andreas Rickenbacher	Member	48	72	1	121	19	140
Kurt Schär	Member	48	36	7	91	1	92
Total		650	269	43	962	151	1,113

1 The share-based payments correspond to the difference between the taxable market value (closing price on the first day of the reference period) and the purchase price under the share purchase programme.

2 Includes withholding tax in addition to social security contributions.

3.3 Compliance with the maximum overall remuneration approved by the General Meeting for the term of office 2020/2021

The General Meeting ratifies the maximum total amount of remuneration of the Board of Directors for the term of office, that is, from the General Meeting (each May) until the next General Meeting (the following April). By contrast, this Remuneration Report is based on the financial year; the amount disclosed in this report has therefore been adjusted to a period of eight months (May to December 2021).

The 2021 General Meeting approved a total amount of CHF 1,400 thousand for remuneration to the Board of Directors for the 2021/2022 term of office. Up to December 31, 2021, payments to members of the Board of Directors amounted to CHF 730 thousand. The additional remuneration to be paid in 2022 (January to April 2022), which is not yet known at the time of preparing this report, will remain within the scope of the total amount approved by the General Meeting. At the

General Meeting 2022, the entire remuneration period (General Meeting 2021 to General Meeting 2022) will be reported.

Regarding the previous reporting period 2020/2021, the General Meeting 2020 approved a maximum total remuneration of CHF 1,200 thousand. This limit was not exceeded with the actual overall remuneration paid during the reporting year amounting to CHF 1,161 thousand.

3.4 Payments to former members of the Board of Directors and related parties

No payments were made to former members of the Board of Directors during the reporting year. There were also no payments to parties related to members of the Board of Directors.

3.5 Loans and credits

No loans or credits were granted to members of the Board of Directors during the financial year. No loans or credit were owed at the end of the reporting year.

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4 Remuneration of the Group Executive Board

4.1 Remuneration elements for the Group Executive Board

The remuneration system for the Group Executive Board is designed to create incentives to ensure the long-term positive development of BKW. For this reason, the remuneration includes a substantial fixed base salary, short-term variable remuneration in cash, and a long-term profit-sharing component in the form of restricted shares.

Remuneration elements for the Group Executive Board

	Instrument	Purpose	Influencing factors	Performance targets
Annual base salary	Monthly cash remuneration	Employee recruitment/retention	Position, market-level remuneration, qualifications, and experience	
Short-term variable remuneration	Annual variable remuneration in cash	Performance-related remuneration	Annual performance	<ul style="list-style-type: none"> – Net operating profit – Relative return on shares – Strategic repositioning of the Energy business
Remuneration in restricted shares	Shares with a three-year blocking period	Long-term employee retention in line with shareholder interests	Share price	
Pension contributions and social security contributions	Pension and insurance benefits in kind	Protection against risks of employee recruitment and retention	Market-level practice and position	

a) Fixed annual base salary

The base salary provides compensation for the role held within the organization. This takes into account the range and depth of responsibility, experience, and influence on the success of the company. The base salary is paid in cash.

b) Short-term variable remuneration

The short-term variable remuneration (or Short-Term Incentive Plan, STI) takes into account the achievement of the goals set by the Remuneration and Nomination Committee for the Group Executive Board and the CEO.

The target value of the short-term variable remuneration is 30% of the base salary.

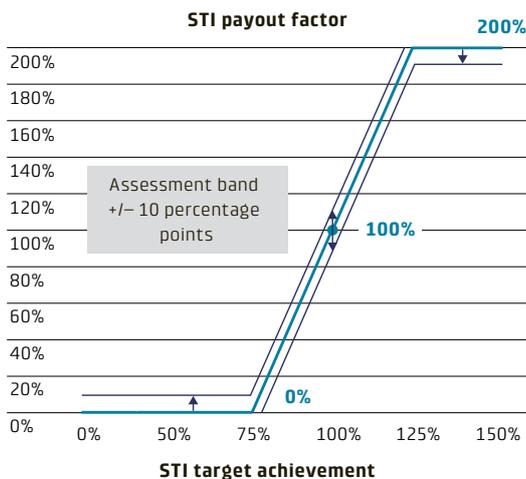
The STI is now determined on the basis of budgeted net operating profit and relative share returns. Net operating profit is calculated in a way that excludes the performance of investments in decommissioning and waste disposal funds, as these are managed by the funds' management commission and are therefore not under the control of BKW's Group Executive Board. The relative return on shares was rolled out as a new

performance indicator, first to align the interests of management even more closely with those of shareholders and secondly to take account of BKW's relative performance compared to peer companies grouped together in the SMCI index. In this context, net operating profit is weighted at 75% and relative share returns at 25%.

The payout factor (based on the target bonus) ranges from 0 to 200%. Target achievement of up to 75% corresponds to a payout factor of zero. If 125% of the target is achieved, the payout factor is 200%. In the target range of 75 to 125%, the payout factor changes on a linear basis. Whatever the case, the maximum amount of the STI is 200% of the target bonus, that is, 60% of the base salary. Accordingly, a target achievement of more than 125% does not result in a higher payout than the maximum amount of 200% of the target bonus.

Furthermore, the Remuneration and Nomination Committee has the right to adjust the payout factor calculated on the basis of the quantitative targets within the range of –10 to +10 percentage points. This adjustment is based on the

assessment of qualitative targets and may, in exceptional cases, differ for individual members of the Group Executive Board. The qualitative target for 2021 is based in particular on the strategic repositioning of the Energy business in the volatile European energy markets.



At the request of the Remuneration and Nomination Committee, the Board of Directors may reduce or cancel the payment in an exceptional situation, irrespective of the achievement of the target. Such an exceptional situation may arise in particular if the company's existence is threatened, and for this reason the distribution of dividends and/or any profit sharing to the entitled employees is to be waived. In this case, there is no legal entitlement to the short-term variable remuneration.

The short-term variable remuneration is paid out in cash in the calendar year following the year for which it is awarded.

c) Remuneration in restricted shares

Remuneration in restricted shares (Long-Term Incentive Plan, LTI) is aimed at securing long-term success and is directly linked to the opportunities and risks associated with the share price performance. Because of the extremely positive trend in the share price in recent years, it has become a central element of the overall remuneration of the Group Executive Board. The allocated shares are subject to a blocking period of three years.

Except for in exceptional situations, the long-term incentive in restricted shares amounts to 30% of the base salary for the current financial year for the members of the Group Executive Board. It is calculated in Swiss francs in a first step and subsequently remunerated in the form of restricted shares in BKW AG.

The allocated amount is converted into shares on the basis of the average price of shares in BKW over the last two financial years prior to the allocation date.

The shares are allocated annually, in each case in the first quarter of the calendar year following the year for which the shares are awarded. The shares are transferred to the plan participants after the Board of Directors has decided on the distribution of a dividend. Entitlement to a share allocation exists only if the Board of Directors decides to propose to the Shareholders' General Meeting the distribution of a dividend from the profit of the reporting year. If, for economic reasons, no dividend is to be distributed, the entitlement to a share allocation for the year in question lapses completely.

Upon termination of employment, the blocking periods of the shares continue in accordance with the plan

d) Social security contributions, pension contributions, and additional benefits in kind

The Members of the Group Executive Board are covered by the regular pension scheme set up for all employees. Pension benefits include employer contributions to social security and pension fund. Since 2019, the BKW pension fund has operated a defined contribution pension scheme in accordance with the provisions of the Occupational Pensions Act (BVG). The pension scheme covers annual income up to CHF 860,400 with age-dependent contribution rates (including half of the short-term variable cash remuneration) which are paid by the company and the employee in accordance with the rules that apply for all employees.

The Group Executive Board is entitled to a fixed expenses payment in line with the expenses guideline that has been approved by the tax authority and applied to all members of the management. In addition, all Group Executive Board members have the same entitlement to a long-service bonus as other employees in accordance with the general regulations. Beyond this, the Group Executive Board has no entitlement to any other benefits in kind.

e) Contracts

In accordance with Art. 29 of the articles of incorporation, contracts between BKW and members of the Group Executive Board may only be concluded for a maximum period of one year or with a maximum notice period of 12 months.

The employment contracts of the members of the Group Executive Board have been drafted in accordance with the Ordinance against Excessive Compensation in Listed Stock Corporations. In the reporting period, all members of the Group Executive Board had permanent employment contracts with a notice period of six months. Members of the Group Executive Board are not entitled to any contractual severance payments, special change-of-control provisions, or non-competition payments.

f) Special rules for the remuneration of the CEO

For the CEO, a special arrangement was made in 2020 for a transitional period that will also apply to 2021 as well as 2022 on a pro-rata basis. For 2021, the remuneration structure for the CEO is as follows:

- Fixed annual base salary (gross): CHF 918,918;
- Short-term variable remuneration: CHF 491,000;
- Share allocation under the long-term incentive plan: CHF 273,499.

The CEO will step down in the course of 2022. Remuneration of the CEO's successor will be based on the regular remuneration system, and no transitional arrangements will apply.

4.2 Remuneration paid in 2021

Remuneration paid to the Group Executive Board is reported in the financial year in which it is recorded on the financial statements. Compared to the 2020 financial year, the total remuneration of the Group Executive Board increased by 5.1%, while the CEO's remuneration decreased by 2.5%. These increases can be attributed to the following change in the individual remuneration elements:

Base salary

In 2021, the base salary for the CEO remained unchanged. As part of the adjustment of the employment contracts of the other GEB to the new salary system, an extraordinary adjustment of the base salary was decided, which amounted to a total of 22%.

Short-term variable remuneration

With a net operating profit of CHF 245 million, the target was partially achieved, resulting in a payout factor of 86% for this component. With an equity return of +32.7%, the SMCI average of 14.2% was significantly exceeded, resulting in a payout factor for this component of 200%. The payout factor calculated for the total short-term variable remuneration was therefore 114%. The Remuneration and Nomination Committee has the right to adjust the calculated payout factor above based on the achievement of qualitative targets in the range of –10 to +10 percentage points. The qualitative target for 2021 was the strategic repositioning of the Energy business in the volatile European energy markets. The energy strategy, revised from the ground up and adapted to the new reality of the European markets, was presented to and approved by the Board of Directors. It is in part the basis for BKW's growth strategy, which was presented on Capital Markets Day on October 28, 2021. Accordingly, the Remuneration and Nomination Committee decided to increase the calculated payout factor by 5%.

This resulted in a payout of the short-term variable remuneration of 119% of the target value.

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Long-term variable remuneration

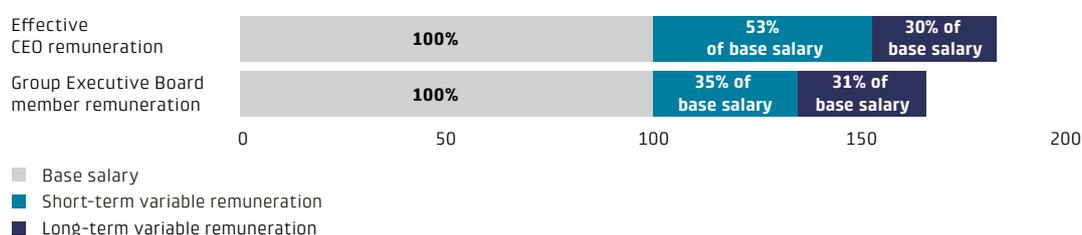
The entire Group Executive Board (incl. the CEO) was granted 10,881 shares (2020: 21,065). The CEO received 2,808 shares with a three-year blocking period in accordance with special transitional arrangements (2020: 3,465). The value of these shares allocated under the LTI as shown in the table below is around 36% lower than in the previous year. This is primarily due to the change

in the procedure for calculating the number of shares allocated under the new remuneration system introduced last year.

Ratio of fixed to variable remuneration

In 2021, the variable remuneration amounted to 83% of the base salary for the CEO and an average of 66% for the other members of the Group Executive Board.

AUDITED

**Remuneration (gross) of the members of the Group Executive Board and of the highest-paid member in 2021**

CHF thousands	Dr. Suzanne Thoma CEO 2021	Group Executive Board ¹ (including CEO) 2021
Fixed base salaries	919	3,463
Short-term variable remuneration	491	1,389
Long-term profit sharing (share-based payments) ²	273	1,065
Pension and insurance benefits in kind ³	200	813
Total	1,883	6,730

1 The Group Executive Board consisted of five members throughout the financial year. Antje Kanngiesser continued to be employed by BKW until the end of February but no longer took part in Group Executive Board meetings. Their first two months of remuneration is included in the remuneration shown above.

2 The share-based remuneration is shown at its tax value.

3 Pension contributions correspond to the contributions paid during the reporting year.

AUDITED

Remuneration (gross) of the members of the Group Executive Board and of the highest-paid member in 2020

CHF thousands	Dr. Suzanne Thoma CEO 2020	Group Executive Board ¹ (including CEO) 2020
Fixed base salaries	919	2,998
Short-term variable remuneration	441	856
Long-term profit sharing (share-based payments) ²	273	1,662
Pension and insurance benefits in kind ³	299	890
Total	1,932	6,406

1 The Group Executive Board consisted of five members throughout the financial year.

2 The share-based remuneration is shown at its tax value.

3 Other benefits in kind consist of a payment for the CEO's service anniversary amounting to CHF 38 thousand. Pension contributions correspond to the contributions paid during the reporting year.

4.3 Compliance with the maximum overall remuneration for the 2021 financial year ratified by the General Meeting

In summary, the remuneration paid fully complies with the maximum amount of CHF 8,800 thousand for remuneration to the Group Executive Board for the 2021 financial year approved by the 2020 Annual General Meeting.

4.4 Payments to former members of the Board of Directors and related parties

No payments were made to former members of the Board of Directors in the reporting year. There were also no payments to parties related to members of the Board of Directors.

4.5 Loans and credits to members of the Group Executive Board

No loans were granted to members of the Group Executive Board during the financial year. No loans were outstanding at the end of the reporting year.

5 Shareholdings

The shares held by members of the Board of Directors and the Group Executive Board of BKW and their associates as of December 31, 2021 and 2020, can be found in the Notes to the Financial Statements on page 108.

As of December 31, 2021, the company's equity burn rate was 0.282% (2020: 0.246%). The equity burn rate is defined as the number of shares allocated in 2021 by all BKW participation programs divided by the total number of outstanding shares. In 2021, 148,764 shares were allocated (2020: 129,750).

Report of the statutory auditor on the remuneration report



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To the General Meeting of
BKW AG, Berne

Berne, 10 March 2022

Report of the statutory auditor on the remuneration report

We have audited the remuneration report of BKW AG for the year ended 31 December 2021. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the marked places on pages 190 to 196 of the remuneration report.



Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.



Auditor's responsibility

Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the remuneration report for the year ended 31 December 2021 of BKW AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Rico Fehr
Licensed audit expert
(Auditor in charge)

Philippe Wenger
Licensed audit expert

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This report contains statements that constitute expectations and forward-looking statements. Because these statements are subject to risks and uncertainties, actual future results may differ materially from those expressed or implied by the expectations and statements. This report is published in German, French, and English. The German text is the authoritative version.

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