

EPFL

2020

Consolidated  
financial statements  
2020



# Foreword

## A healthy financial situation

EPFL has annual revenue of over one billion francs, which are used to fund our three core missions of education, research and innovation. Thanks to the unfailing support of the Swiss federal government, we were able to secure the long-term financial health of our activities and serve our community of over 16,000 people throughout 2020 despite the unprecedented challenges arising from the Covid-19 pandemic.

In 2020 we received the first tranche (MCHF 24) of the structural increase in our basic funding, which the ETH Board approved at end-2019. Our basic funding will increase every year for five years, reaching MCHF 49 in 2024. The additional funds will allow our School to keep making long-term investments in infrastructure (e.g. new buildings for research and education) and to maintain our effective system for promoting professors.

We drew on a diverse range of funding sources again in 2020 and further enhanced our organisational processes and governance. These initiatives amplified our School's impact on scientific research and society in general, enabling us to launch innovative projects and anchor our international reputation. We moved up four places in the QS World University Ranking in 2020 and now sit at #14, and 18.2% of our researchers' Publications are among the most cited in their fields (#16 in the Leiden world ranking).

## Funding sources

The federal contribution to EPFL totalled MCHF 713 in 2020 and is our main source of funding. The second-largest source is indirect public funding (MCHF 183 in 2020), which we receive from the Swiss National Science Foundation, Innosuisse, other Swiss federal programmes and EU Framework Programmes. Other funding comes from the private sector, non-profit organisations, services revenue, tuition and donations and bequests; these together amounted to MCHF 167 in 2020 and represent our third-largest source of funding.

The pandemic underscored the importance of diversified funding sources for our School. The volume of new research contracts we entered into with public- and private-sector organisations grew by MCHF 70 and MCHF 10, respectively, in 2020 – despite the high level of uncertainty caused by the public-health crisis. The new private-sector funding includes MCHF 5 in donations and MCHF 4 in grants for research on SARS-CoV-2 and Covid-19.

Regarding our EU-funded projects, the final phase of the Human Brain Project (HBP) kicked off in April 2020. This phase will last until 31 March 2023 and has a total of MCHF 162 in funding from the EU, including MCHF 34 for EPFL.

## Expenses

Some of our expenses were reduced in 2020 as a result of measures introduced to stem the spread of Covid-19; for example, researchers scaled back their foreign travel significantly and fewer visitors were brought to campus. These savings were used to cover the following pandemic-related costs:

- Direct costs – purchases of masks and hand sanitiser for EPFL staff and students, and support for local and federal efforts through the distribution of nearly 60,000 masks during the shortage in March 2020 and the opening of a Covid-19 testing centre on the Lausanne campus.
- Indirect costs – financial support for EPFL community members and for partner businesses and organisations affected by the pandemic.

We also used the savings to bring forward the implementation of certain initiatives, such as the adoption of a sustainability policy for our food services and the modernisation of some IT systems.

## Capital investment

In 2020, guided by key values such as diversity and excellence, we stepped up our capital investment programme to modernise our facilities and build a combined data centre / heating plant facility. This latter project is a novel and ambitious initiative that will allow us to switch to 100% renewable energy by 2022.

We made MCHF 63 of capital investment in 2020, mainly on projects to expand our campuses, acquire research equipment and upgrade our IT systems. These investments were only marginally affected by the pandemic.

## Projects and support

Switzerland's partial lockdown, first introduced in March 2020, underscored how important it is for our School to have modern, flexible systems and processes for managing our finances under remote-working conditions. EPFL demonstrated its maturity in this area by switching from a paper-based to a digitalised invoice-management system in just one week. We plan to make our processes even more flexible in 2021 by setting up a fully paperless system for supplier invoices, completing the digitalisation of our entire procurement chain (purchase-to-pay). In 2021 we will launch a comprehensive, ambitious project to modernise the systems and processes we use to manage our finances, purchasing and human resources.

In 2020, EPFL's upper management announced that one of its priorities for the next four years would be shoring up our academic programmes. To help the School's units achieve this objective, the Vice Presidency for Finances (VPF) will enhance the support it provides to EPFL's laboratories, schools and colleges, as well as to the Vice Presidency for Academic Affairs (VPA), the Vice Presidency for Responsible Transformation (VPT) and the Vice Presidency for Innovation (VPI). The VPF will also work closely with the new Vice Presidency for Operations (VPO) to make sure that all EPFL resources – financial, human and material – are managed efficiently and with a long-term view.

## Discussion of the consolidated financial statements

### Overview

EPFL's full-year consolidated financial statements have been prepared entirely under IPSAS since 2017. They therefore provide a faithful view of the School's financial health, income and assets. The main conclusions of our 2020 financial statements are as follows:

- EPFL has highly diversified funding sources. 33% (2019: 35%) of our operating revenue comes from third-party funds, illustrating our ability to obtain new funding and to attract other researchers to our School to carry out cutting-edge projects;
- Operating expenses have grown in line with operating revenue, indicating firm cost control;
- Dedicated reserves and free reserves together rose 6%, indicating that we have the financial capacity to grow by hiring new professors and making targeted investments in state-of-the-art infrastructure.

### Consolidated statement of financial performance

#### Operating revenue

The slight 0.6% increase in operating revenue masks variations in the components of this line item. The federal contribution – which accounts for the bulk of the School's funding – grew 4%, or MCHF 28; half of this growth was due to the MCHF 24 structural increase in our basic funding (as approved by the ETH Board in December 2019). Operating revenue in 2020 also included funds received for various national research projects: MCHF 21 for the Blue Brain Project, MCHF 4 for personalised healthcare and related technology, MCHF 2 for data science, MCHF 1 for advanced manufacturing, MCHF 4 for the ETH Domain's Digitalisation Action Plan, and MCHF 3 for the Swiss Plasma Center. Third-party funds (which comprise operating revenue other than the federal contribution) fell 5%, or MCHF 20, to MCHF 350. These funds now make up 33% of total operating revenue (versus 35% in 2019 and 33% in 2018).

The Covid-19 pandemic had both a positive and negative impact on operating revenue. The negative impact included a MCHF 9 decline in other revenue (see Note 9) – especially revenue from conferences and other events held at EPFL and the SwissTech Convention Center – due to pandemic-related restrictions. The positive impact included new funding for research projects on SARS-CoV-2 and Covid-19, comprising MCHF 5 in donations and MCHF 4 in grants (including MCHF 3 in grants from the SNSF, Innosuisse and the EU Horizon 2020 Programme).

#### Operating expenses

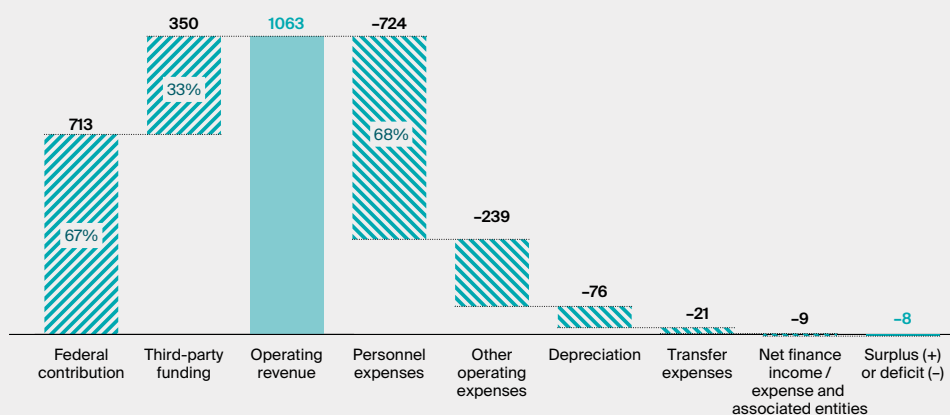
Operating expenses edged up 1.1%, or MCHF 12, in 2020. This reflects a MCHF 36 increase in personnel expenses (which accounted for 68% of operating expenses in 2020 versus 65% in 2019), partly offset by a MCHF 24 decrease in other operating expenses. The growth in personnel expenses was due primarily to increases in the School's headcount (by 147 FTEs), average salaries (as a result of cost-of-living adjustments) and provisions for untaken leave and overtime.

The substantial decrease in other operating expenses can be attributed to pandemic-related measures, such as the travel restrictions and the cancellation of conferences and other events; there was also a steep decline in cleaning and energy costs. However, additional IT costs were incurred to set up remote working and teaching systems.

## Consolidated statement of financial performance

MCHF	2020	2019
<b>Operating revenue</b>	<b>1 063</b>	<b>1 056</b>
Changes to previous year	0.7%	0.4%
<b>Operating expenses</b>	<b>1 061</b>	<b>1 049</b>
Changes to previous year	1.1%	0.1%
<b>Net finance income / expense</b>	<b>-8</b>	<b>-6</b>
<b>Surplus (+) or deficit (-)</b>	<b>-8</b>	<b>-1</b>
Third-party funds relative to operating revenue	33%	35%
Personnel expenses relative to operating revenue	68%	65%

## Graphical representation of the 2020 consolidated statement of financial performance



## Consolidated balance sheet

Total assets rose 1%, or MCHF 18, to MCHF 1,656 at end-2020. This increase was mainly due to a higher level of current assets, and especially cash and cash equivalents.

Liabilities fell MCHF 348 to MCHF 1,311:

- Net defined benefit liabilities – These liabilities are now calculated based on the concept of risk-sharing, in order to better account for the division of risk between the employer (EPFL) and its employees (see Notes 3, 4 and 26). As a reminder, under IPSAS – unlike under Swiss GAAP (as set forth in the Swiss Code of Obligations) – employers' defined benefit liabilities are stated after subtracting out the fair value of plan assets. EPFL calculates these liabilities under IPSAS 39 (economic approach), and they do not represent mandatory cash outflows for the School (contractual approach).
- Dedicated third-party funds – These funds grew 3%, or MCHF 17, to MCHF 547. Dedicated third-party funds account for the unspent portion of research funding received from public-sector organisations (like the SNSF, Innosuisse and the EU) and private-sector donors. Although the minor change in 2020 partly reflects normal fluctuations in this line item, it also illustrates how consistently the School was able to obtain research funding despite the challenges posed by the pandemic.

Equity increased MCHF 366 to MCHF 345. This primarily reflects the change in calculation method for net defined benefit liabilities described above, as the effects of this change were recognised in valuation reserves (see the consolidated statement of changes in equity). The MCHF 29 rise in free reserves consists mainly of surplus revenue resulting from the drop in teaching and research activities as a result of the pandemic.

## Consolidated balance sheet

MCHF	31.12.2020	31.12.2019
<b>Current assets</b>	<b>873</b>	<b>834</b>
Thereof cash and cash equivalents	619	349
<b>Non-current assets</b>	<b>783</b>	<b>804</b>
<b>Total assets</b>	<b>1 656</b>	<b>1 638</b>
<b>Liabilities</b>	<b>1 311</b>	<b>1 659</b>
Valuation reserves	12	- 361
Dedicated reserves	244	247
Free reserves	239	210
Subtotal of dedicated and free reserves	483	457
Other equity	-150	- 116
<b>Equity</b>	<b>345</b>	<b>- 20</b>
<b>Total liabilities and equity</b>	<b>1 656</b>	<b>1 639</b>
Changes to previous years	1.0%	- 2.7%

## Consolidated cash flow statement

Cash flows from operating activities consist of the MCHF 8 deficit for the year, adjusted for the non-cash revenue and expenses (e.g., depreciation and amortisation) recognised in the statement of financial performance and for line items on the balance sheet that are related to the School's operations (mainly net current assets, dedicated third-party funds and net defined benefit liabilities).

The sharp increase in cash flow from investing activities can be attributed to a change in the maturity structure of the School's deposits with the Swiss Federal Finance Administration (assets were transferred from more than 90-day deposits to less than 90-day deposits). More specifically, total investments were made of MCHF 63 (versus MCHF 52 in 2019) along with total divestments of MCHF 232.

## Tableau des flux de trésorerie consolidés

MCHF	2020	2019
<b>Cash flows from operating activities</b>	<b>110</b>	<b>59</b>
<b>Cash flows from investing activities</b>	<b>169</b>	<b>- 17</b>
<b>Cash flows from financing activities</b>	<b>- 9</b>	<b>- 8</b>
<b>Total cash flow</b>	<b>270</b>	<b>34</b>



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## Glossaire

BBP	Blue Brain Project
BCC	Building Cost Classification
BVG	Altersvorsorge
BVV 2	Ordinance on occupational retirement, survivors' and disability pension
CHF	Swiss Franc
CHUV	Centre hospitalier universitaire vaudois
CSCS	Centre suisse de calcul scientifique
CSEM	Centre suisse d'électronique et de microtechnique
DBO	Defined Benefit Obligation
EPFL	Ecole polytechnique fédérale de Lausanne
ETH	Eidgenössischen technischen Hochschulen
EU	European Union
EUR	Euro, European Monetary Unit
FBC	Fondation Les Bois Chamblard
FCUP	Fondation du centre universitaire protestant
FEIP	Fondation EPFL Innovation Park
FTEs	Full time equivalent
GAAP	Generally accepted accounting principles
H2020	Horizon 2020
HBP	Human Brain Project
ICS	Internal Control System
IIMT	Fondation institut d'imagerie moléculaire translationnelle
IPSAS	International Public Sector Accounting Standards
MCHF	Millions of Swiss Francs
PUC	Projected Unit Credit
QS	Quacquarelli Symonds
SERI	State Secretariat for Education, Research and Innovation
SFAs	Strategic Focus Areas
SNSF	Swiss National Science Foundation
SQIE	Société pour le quartier de l'innovation de l'EPFL
SQNE	Société pour le quartier nord de l'EPFL
SR	Systematische Rechtssammlung
STCC	SwissTech Convention Center
UNIL	Université de Lausanne
USD	United States Dollar
VPA	Vice Presidency for Academic Affairs
VPF	Vice-Presidency for Finances
VPI	Vice Presidency for Innovation
VPO	Vice Presidency for Operations
VPT	Vice Presidency for Responsible Transformation

# Consolidated financial statements

**Rounding differences:** It is possible that the sum of figures presented in this document does not correspond exactly to the total amounts shown in the tables. Variations are calculated on unrounded figures and may differ from values based on the figures in the tables, which are rounded.

## ■ Consolidated statement of financial performance

MCHF	2020	2019	Change absolute	Notes
Federal financial contribution	653	625	28	
Federal contribution to accommodation	61	61	-1	
<b>Total federal contribution</b>	<b>713</b>	<b>686</b>	<b>28</b>	<u>05</u>
<b>Tuition fees, continuing education</b>	<b>17</b>	<b>16</b>	<b>1</b>	<u>06</u>
Swiss National Science Foundation (SNSF)	95	94	0	
Swiss Innovation Agency (Innosuisse)	15	14	0	
Special federal funding of applied research	14	12	2	
EU Framework Programmes for Research and Innovation (EU-FP)	59	62	-3	
Industry-oriented research (private sector)	47	56	-9	
Other project-oriented third-party funding (incl. cantons, municipalities, international organisations)	32	31	0	
<b>Research contributions, mandates and scientific services</b>	<b>261</b>	<b>271</b>	<b>-10</b>	<u>07</u>
<b>Donations and bequests</b>	<b>23</b>	<b>26</b>	<b>-3</b>	<u>08</u>
<b>Other revenue</b>	<b>49</b>	<b>58</b>	<b>-9</b>	<u>09</u>
<b>Operating revenue</b>	<b>1 063</b>	<b>1 056</b>	<b>7</b>	
Personnel expenses	724	688	36	<u>10, 26</u>
Other operating expenses	239	263	-24	<u>11</u>
Depreciation	76	76	0	<u>19, 21</u>
Transfer expenses	21	22	0	<u>12</u>
<b>Operating expenses</b>	<b>1 061</b>	<b>1 049</b>	<b>12</b>	
<b>Operating result</b>	<b>2</b>	<b>7</b>	<b>-5</b>	
<b>Net finance income / expense</b>	<b>-8</b>	<b>-6</b>	<b>-3</b>	<u>13</u>
<b>Share of surplus / deficit of associated entities and joint ventures</b>	<b>-1</b>	<b>-2</b>	<b>1</b>	<u>18</u>
<b>Surplus (+) or deficit (-)</b>	<b>-8</b>	<b>-1</b>	<b>-7</b>	

## ■ Consolidated balance sheet

MCHF	31.12.2020	31.12.2019	Change absolute	Note
Cash and cash equivalents	619	349	270	14
Current receivables from non-exchange transactions	207	206	0	15
Current receivables from exchange transactions	14	16	-1	15
Current financial assets and loans	16	248	-232	20
Inventories	3	2	0	16
Prepaid expenses and accrued income	15	13	2	17
<b>Total current assets</b>	<b>873</b>	<b>834</b>	<b>39</b>	
Property, plant and equipment	394	406	-12	19
Intangible assets	56	57	-1	19
Non-current receivables from non-exchange transactions	225	229	-5	15
Investments in associated entities and joint ventures	34	35	-1	18
Non-current financial assets and loans	7	7	0	20
Co-financing	67	70	-3	21
<b>Total non-current assets</b>	<b>783</b>	<b>804</b>	<b>-21</b>	
<b>Total assets</b>	<b>1 656</b>	<b>1 638</b>	<b>18</b>	
Current liabilities	53	64	-11	22
Current financial liabilities	18	14	4	23
Accrued expenses and deferred income	38	39	-1	24
Short-term provisions	31	26	5	25
<b>Short-term liabilities</b>	<b>140</b>	<b>144</b>	<b>-3</b>	
Dedicated third-party funds	547	530	17	27
Non-current financial liabilities	322	337	-15	23
Net defined benefit liabilities	287	631	-344	26
Long-term provisions	16	18	-2	25
<b>Long-term liabilities</b>	<b>1 171</b>	<b>1 515</b>	<b>-345</b>	
<b>Total liabilities</b>	<b>1 311</b>	<b>1 659</b>	<b>-348</b>	
Valuation reserves	12	-361	374	
Dedicated reserves	244	247	-3	
Free reserves	239	210	29	
Co-financing	67	70	-3	21
Reserves from associated entities	34	35	-1	18
Accumulated surplus (+) / deficit (-)	-251	-221	-30	
<b>Total equity</b>	<b>345</b>	<b>-21</b>	<b>366</b>	
<b>Total liabilities and equity</b>	<b>1 656</b>	<b>1 638</b>	<b>18</b>	

## ■ Consolidated statement of changes in equity

MCHF	Valuation reserves	Donations and bequests	Teaching and research reserves	Infrastructure and administration reserves	Dedicated reserves	Free reserves	Co-financing	Reserves from associated entities	Accumulated surplus (+)/ deficit (-)	Total equity
<b>2019</b>										
Changes from restatement as of 01.01.									-6	-6
<b>Value as of 01.01.2019</b>	-330	115	91	23	229	185	72	37	-181	11
Surplus (+) or deficit (-)									-1	-1
Revaluation of financial assets	0									0
Revaluation of defined benefit liability	-31									-31
<b>Total items directly recognised in equity</b>	-31									-31
Changes in investments in associated entities directly recognised in equity								0	0	0
Increase (+) / decrease (-) in reserves	0	-14	32	0	18	25	-2	-2	-39	0
<b>Total changes</b>	-31	-14	32	0	18	25	-2	-2	-40	-32
<b>Value as of 31.12.2019</b>	-361	101	123	22	247	210	70	35	-221	-21
<b>2020</b>										
Changes from restatement as of 01.01.										
<b>Value as of 01.01.2020</b>	-361	101	123	22	247	210	70	35	-221	-21
Surplus (+) or deficit (-)									-8	-8
Revaluation of financial assets	0									0
Revaluation of defined benefit liability	373									373
<b>Total items directly recognised in equity</b>	373									374
Changes in investments in associated entities directly recognised in equity								0	0	0
Increase (+) / decrease (-) in reserves		-3	-9	9	-3	29	-3	-1	-23	0
<b>Total changes</b>	374	-3	-9	9	-3	29	-3	-1	-30	366
<b>Value as of 31.12.2020</b>	12	98	114	31	244	239	67	34	-251	345

## Overview

Equity increased by MCHF 366 in 2020, mainly due to changes in valuation reserves (resulting from new actuarial assumptions for net defined benefit liabilities and changes in the fair value of plan assets, see Note 26). These valuation reserves are calculated in accordance with IPSAS 39 and do not constitute mandatory cash outflows for the School. Dedicated reserves and free reserves – which represent the School's capacity to continue funding its development plans – totalled MCHF 483 at year-end.

## Valuation reserves

Valuation reserves relate to net defined benefit liabilities and are discussed in Note 26. The negative position at the start of the period is due to the recognition of a provision for defined benefit liabilities, initially calculated under IPSAS 25 and then under IPSAS 39 starting on 1 January 2017. Changes since 1 January 2014 that affect equity have been recorded in valuation reserves. These net defined benefit liabilities totalled MCHF 287 at 31 December 2020.

## Dedicated reserves

Reserves from donations and bequests fell MCHF 3 in 2020, as nearly all the reserves used for research chairs and other teaching and research activities were offset by new donations and bequests (see Note 8).

Teaching and research reserves mainly include remaining commitments under contracts with new professors (start-up funds, which totalled MCHF 24 in 2020 and MCHF 24 in 2019), funds for research in the strategic areas identified by the ETH Board (MCHF 14 for the BBP and MCHF 7 for the SFAs) and funds to pay for research facilities. The decline in these reserves can be attributed primarily to the purchase of a high-power computer for the Blue Brain Project.

The MCHF 9 growth in infrastructure and administration reserves mainly stems from pandemic-induced delays in the construction of new facilities.

## Free reserves

The MCHF 29 increase in free reserves (equivalent to 4% of the federal financial contribution) is largely the result of underspending caused by the pandemic (see Note 11).

## Co-financing

EPFL provides co-financing through third-party funding that is used for the construction of buildings belonging to the Swiss federal government.

The carrying value of this co-financing is reduced every year by the amount of the depreciation charge on the buildings being funded. Co-financing is recorded in assets and in equity in matching amounts.

## ■ Consolidated cash flow statement

MCHF	2020	2019	Change absolute	Note
Surplus (+) or deficit (-)	-8	-1	-7	
Depreciation	76	76	0	19, 21
Share of surplus / deficit of associated entities and joint ventures	1	2	-1	18
Net finance income / expense (non-cash)	0	-1	1	13
Increase / decrease in net working capital	-13	-41	28	
Increase / decrease in net defined benefit liabilities	29	21	8	26
Increase / decrease in provisions	3	-4	7	25
Increase / decrease in non-current receivables	-13	-1	-12	15
Increase / decrease in dedicated third-party funds	35	9	26	27
Reclassification and other (non-cash) income	0	0	0	
<b>Cash flows from operating activities</b>	<b>110</b>	<b>59</b>	<b>51</b>	
Purchase of property, plant and equipment	-60	-52	-9	19
Purchase of intangible assets	-2	0	-2	19
Increase in co-financing	0	0	0	21
Increase in current and non-current financial assets	0	0	0	20
Total investments	-63	-52	-11	
Disposal of property, plant and equipment	0	0	0	19
Disposal of intangible assets	0	0	0	19
Decrease in co-financing	0	0	0	21
Decrease in current and non-current financial assets	232	35	197	20
Total divestments	232	35	197	
Dividends received from associated entities and Joint Ventures	0	0	0	18
<b>Cash flows from investing activities</b>	<b>169</b>	<b>-17</b>	<b>186</b>	
Increase in short-term and long-term financial liabilities	1	1	0	23
Decrease in short-term and long-term financial liabilities	-10	-9	-1	23
<b>Cash flows from financing activities</b>	<b>-9</b>	<b>-8</b>	<b>-1</b>	
<b>Total cash flow</b>	<b>270</b>	<b>34</b>	<b>236</b>	
<b>Cash and cash equivalents at the beginning of the period</b>	<b>349</b>	<b>315</b>	<b>34</b>	<b>14</b>
Total cash flow	270	34		
<b>Cash and cash equivalents at the end of the period</b>	<b>619</b>	<b>349</b>	<b>270</b>	<b>14</b>
<b>Contained in the cash flows from operating activities</b>				
Dividends received	0	0	0	
Interest received	0	0	0	
Interest paid	-7	-7	0	

The MCHF 232 divestment of current and non-current financial assets reflects the transfer of assets from more than 90-day to less than 90-day deposits with the Swiss Federal Finance Administration (see Note 14). This divestment resulted in a considerable increase in cash flow.



## ■ Notes to the consolidated financial statements

### 01 Business activity

EPFL is one of two Swiss federal institutes of technology. With the status of a federal school since 1969, it has grown in many ways, to the extent of becoming one of the most well-known European institutions of science and technology. EPFL is Europe's most cosmopolitan technical university, with students, professors and staff from over 120 nations. A dynamic environment, open to Switzerland and the world, EPFL is centred on its three missions: teaching, research and technology transfer. EPFL works together with an extensive network of partners including other universities and institutes of technology, developing and emerging countries, secondary schools and colleges, industry and economy, political circles and the general public, to bring about a real impact for society.

The School brings together some 16,000 people, including 11,813 students and 349 professors. 13 complete Bachelor's programmes and 25 Master's programmes are offered in engineering, basic sciences, information technology and communication, life sciences, as well as in the fields of construction, architecture, the environment, digital humanities and financial engineering. They are accompanied by exchange programmes with the world's best institutions and industrial internships to better understand the realities of the corporate world.

### 02 Basis of accounting

These financial statements are consolidated financial statements covering the reporting period from 1 January 2020 to 31 December 2020. The reporting date is 31 December 2020. The report is prepared in Swiss francs (CHF). All figures are shown in millions of Swiss francs (MCHF) unless indicated otherwise. The accounts presented in French are authentic.

#### Legal basis

The legal basis of EPFL's accounting is formed of the version of the following (including directives and regulations) in effect in the reporting period:

- Federal Act on the Federal Institutes of Technology of 4 October 1991 (ETH Act; SR 414.110) (Systematische Rechtssammlung, SR; classified compilation of the Swiss federal law)
- Ordinance on the Domain of the Swiss Federal Institutes of Technology of 19 November 2003 (Ordinance on the ETH Domain; SR 414.110.3)
- Ordinance on the Finance and Accounting of the ETH Domain of 5 December 2014 (SR 414.123)
- Accounting Manual for the ETH Domain (version 6.5)

#### Accounting standards

The annual consolidated financial statements of EPFL have been prepared in accordance with the International Public Sector Accounting Standards (IPSASs). The underlying accounting provisions are set out in the Accounting Manual for the ETH Domain (Art. 34 Ordinance on the Finance and Accounting of the ETH Domain, SR 414.123).

No new standards were applied during the reporting period.

## IPSAS issued but not yet applied

The following IPSAS was issued before the reporting date:

standard	title	effective date
IPSAS 41	Financial instruments (replaces IPSAS 29)	01.01.2023
IPSAS 42	Social benefits	01.01.2023
various	Improvements to IPSAS, 2019	01.01.2021 / 2022

The above mentioned standards and improvements to the IPSAS have not been applied early in these annual consolidated financial statements. EPFL systematically analyses the effects on its annual consolidated financial statements. No material impact on the consolidated financial statements is currently expected. There are no further changes or interpretations which are not yet compulsory to apply and which would have a significant impact on EPFL.

### First-time inclusion of risk sharing for the evaluation of net defined benefit liabilities and switch to corporate bonds as a basis for the discount rate

EPFL annual consolidated financial statements include risk sharing between employer and employee for the first time in calculating net defined benefit liabilities. This reflects the fact that in Swiss pension law for pension plan financing and in the event of restructuring, the employee and employer both contribute. This risk distribution between employer and employee has previously been inadequately accounted for when evaluating defined benefit obligations.

Now, instead of the total net liabilities from the pension scheme, only the share of net liabilities presumed to be borne by EPFL as the employer are included in the balance sheet. As a result, the liability on the balance sheet corresponds more closely to the actual situation. The adjustment applies exclusively to net defined benefit liabilities in EPFL's annual consolidated financial statements. The switch does not entail any changes to the pension plan or the regulations of EPFL pension scheme or to the Publica annual consolidated financial statements.

The valuation adjustment applies as of 31 December 2020. This resulted in a one-off conversion effect of MCHF 336 (reduction in liability), which was entered directly into equity as a change in the accounting estimate as per IPSAS 3.

Furthermore, the discount rate as at 31 December 2020 was linked to the yield from fixed-interest high-quality corporate bonds for the first time. This adjustment leads to a basis of calculation as in the federal environment, which increases the comparability. This adjustment was also entered directly into equity as a change in the accounting estimate.

Detailed explanations are included under Note 26 "Net defined benefit liabilities".

### 03 Accounting policies

The accounting policies are derived from the basis of accounting. The annual consolidated financial statements present a true and fair view of EPFL's financial position, financial performance and cash flows.

The consolidated financial statements are based on historical cost. Exceptions to this rule are described in the following presentation of the accounting principles.

#### Consolidation

The annual consolidated financial statements of EPFL comprise the financial statements of all the entities over which it exercises direct or indirect control. The carrying amounts of investments in associated entities are also included in the consolidated financial statements.

Control means that, through its involvement with the entity, EPFL has the power to direct the relevant activities of the entity and thus the ability to affect the nature and amount of benefits. At the same time, the controlling entity is exposed, or has rights, to variable benefits. EPFL normally has control if it directly or indirectly holds more than 50% of the voting rights or potential voting rights of the entity. These entities are fully consolidated.

Entities are consolidated on the basis of the single-entity financial statements of EPFL and the controlled entities. Receivables, liabilities, revenue and expenses from transactions between the consolidated entities as well as ownership interests and unrealised intra-economic entity surpluses are eliminated on consolidation. All financial statements are prepared in accordance with uniform policies and normally as at the same reporting date.

Due to time constraints, it is sometimes necessary to use prior-year financial statements for controlled entities rather than the financial statements as at 31 December of the reporting period. The prior-year financial statements used make up an insignificant portion of the consolidated financial statements of EPFL and are adjusted for significant transactions between the prior-year reporting date and 31 December of the reporting period.

Investments in entities newly acquired in the course of the reporting period are included in the annual consolidated financial statements if they meet the consolidation criteria and exceed the thresholds defined in the Ordinance on the Finance and Accounting of the ETH Domain two years in succession. Entities which are sold are included up until the date on which control is lost, which is usually the date of disposal.

There are no non-controlling interests to consider or report in EPFL.

Associated entities are entities where EPFL has significant influence, but not control. EPFL normally has significant influence over an associated entity if it holds a 20 to 50% share of the voting rights. These investments are not consolidated, but are instead accounted for using the equity method and recognised as investments in associated entities. Under the equity method, the value of the investment corresponds to the acquisition value, which is subsequently adjusted for any changes in the net assets of the associated entity.

An overview of the controlled and associated entities can be found in Note 33 "List of the controlled and associated entities".

## Currency translation

Transactions in a currency other than the functional currency are translated using the exchange rate at the transaction date.

At the reporting date, monetary items in foreign currencies are translated at the closing rate and non-monetary items using the exchange rate at the transaction date. The resulting currency translation differences are recognised as finance income or finance expense.

Assets and liabilities of controlled entities with a different functional currency are translated at the closing rate, and the statement of financial performance and cash flow statement at the average rate. Translation differences arising on the translation of net assets and statements of financial performance are recognised in equity.

The principal currencies and their exchange rates are:

currency	unit	closing rate as of 31.12.2020	closing rate as of 31.12.2019	average rate 2020	average rate 2019
EUR	1	1.0817	1.0866	1.0705	1.1125
USD	1	0.8840	0.9676	0.9381	0.9937
GBP	1	1.2097	1.2828	1.2039	1.2683

## Revenue recognition

Each inflow of funds is assessed to determine whether it is an exchange transaction (IPSAS 9) or a non-exchange transaction (IPSAS 23). In the case of an exchange transaction (IPSAS 9), the revenue is generally recognised when the goods are delivered or the services rendered. For project agreements, the service obligation not yet performed is allocated to liabilities. The revenue is recorded and reported by reference to the stage of completion of the project, based on the costs incurred in the reporting period.

In the case of a non-exchange transaction (IPSAS 23), a distinction is made between whether or not there is a performance or repayment obligation. If there is such an obligation, the corresponding amount is recognised as a liability at inception of the agreement and released to surplus or deficit according to the stage of completion based on the resources consumed.

If there is neither an exchange nor a performance or repayment obligation in accordance with IPSAS 23, revenue is recognised in surplus or deficit in full in the reporting period and net assets/equity increased accordingly. This is usually the case with donations.

Revenue is structured as follows.

### Total federal contribution

The contributions granted by the Federal Government to the EPFL include the federal financial contribution (in the narrower sense) and the federal contribution to accommodation. Both types of revenue are classified as non-exchange transactions (IPSAS 23).

Federal contributions are recognised in the year in which they are paid. Unused funds from federal financial contributions result in reserves under equity.

The contribution to accommodation is equal to the accommodation expense, which is equal in amount to an imputed rent for the buildings owned by the Federal Government and used by EPFL. Accommodation expense is reported within other operating expenses.

### **Tuition fees, continuing education**

Revenue from tuition fees, cost contributions to continuing education and further training as well as administration fees is classified as an exchange transaction (IPSAS 9). As a rule, revenue is accounted for on an accrual basis when the goods are delivered or the services rendered.

### **Research contributions, mandates and scientific services**

Project-related contributions are given to EPFL by various donors with the aim of promoting teaching and research. Project financing primarily relates to multi-year projects. Depending on the nature of the contributions, they are classified as either an exchange or a non-exchange transaction.

### **Donations and bequests**

Revenue from donations and bequests is classified as a non-exchange transaction (IPSAS 23). Such grants where there is no conditional repayment risk are usually recognised as revenue in full when the agreement is signed. Donations also include goods and services in-kind, which are distinguished as follows:

- Goods In-kind are recognised as assets in accordance with the applicable provisions when the agreement is signed.
- Donated rights to use assets in the sense of an operating lease are recognised as revenue and expense. Donated rights to use assets in the sense of a finance lease are measured at their fair value at inception of the agreement, if this is known, and depreciated over their useful life. If a performance obligation exists, it is stated as a liability and revenue recognised annually according to the services received. If there is no performance obligation, revenue is recognised upon recognition of the asset as a whole.
- Services In-kind received are not recognised but are instead disclosed and commented upon in the Notes if they are material.

Due to the high number and the difficulty in elicitation, separability and measurement of rights of use and services in kind within research agreements, these are not recognised. There is only a general description of the research activity in the Notes section.

### **Other revenue**

Among other items, other revenue includes other service revenue and real estate revenue. This revenue is classified as an exchange transaction (IPSAS 9). As a rule, revenue is accounted for on an accrual basis when the goods are delivered or the services rendered.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash-in-hand, demand and term deposits with financial institutions and funds invested with the Federal Government if their total term or the remaining term to maturity at the time of acquisition is less than 90 days. Cash and cash equivalents are measured at their nominal amount.

### **Receivables**

Receivables from exchange (from goods and services) and non-exchange transactions are presented separately in the balance sheet.

In the case of receivables from non-exchange transactions (IPSAS 23), such as on SNSF and EU projects and from other donors, it is probable that there will be an inflow of funds in relation to the total contractual project volume. Therefore, the total amount of the project is usually recognised as a receivable at inception of the agreement if the fair value can be measured reliably. If the recognition criteria cannot be met, information is disclosed under contingent assets.

Non-current receivables of over MCHF 10 are stated at amortised cost using the effective interest method. Current receivables are stated at cost.

Value adjustments are recognised on receivables on the basis of experience and a case-by-case assessment.

## Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Appropriate value adjustments are recognised for slow-moving inventories.

## Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation. They are depreciated over their estimated useful life using the straight-line method. The estimated useful lives are as follows:

asset category	useful life
<b>Immovable assets</b>	
Property	unrestricted
Leasehold improvements ≤ MCHF 1	10 years
Leasehold improvements > MCHF 1	according to components <sup>1</sup>
Buildings and structures	according to components <sup>2</sup>
<b>Movable assets</b>	
Machinery, equipment, tools, devices	5 years
Passenger vehicles, delivery vehicles, trucks, aircraft, ships, etc.	5 years
Furnishings	5 years
IT and communication	3 years

<sup>1</sup> In the case of items of property, plant and equipment with a value of MCHF 1 or above, it is checked whether components (with a value that is significant in relation to the total value) need to be recognised and depreciated separately because they have a different useful life (components approach).

<sup>2</sup> Useful life depends on the type of building, its purpose and the fabric of the building (20–100 years). Assets under construction are not yet depreciated.

Capitalised leasehold improvements and installations in leased premises are depreciated over the estimated useful life or over the term of the lease if shorter.

In the event of additions to property, plant and equipment, checks are made as to whether components with a value that is significant in relation to the total value need to be recognised and depreciated separately because they have a different useful life (components approach).

Investments that have future economic benefits or are of public interest over several years and can be measured reliably are recognised as assets and depreciated over the estimated useful life.

The residual value of property, plant and equipment that is scrapped or sold is derecognised at the time of the asset's physical disposal. The gains or losses resulting from the derecognition of an item of property, plant and equipment are recognised as operating revenues or operating expenses.

Movable cultural items and works of art are not recognised as assets. An inventory of these items is kept.

## Intangible assets

Intangible assets are recognised at cost. Standard software is amortised over three years using the straight-line method. Other intangible assets with an amortisation period required to be determined individually are amortised over their estimated useful life using the straight-line method.

## Impairments (property, plant and equipment and intangible assets)

Property, plant and equipment and intangible assets are reviewed annually for indications of impairment. If specific indications are identified, an impairment test is performed. If the carrying amount permanently exceeds the value in use or net realisable value, an impairment is recognised in surplus or deficit in the amount of the difference. If the main purpose of an investment is to generate a commercial return, the impairment is calculated using IPSAS 26 (Impairment of cash-generating assets). For all other investments, any impairment is calculated in accordance with the provisions of IPSAS 21 (Impairment of non-cash-generating assets).

The main criteria for the judgement are the original motives behind the respective investments and the significance of the planned cash inflows.

## Leases

Leases for real estate, equipment, other movable assets and vehicles where EPFL substantially assumes all the risks and rewards incidental to ownership are treated as finance leases.

At inception of the lease, the assets and liabilities under a finance lease are recognised at the fair value of the leased property or, if lower, the present value of the minimum lease payments. Each lease payment is apportioned between the reduction of the outstanding liability and the finance charge.

The reduction is deducted from the recognised lease liability. The depreciation of the leased goods occurs over whichever is the shorter of the useful life or the lease term, if the transfer of ownership is not certain by the end of the lease term.

Other leases where EPFL acts as the lessee or lessor are recognised as operating leases. They are not carried in the balance sheet, but instead recognised as an expense in the statement of financial performance on an accrual basis.

Long-term leases of real estate are assessed separately depending on whether they are for plots of land or buildings.

## Financial assets and loans

Financial assets are recognised at fair value if they are acquired with the intention of generating a profit from short-term fluctuations in price or if they are designated as financial assets at fair value (e.g. investments held without significant influence). Changes in value are recognised in surplus or deficit.

Other non-current financial assets that are held for an indefinite period and may be sold at any time for liquidity reasons or in response to changes in market conditions are classified as “available for sale” and stated at fair value or at cost if the fair value cannot be determined reliably. Unrealised gains and losses are recognised in equity and only transferred to surplus or deficit when the financial asset is sold or an impairment occurs. For instance, investments where there is neither control nor significant influence are recognised as “available for sale”.

Originated loans and fixed deposits are stated either at amortised cost (nominal value of less than MCHF 10, and current loans and fixed deposits of over MCHF 10) or at amortised cost using the effective interest method (non-current loans and fixed deposits of over MCHF 10). The effective interest method allocates the difference between the acquisition cost and the repayment amount (premium/discount) over the term of the asset, using the net present value method. Impairment losses are recognised based on a case-by-case assessment.

Derivative financial instruments are used primarily for hedging or as a strategic position. Without exception, they are measured at fair value. Changes in value are usually recognised in surplus or deficit.

### **Investment property**

Investment property is only reported separately if it is material. Otherwise, it is recognised in the balance sheet as property, plant and equipment and disclosed accordingly.

### **Co-financing**

Co-financing is third-party funding acquired by the EPFL that is used to finance construction projects in property owned by the Federal Government.

Co-financing is measured based on the valuation of the underlying property, which the Federal Government recognises at cost less accumulated depreciation. A property's ongoing depreciation reduces the value of the co-financing to the same degree as the underlying property.

Co-financing is reported at the same amounts on both the assets and the equity and liabilities side (in equity) of the balance sheet.

### **Current liabilities**

Current liabilities are usually recognised on receipt of the invoice. This item also includes current accounts with third parties (including social insurance institutions). Current liabilities are measured at their nominal amount.

### **Financial liabilities**

Financial liabilities include monetary liabilities resulting from financing activities as well as negative replacement values from derivative financial instruments. Monetary liabilities are usually interest-bearing. Liabilities that are due for repayment within twelve months of the reporting date are current. They are generally measured at amortised cost. Derivative financial instruments are measured at their fair value.

## Provisions

Provisions are recognised when a past event gives rise to a present obligation, an outflow of resources is probable and the amount can be estimated reliably.

## Net defined benefit liabilities

Net defined benefit liabilities presented in the balance sheet are measured in accordance with IPSAS 39. They correspond to the present value of the defined benefit obligations (DBO), less the fair value of the plan assets. A description of the pension scheme and the insured persons of the ETH Domain can be found in Note 26 "Net defined benefit liabilities".

The defined benefit obligations and the service costs are determined annually by external experts using the actuarial valuation method Projected Unit Credit Method (PUC). The calculation is made based on information about the beneficiaries (salary, vested benefits, etc.) and using both demographic (retirement rates, disability rates, mortality rates, etc.) and financial (salary or pension trends, returns, etc.) assumptions. The amounts calculated are discounted to the valuation date by applying a discount rate. Changes in estimates of economic conditions can significantly affect defined benefit obligations.

The defined benefit obligations were measured based on the current membership base of the ETH Domain's pension scheme as of 31 October 2020, using actuarial assumptions as of 31 December 2020 (e.g. BVG 2015 actuarial tables), and the plan provisions of the ETH Domain pension scheme. The results were then adjusted using estimated pro rata cash flows as of 31 December 2020. The fair value of the plan assets is used including estimated performance as of 31 December 2020.

Current service cost, past service cost resulting from plan amendments, gains and losses on settlement, administrative costs and interest on the net defined benefit liabilities are presented in the statement of financial performance within personnel expenses.

Plan amendments and settlements are recognised immediately in surplus or deficit in the period in which they occur provided they result in vested benefits.

Actuarial and investment gains and losses on defined benefit plans are recognised directly in equity in the reporting period in which they occur.

The inclusion of risk sharing in the valuation of pension liability occurs in two steps and requires additional assumptions. As with the other financial and demographic assumptions, these assumptions are from the employer's perspective. As a first step it is assumed that the Board of Directors of the pension scheme will also continue to take measures to keep the pension scheme in financial equilibrium and to counter the systematic redistribution between active insured and retired members. The most likely risk-mitigating measure is taken to be a lowering of the conversion rate to an actuarially correct level. Assuming a technical interest rate of 1.3% when using period tables gives a conversion rate reduction to 4.7%. Allowing for the assumption of a future benefit reduction (due to the lower conversion rate accompanied by experience-based compensation measures), there is still a structural financing shortfall split between employer and employee as a second step. The assumption is that the employer's share of the financial shortfall is limited to 64% as per the current scale for regulatory savings contributions. The employee share is distributed according to the past and future expected service years at a flat rate in an acquired and outstanding share. The part that has already been acquired reduces the cash value of the employer's pension liability while the outstanding part reduces the future service costs of the employer.

Effects from plan amendments are no longer recognised on the statement of financial performance from the time of introduction of risk sharing, but rather are recognised directly in equity as part of the revaluation of the liability.

## Dedicated third-party funds

Liabilities from dedicated projects that arise from non-exchange transactions (IPSAS 23) are presented in the balance sheet as dedicated third-party funds. They are allocated solely to non-current liabilities because the projects usually last for several years and the current portion of the liability cannot be determined in most cases due to the nature of the projects.

They are measured based on the outstanding performance obligations at the reporting date, which are calculated from the total contractual project volume less services performed up to the reporting date.

## Equity

Net assets/equity is the residual interest in the assets of an entity after deducting all its liabilities. In EPFL, equity is structured as follows.

### Valuation reserves (recognition in equity)

- Revaluation reserves for “available-for-sale” financial assets recognised at fair value. Fair value changes are recognised in equity until the financial assets are sold.
- Revaluation reserves for net defined benefit liabilities. Actuarial and investment gains and losses on defined benefit obligations or plan assets are recognised in equity.
- Valuation reserves from hedging transactions. If hedge accounting is used, positive and negative replacement values from hedging transactions are recognised in equity and released to surplus or deficit when the underlying hedged transaction affects surplus or deficit.

### Dedicated reserves

- Donations and bequests. This item includes unused funds from donations and bequests that have certain conditions attached, but are not required to be classified as liabilities.
- Teaching and research reserves. This item indicates that various internal and external commitments exist and appropriate reserves were recognised to cover them. They comprise reserves for teaching and research projects as well as “election commitments”, i.e. funds granted to newly elected professors under contractual arrangements for the purpose of setting up their professorship.
- Infrastructure and administration reserves (value fluctuations, construction projects). These include reserves for fluctuations in the value of the securities portfolio (risk capital) and for delayed construction projects.

Dedicated reserves must (with the exception of election/ appointment commitments) have been generated. They are recognised and released within equity.

### Free reserves

Unused funds for which there are no contractual or internal provisions in accordance with IPSASs are presented as free reserves. They are not restricted in terms of time or purpose.

**Reserves from associated entities**

This position contains reserves from the inclusion of the proportionnal equity from the associated entities valued according to the equity method. These reserves cannot be accessed directly and they are dedicated.

**Accumulated surplus / deficit**

The accumulated surplus or deficit shows the cumulative results at the reporting date. It comprises the surplus / deficit carried forward, the surplus / deficit for the period and increases or decreases in reserves.

The surplus / deficit carried forward is accumulated annually as part of the appropriation of surplus / deficit. The surplus / deficit for the period includes the portion of the result not yet distributed. If currency translation differences arise on foreign, fully consolidated entities on consolidation, they are recognised in equity, without affecting surplus or deficit.

**Contingent liabilities and contingent assets**

A contingent liability is either a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of an uncertain future event not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because of its low probability of occurrence (less than 50%) or because the obligation cannot be measured reliably, as a result of which the criteria for recognising a provision are not met.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of an uncertain future event not wholly within the control of the entity.

**Financial commitments**

Financial commitments are presented in the Notes if they are based on events prior to the reporting date, they will definitely lead to obligations to third parties after the reporting date and their amount can be measured reliably.

**Cash flow statement**

The cash flow statement shows the cash flows from operating activities, investing activities and financing activities. It is presented using the indirect method, i.e. cash flows from operating activities are based on the surplus or deficit for the period, adjusted for the effects of transactions of a non-cash nature. Total cash flow represents the change in the balance sheet item "Cash and cash equivalents".

## 04 Estimation uncertainty and management judgements

### Estimation uncertainty in the application of accounting policies

Preparation of the annual consolidated financial statements is dependent on assumptions and estimates in connection with accounting principles, where management has a certain margin of discretion. Although these estimates are based on management's best knowledge, actual results may differ from those estimates.

This applies to the following items in particular.

#### **Useful life and impairment of plant, property and equipment**

The useful life of plant, property and equipment is defined and periodically reviewed bearing in mind the current technical environment and past experience. A change in the estimate may affect the future amount of the depreciation charges and the carrying amount.

Estimates that could lead to a reduction in the carrying amount (impairment) are likewise made in the course of the regular impairment test.

#### **Provisions**

These involve a higher degree of estimation than other balance sheet items and therefore may lead to a higher or lower cash outflow depending on the actual outcome of a past event.

#### **Net defined benefit liabilities**

The net defined benefit liabilities are calculated based on long-term actuarial assumptions for the defined benefit obligations and for the expected returns on plan assets. These assumptions may differ from actual future developments. The determination of the discount rate and future salary and pension trends and demographic development (future life expectancy, disability, likelihood of the employee leaving) and assumptions about risk sharing between employer and employee are an important component of the actuarial valuation.

#### **Recognition of donations**

EPFL regularly receives donations in the form of assets. Under IPSASs, donations must be recognised initially at fair value. The determination of that fair value requires management to make estimates.

#### **Discount rates**

Uniform discount rates have been defined for use in discounting non-current receivables, liabilities and provisions. They are based on a risk-free rate and a premium for credit risk. However, because of the current interest rate situation these discounting rates are subject to some uncertainties.

### Management judgements in the application of accounting policies

#### **Finance lease**

When accounting for two long-term lease contracts, EPFL applied the following significant management judgements in 2017 which remain unchanged:

- Both leases are classified as finance leases because the main risks and rewards incidental to ownership have been transferred to EPFL.
- Termination of the lease after 30 years is currently seen as the most likely scenario. This hypothesis does not impose any formal obligation upon the EPFL to terminate the leases and does not determine who is to finance the buy-back or who will lease the objects following termination.
- The impairment of the leased assets of the ordinary partnership entity SQNE is calculated on the basis of IPSAS 21 "Impairment of non-cash-generating assets" because the

main objective of this investment is to upgrade the EPFL site by adding conference and lecture facilities and student accommodation and the economic return is not the primary objective.

## 05 Federal financial contribution

MCHF	2020	2019	Change absolute
Federal financial contribution	653	625	28

MCHF	2020	2019	Change absolute
Federal contribution to accommodation	61	61	-1

The basic funding granted by the Swiss federal government, also called the federal contribution, accounts for two-thirds of EPFL's operating revenue. This funding is intended primarily to cover the costs of teaching, research and overheads. It also includes contributions for the BBP and the School's Strategic Focus Areas (SFA) like "Personalised healthcare and related technology", "Data science" and "Advanced manufacturing".

This basic funding (including funding for the SFAs and the ETH Domain's Digitalisation Action Plan) grew 4.5%, or MCHF 28, to MCHF 653, mainly as a result of the MCHF 24 structural increase and funds received specifically for the SFAs and Digitalisation Action Plan.

The federal contribution to accommodation covers the rent charged to EPFL by the Swiss federal government for the use of government-owned land and buildings. This contribution was unchanged at MCHF 61.

## 06 Tuition fees, continuing education

MCHF	2020	2019	Change absolute
Tuition fees, continuing education	17	16	1
of which tuition fees for bachelor / master students	11	10	2

Tuition fees and attendance fees for studies and continuing education programmes as well as other fees are regulated in the Ordinance on Fees in the Domain of Federal Institutes of Technology (RS 414.131.7 of 31 May 1995; as amended on 1 September 2018).

## 07 Research contributions, mandates and scientific services

MCHF	2020	of which revenues IPSAS 23	of which revenues IPSAS 9	2019	Change absolute
Swiss National Science Foundation (SNSF)	95	95	0	94	0
Swiss Innovation Agency (Innosuisse)	15	15	0	14	0
Special federal funding of applied research	14	11	2	12	2
EU Framework Programmes for Research and Innovation (EU-FP)	59	59	0	62	-3
Industry-oriented research (private sector)	47	26	21	56	-9
Other project-oriented third-party funding (incl. cantons, municipalities, international organisations)	32	26	6	31	0
<b>Total research contributions, mandates and scientific services</b>	<b>261</b>	<b>232</b>	<b>29</b>	<b>271</b>	<b>-10</b>
<b>EU Framework Programmes for Research and Innovation (EU-FP)</b>					
of which financed by SERI	1	1	0	6	-5

Research contributions, mandates and scientific services include all funding granted by national and international institutions, as well as third-party funding from Swiss cantons and municipalities, international organisations, Swiss federal agencies and private-sector entities. Third-party funding is mainly aimed at two- to five-year projects, and is recognised as revenue on a percentage-of-completion basis during the accounting period in which the funding is used.

Research contributions, mandates and scientific services totalled MCHF 261 in 2020, up 3.6% from the prior year.

The decrease in EU Framework Programme funding can be attributed in part to a MCHF 4.9 decline in funding for the Human Brain Project between 2019 and 2020.

Funding for industry-oriented research (private sector) fell 16.5% due to a drop in the number of R&D projects under way.

## 08 Donations and bequests

MCHF	2020	2019	Change absolute
Donations and bequests	23	26	-3

This line item consists of donations and bequests made to EPFL and its consolidated entities, as well as revenue from usage rights for property made available by the cantons of Neuchâtel, Fribourg and Valais (see following table). These funds allow EPFL to implement strategic initiatives (such as creating new chairs) and acquire the necessary equipment to spur both research and teaching.

## In-kind contributions

MCHF	2020	2019	Change absolute
Goods in-kind	0	0	0
Donated rights	4	4	0
<b>Total in-kind contributions recognised as revenue</b>	<b>4</b>	<b>4</b>	<b>0</b>
Services in-kind	3	2	0
<b>Total in-kind contributions not recognised as revenue</b>	<b>3</b>	<b>2</b>	<b>0</b>
<b>Total in-kind contributions received</b>	<b>7</b>	<b>7</b>	<b>0</b>

The donated rights concern the use of the Microcity building, made available by the Canton of Neuchatel, and the Industrie 17 building, made available by the Canton of Valais.

The services in-kind corresponds to the value of the high-speed computing capacity provided by the Swiss National Supercomputing Centre (CSCS, part of ETH Zürich).

## 09 Other revenue

MCHF	2020	2019	Change absolute
Licences and patents	4	4	1
Sales	3	3	-1
Refunds	1	1	-1
Other services	16	23	-6
Real estate revenue	22	25	-2
Revenue from real estate owned by the Federal Government left for use	1	1	0
Profit from disposals (property, plant and equipment)	0	0	0
Other miscellaneous revenue	1	1	0
<b>Total other revenue</b>	<b>49</b>	<b>58</b>	<b>-9</b>

The decrease in other services revenue can be attributed mainly to the pandemic and the ensuing drop-off in activity. This especially impacted revenue from conferences and other events, with the SwissTech Convention Center in particular seeing a steep decline.

Real estate revenue comes from commercial property and laboratories that are rented to third parties, and concerns essentially EPFL Innovation Park (SQIE and FEIP buildings) and the SQNE building.

The recent amendment to the Ordinance on the Finance and Accounting of the ETH Domain (SR 414.123) requires ETH Domain institutions to transfer real estate revenue to the Swiss government. These institutions now record all the revenue to be transferred under a separate line item, for greater clarity. 50% of the transferred revenue charge is recognised under other operating expenses (see Note 11).

## 10 Personnel expenses

MCHF	2020	2019	Change absolute
Professors	82	80	2
Scientific personnel	271	264	7
Technical and administrative personnel, apprentices, trainees	212	202	11
IC, Suva and other refunds	-2	-2	0
<b>Total salaries and wages</b>	<b>563</b>	<b>544</b>	<b>20</b>
Social insurances OASI/DI/IC/MB	36	34	2
Net pension costs	97	86	11
Accident and sickness insurance Suva (BU/NBU/KTG)	2	2	0
Employer's contribution to Family Compensation Fund (FAK/FamZG)	14	14	0
<b>Total social insurance schemes and pension expenses</b>	<b>149</b>	<b>135</b>	<b>14</b>
Other employer contributions	0	0	0
Temporary personnel	2	3	0
Change in provisions for untaken leave and overtime	4	-1	5
Change in provisions for contributions to long-service awards	-2	1	-3
Other personnel expenses	7	6	1
<b>Total personnel expenses</b>	<b>724</b>	<b>688</b>	<b>36</b>

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The 5.2%, or MCHF 36, rise in personnel expenses is the result of the following factors:

- A linear 1.0% increase in salaries and wages for all personnel at 1 January 2020;
- A 93 FTE increase in technical and administrative personnel, apprentices and trainees (including 54 in teaching and research units), from 1,905 FTEs in 2019 to 1,998 FTEs in 2020. This is the line item that grew the most in 2020;
- An increase in net pension costs following a change in actuarial assumptions (see Note 26).

full-time equivalents (FTEs)	2020	2019
Professors	329	325
Scientific personnel	3 480	3 430
Technical and administrative personnel, apprentices, trainees	1 998	1 905
<b>Total full-time equivalents</b>	<b>5 807</b>	<b>5 660</b>

## 11 Other operating expenses

MCHF	2020	2019	Change absolute
Expenses for goods and materials	42	43	0
Premises costs	98	98	-1
Energy costs	15	16	-1
IT expenses	28	24	3
Expenses for consultations, appraisals and guest lecturers	22	32	-9
Library expenses	6	6	0
Other operating costs	29	44	-16
<b>Total other operating expenses</b>	<b>239</b>	<b>263</b>	<b>-24</b>

The premises costs charged by the Swiss government (for the use of buildings it owns) were unchanged at MCHF 61. These costs are fully offset by the federal contribution to accommodation (see Note 5).

The increase in IT expenses can be attributed in part to purchases of computer equipment, software and software licences for remote working.

The decrease in expenses for consultations, appraisals and guest lecturers also reflects the impact of the pandemic, and relates primarily to a drop in speaker fees and other conference and event costs.

The decline in other operating costs is due mainly to travel bans introduced in response to the pandemic, which lowered travel costs. This line item also includes MCHF 1 in real estate revenue transferred to the Swiss government (nearly the same amount as in 2019), in accordance with the Ordinance on the Finance and Accounting of the ETH Domain (SR 414.123).

## 12 Transfer expenses

MCHF	2020	2019	Change absolute
Scholarships and grants to students and doctoral students	6	6	-1
Contributions to research projects	11	10	1
Other transfer expenses	5	6	-1
<b>Total transfer expenses</b>	<b>21</b>	<b>22</b>	<b>0</b>

The “Contributions to research projects” line item includes funds that EPFL distributes to its partners on projects for which EPFL is fully responsible for project implementation. This is in contrast to research projects for which EPFL is the leading house, where the funds transferred to the project partners are deducted from “Total research contributions, mandates and scientific services” (see Note 7).

### 13 Net finance income/expense

MCHF	2020	2019	Change absolute
Interest income	0	0	0
Income from investments	0	0	0
Changes in fair value of financial assets	0	3	-3
Foreign currency gains	2	2	0
Other finance income	0	0	0
<b>Total finance income</b>	<b>3</b>	<b>5</b>	<b>-3</b>
Interest expense	8	8	0
Changes in fair value of financial assets	0	0	0
Foreign currency losses	3	3	0
Other finance expense	0	0	0
<b>Total finance expense</b>	<b>11</b>	<b>11</b>	<b>0</b>
<b>Total net finance income/expense</b>	<b>-8</b>	<b>-6</b>	<b>-3</b>

The interest expense given above relates to financial liabilities, which are discussed in Note 23.

The slight decrease in net finance income/expense reflects a non-recurring MCHF 3 gain on securities holdings that was realised in 2019.

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### 14 Cash and cash equivalents

MCHF	31.12.2020	31.12.2019	Change absolute
Cash	0	0	0
Swiss Post	21	47	-26
Bank	5	11	-6
Short-term deposits (< 90 days)	593	290	302
<b>Total cash and cash equivalents</b>	<b>619</b>	<b>349</b>	<b>270</b>

Short-term deposits (< 90 days) are held with the Swiss Federal Finance Administration.

In early 2020, EPFL shortened the maturity structure of its deposits with the Swiss Federal Finance Administration by transferring MCHF 232 into short-term deposits. The School also increased the amount of these deposits by MCHF 70 to avoid potentially having to pay negative interest rates. These movements did not affect the applicable interest rate (0%).

## 15 Receivables

MCHF	31.12.2020	31.12.2019	Change absolute
Receivables from project contracts and donations	427	431	-4
Other receivables	5	5	0
Value adjustments	0	0	0
<b>Total receivables from non-exchange transactions</b>	<b>432</b>	<b>436</b>	<b>-4</b>
of which current	207	206	0
of which non-current	225	229	-5
Trade accounts receivable	16	17	-1
Other receivables	0	0	0
Value adjustments	-2	-1	0
<b>Total receivables from exchange transactions</b>	<b>14</b>	<b>16</b>	<b>-1</b>
of which current	14	16	-1
of which non-current	0	0	0

### Maturity analysis

MCHF	Total receivables	Not past due	Past due up to 90 days	Past due 91 to 180 days	Past due more than 180 days
<b>31.12.2020</b>					
<b>Gross amount</b>	<b>448</b>	<b>436</b>	<b>7</b>	<b>0</b>	<b>4</b>
Receivables from non-exchange transactions	432	430	2	0	0
Receivables from exchange transactions	16	7	5	0	4
<b>Value adjustments</b>	<b>-2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-2</b>
of which individually impaired	-1				
<b>31.12.2019</b>					
<b>Gross amount</b>	<b>453</b>	<b>442</b>	<b>7</b>	<b>1</b>	<b>3</b>
Receivables from non-exchange transactions	436	433	2	1	0
Receivables from exchange transactions	17	9	5	0	3
<b>Value adjustments</b>	<b>-2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1</b>
of which individually impaired	-1				

## 16 Inventories

MCHF	31.12.2020	31.12.2019	Change absolute
Inventories purchased	3	2	0
Inventories self-produced	0	0	0
<b>Total inventories</b>	<b>3</b>	<b>2</b>	<b>0</b>

Inventories purchased are valued at purchase price. Inventories self-produced are valued at production cost.

## 17 Prepaid expenses and accrued income

MCHF	31.12.2020	31.12.2019	Change absolute
Prepaid expenses	12	10	2
Other prepaid expenses and accrued income	3	3	0
<b>Total prepaid expenses and accrued income</b>	<b>15</b>	<b>13</b>	<b>2</b>

## 18 Change in associated entities

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Details about the significant associated entities can be found in the tables below. All the associated entities can be found in the scope of consolidation on Note 33.

There are no joint ventures in EPFL's scope of consolidation.

### Change in associated entities

MCHF	2020	2019
<b>As of 01.01.</b>	<b>35</b>	<b>37</b>
Additions	0	0
Disposals	0	0
Dividends	0	0
Share of the annual surplus or deficit	-1	-2
Share of items directly recognised in equity	0	0
Currency translation differences	0	0
<b>As of 31.12.</b>	<b>34</b>	<b>35</b>

### Material associated entities – aggregated financial information

The aggregated financial information about the material associated entities is indicated below. This reflects the amounts of the financial statements of the associated entities which are adjusted to the accounting of the ETH Domain applying simplifications.

MCHF	Fondation Les Bois Chamblard	Fondation Campus Biotech Geneva
<b>31.12.2020</b>		
<b>Reporting date used</b>	<b>31.12.2019</b>	<b>31.12.2020</b>
Current assets	12	7
Non-current assets	15	10
Short-term liabilities	0	5
Long-term liabilities	0	5
Revenue	0	23
Surplus (+) or deficit (-)	0	-2

<b>31.12.2019</b>		
<b>Reporting date used</b>	<b>31.12.2018</b>	<b>31.12.2019</b>
Current assets	11	12
Non-current assets	15	12
Short-term liabilities	0	8
Long-term liabilities	0	6
Revenue	0	21
Surplus (+) or deficit (-)	-1	-1

The reporting date of 31 December 2019 is used for FBC because this associated entity has its financial statements audited and publishes them after EPFL publishes its own financial statements. However, the amounts given include any material events occurring in 2020.

### Aggregated information for individually immaterial associated entities (FCUP and IIMT)

MCHF	2020	2019
Revenue	0	0
Surplus (+) or deficit (-)	-1	-1

### Unrecognised share of losses of associated entities

No associated entities reported losses.

## 19 Property, plant and equipment and intangible assets

### Change in property, plant and equipment and intangible assets

MCHF	Large scale research plants and equipment, machinery, furnishings, vehicles	Information and communication	Advance payments, movable assets under construction	Total movable assets	Property, buildings	Assets under construction	Total immovable assets	Total property, plant and equipment	Total intangible assets
<b>Purchase value</b>									
Value as of 01.01.2020	510	151	22	682	443	9	452	1135	81
Additions	27	16	12	55	1	5	6	61	2
Reclassifications	13	0	-13	0	6	-6	0	0	0
Disposals	-6	-1	0	-7	0	-1	-2	-8	0
Value as of 31.12.2020	543	166	20	730	450	7	457	1187	83
<b>Accumulated depreciation</b>									
Value as of 01.01.2020	404	135	0	538	190	0	190	728	23
Depreciation	42	11	0	52	18	0	18	70	4
Impairments	0	0	0	0	0	0	0	0	0
Reversed impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Disposals value adjustments	-4	-1	0	-5	0	0	0	-5	0
Value as of 31.12.2020	441	145	0	586	208	0	208	793	27
<b>Balance sheet value as of 31.12.2020</b>									
	102	22	20	144	243	7	249	394	56
thereof leased assets				0			184	184	0
<b>Purchase value</b>									
Value as of 01.01.2019	484	145	29	658	434	8	442	1101	81
Additions	23	10	8	41	3	7	10	51	0
Reclassifications	13	1	-13	0	6	-6	0	0	0
Disposals	-11	-5	-2	-17	0	0	0	-17	0
Value as of 31.12.2019	510	151	22	682	443	9	452	1135	81
<b>Accumulated depreciation</b>									
Value as of 01.01.2019	371	131	0	501	172	0	172	673	19
Depreciation	42	9	0	51	18	0	18	69	4
Impairments	0	0	0	0	0	0	0	0	0
Reversed impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Disposals value adjustments	-9	-5	0	-14	0	0	0	-14	0
Value as of 31.12.2019	404	135	0	538	190	0	190	728	23
<b>Balance sheet value as of 31.12.2019</b>									
	106	16	22	144	253	9	262	406	57
thereof leased assets				0			195	195	0

Almost all of the buildings that EPFL uses are owned by the Swiss federal government and are therefore not recognised as assets on EPFL's balance sheet but rather on that of the Swiss federal government. EPFL's immovable assets consisted primarily of fixtures and fittings installed by tenants (BCC 3) in buildings owned by the Swiss federal government and rented buildings.

The main purchases of movable assets in 2020 related to BB5 servers for the Blue Brain Project (MCHF 10). The School also spent MCHF 7 on immovable assets.

During the year, MCHF 19 of assets under construction were put into service and reclassified accordingly, nearly the same amount as in 2019.

## 20 Financial assets and loans

MCHF	31.12.2020	31.12.2019	Change absolute
Securities, fixed deposits and investment funds	16	15	0
Other financial assets	0	232	-232
Loans	0	0	0
<b>Total current financial assets and loans</b>	<b>16</b>	<b>248</b>	<b>-232</b>
Securities and fixed deposits	0	0	0
Other financial assets	7	7	0
Loans	0	0	0
<b>Total non-current financial assets and loans</b>	<b>7</b>	<b>7</b>	<b>0</b>

The decline in other current financial assets reflects the change in the maturity structure of deposits held with the Swiss Federal Finance Administration (a transfer from more than 90-day to less than 90-day deposits, see Note 14).

Other non-current financial assets include the MCHF 6 stake in CSEM SA that EPFL holds on a fiduciary basis for the ETH Board.

## 21 Co-financing

MCHF	2020	2019	Change absolute
<b>Purchase value</b>			
<b>As of 01.01.</b>	<b>94</b>	<b>94</b>	<b>0</b>
Additions	0	0	0
Disposals	-1	0	-1
<b>As of 31.12.</b>	<b>93</b>	<b>94</b>	<b>-1</b>
<b>Accumulated depreciation</b>			
<b>As of 01.01.</b>	<b>24</b>	<b>22</b>	<b>2</b>
Depreciation	3	2	0
Disposals	-1	0	-1
<b>As of 31.12.</b>	<b>26</b>	<b>24</b>	<b>2</b>
<b>Balance sheet value as of 31.12.</b>	<b>67</b>	<b>70</b>	<b>-3</b>

Most of the co-financing relates to the Rolex Learning Center, the EPFL Pavilions building (formerly ArtLab), the ME-D building and the new day-care centre, which together make up 93% (MCHF 62) of the total.

No new co-financing was raised in 2020. The decrease in this line item can be attributed mainly to depreciation.

## 22 Current liabilities

MCHF	31.12.2020	31.12.2019	Change absolute
Trade payables	13	20	-7
Liabilities to social insurance institutions	3	12	-9
Other current liabilities	37	32	5
<b>Total current liabilities</b>	<b>53</b>	<b>64</b>	<b>-11</b>

Other current liabilities consist primarily of funds to be distributed to research project partners on projects for which EPFL is the leading house (2020: MCHF 31 / 2019: MCHF 25).

## 23 Current and non-current financial liabilities

MCHF	31.12.2020	31.12.2019	Change absolute
Finance lease liabilities	9	9	0
Negative replacement values	0	0	0
Other financial liabilities	9	6	3
<b>Total current financial liabilities</b>	<b>18</b>	<b>14</b>	<b>4</b>
Finance lease liabilities	251	260	-9
Other financial liabilities	71	77	-6
<b>Total non-current financial liabilities</b>	<b>322</b>	<b>337</b>	<b>-15</b>

Finance lease liabilities correspond to the offsetting entry for non-current assets obtained through finance leases.

The decrease in other non-current financial liabilities reflects a reduction in the offsetting entry for the usage rights (services in-kind) for the Microcity building and in mortgage liabilities.

### Finance lease

MCHF	2020			2019		
	Future minimum leasing payments	Future financial expenses	Present value of future minimum leasing payments	Future minimum leasing payments	Future financial expenses	Present value of future minimum leasing payments
Due within 1 year	16	7	9	16	7	9
Due within 1 to 5 years	63	25	38	63	26	37
Due after more than 5 years	266	53	213	282	59	223
<b>As of 31.12.</b>	<b>345</b>	<b>85</b>	<b>260</b>	<b>361</b>	<b>92</b>	<b>269</b>

Finance leases relate to SQIE and SQNE, which are integrated into the scope of consolidation. The accounting method for finance leases is discussed in Note 3, while Note 4 gives the assumptions used to recognise those leases in the consolidated financial statements. Both finance leases include a clause linking rental payments to the Swiss consumer index. The present value of the minimum lease payments is MCHF 165 for the SQNE lease and MCHF 95 for the SQIE lease.

## 24 Accrued expenses and deferred income

MCHF	31.12.2020	31.12.2019	Change absolute
Deferred income	27	26	1
Other accrued expenses and deferred income	11	13	-2
<b>Total accrued expenses and deferred income</b>	<b>38</b>	<b>39</b>	<b>-1</b>

## 25 Provisions

### Provisions - summary

MCHF	31.12.2020	31.12.2019	Change absolute
Provisions for untaken leave and overtime	29	24	5
Other long-term employee benefits (IPSAS 39)	16	18	-2
Litigations	2	1	1
Other provisions	0	0	0
<b>Total provisions</b>	<b>46</b>	<b>43</b>	<b>3</b>

The increase in provisions for untaken leave and overtime reflects an accumulation of unused holiday entitlement as a result of the pandemic.

Other long-term employee benefits (IPSAS 39) consist mainly of provisions for future jubilee benefits.

### Provisions - derivation 2020

MCHF	Provisions for untaken leave and overtime	Other long-term employee benefits (IPSAS 39)	Litigations	Other provisions	Total provisions
<b>Value as of 01.01.2020</b>	<b>24</b>	<b>18</b>	<b>1</b>	<b>0</b>	<b>43</b>
Creation (incl. increase)	5	0	1	0	6
Reversal	0	0	0	0	-1
Appropriation	0	-2	0	0	-3
Reclassifications	0	0	0	0	0
Increase in present value	0	0	0	0	0
<b>Value as of 31.12.2020</b>	<b>29</b>	<b>16</b>	<b>2</b>	<b>0</b>	<b>46</b>
of which current	29	0	2	0	31
of which non-current	0	16	0	0	16

## Provisions – variations 2019

MCHF	Provisions for untaken leave and overtime	Other long-term employee benefits (IPSAS 39)	Litigations	Other provisions	Total provisions
<b>Value as of 01.01.2019</b>	<b>25</b>	<b>17</b>	<b>1</b>	<b>5</b>	<b>48</b>
Creation (incl. increase)	0	3	0	0	4
Reversal	-1	0	0	-3	-4
Appropriation	0	-2	0	-2	-4
Reclassifications	0	0	0	0	0
Increase in present value	0	0	0	0	0
<b>Value as of 31.12.2019</b>	<b>24</b>	<b>18</b>	<b>1</b>	<b>0</b>	<b>43</b>
of which current	24	0	1	0	26
of which non-current	0	18	0	0	18

## 26 Net defined benefit liabilities

Most employees and pensioners of the institutions of EPFL are insured under the pension scheme the ETH Domain maintains at the collective institution “Swiss Federal Pension Fund Publica” (Publica). There are no other significant pension schemes at the controlled entities, therefore any further statements in the text refer to the pension scheme the ETH Domain maintains at Publica.

However, the existing balance for net defined benefit liabilities as of 31 December 2020 includes obligations under other pension plans amounting to MCHF 3 (past year: MCHF 4).

### Legal framework and responsibilities

#### Legal requirements

Swiss pension plans must be run through a legally separate, trustee-administered pension institution. The law prescribes minimum benefits.

#### Organisation of the pension scheme

Publica is an independent, state-run institution under public law.

The Board of Directors (Kassenkommission) is Publica’s most senior governing body. In addition to management, it is also responsible for the oversight and supervision of Publica’s Executive Board. The Board of Directors has 16 members, eight representing the insured employees and eight representing the employers from among all the affiliated pension plans. This means that Publica’s most senior governing body is made up of an equal number of employee and employer representatives.

Each pension scheme has its own governing body made up of equal numbers of representatives. Among other things, it is involved in concluding the affiliation contract and decides on the appropriation of any surpluses. Each governing body is made up of nine employer representatives and nine employee representatives from the entities.

#### Insurance plan

In accordance with IPSAS 39, insurance plans are classified as defined benefit plans.

The pension plan is defined in the terms of the ETH Domain pension scheme applicable to employees and professors, which form part of the affiliation contract with Publica. The pension plan provides benefits in excess of the minimum benefits required by law in the event of disability, death, old age and departure; i. e. it is what is known as an “enveloping” plan (obligatory and extraordinary benefits).

The employer and employee savings contributions are set as a percentage of the insured salary. A risk premium is charged for death and disability insurance. The administrative costs are paid by the employer.

The old-age pension is calculated from the credit balance in the retirement fund at the retirement date multiplied by the conversion rate specified in the terms. Employees have the option of drawing the retirement benefits as a lump sum. There are pension plans for different groups of insured persons. In addition, employees have the option of making additional savings contributions.

The risk benefits are determined depending on the projected savings capital, which attracts interest, and on the conversion rate.

### **Investment of assets**

Investments are made by Publica for all pension schemes (with the same investment profile) collectively.

As Publica's most senior governing body, the Board of Directors bears overall responsibility for asset management. It is responsible for issuing and amending the investment policy and determines the investment strategy. The Investment Committee advises the Board of Directors on investment-related issues and oversees compliance with the investment policy and strategy.

Responsibility for implementing the investment strategy rests with Publica's Asset Management. Asset Management also makes tactical decisions to deviate temporarily from the investment strategy weightings in order to generate added value compared to the existing strategy. Where individual asset classes are built up or reduced over a number of years, a pro rata strategy is calculated so as to enable transactions to be diversified over time.

### **Risks for the employer**

The governing body of the ETH Domain's pension scheme made up of equal numbers of representatives can change the funding system (contributions and future benefits) at any time. The governing body may collect restructuring contributions from the employer if the scheme is underfunded within the meaning of pension law (Article 44 Occupational Pension Ordinance, BVV 2) and if other measures are without success. If these are used to fund benefits in excess of the statutory minimum, the employer must indicate their agreement with this.

The definitive funding ratio in accordance with the Occupational Pensions Act (BVG) was not yet available at the time the annual consolidated financial statements were authorised for issue. The provisional regulatory funding ratio for the ETH Domain's pension scheme at Publica, in accordance with the Occupational Pension Ordinance (BVV 2), was 107.9% at the end of 2020 (2019: 105.6%, definitive). The provisional economic funding ratio for the ETH Domain's pension scheme at Publica was 88.9% at the end of the year (2019: 87.3%, definitive).

### **Special events**

There were no plan amendments, curtailments or settlements to be considered in the current reporting period.

## Change in the accounting estimate as of 31 December 2020: introduction of risk sharing and change in setting the discount rate

As regards the risk sharing between employer and employee, now only that part of defined benefit obligation that is likely to fall upon the employer is taken into account. This provides a more realistic picture of the anticipated pension scheme costs for EPFL. Risk sharing was not considered for the actuarial calculation as at 31 December 2019. The estimation procedure to determine the financial assumptions taking account of risk sharing were applied on 31 December 2020 for the first time.

With the inclusion of risk sharing, there was a reduction in net defined benefit liabilities of MCHF 83 as at 31 December 2020, which was directly included in equity as a change in the accounting estimate in actuarial gains and losses.

Furthermore, the discount rate as at 31 December 2020 was linked to the yield from fixed-interest high-quality corporate bonds for the first time. This adjustment was also entered directly into equity as a change in the accounting estimate.

### Net defined benefit liabilities

MCHF	31.12.2020	31.12.2019
Present value of defined benefit obligations	- 2 279	- 2 521
Fair value of plan assets	1 992	1 890
<b>Recognised net defined benefit liabilities</b>	<b>- 287</b>	<b>- 631</b>

The reduction in net defined benefit liabilities of MCHF 344 results from a reduction in the present value of defined benefit obligations and an increase in the fair value of plan assets. The one-off conversion effect was recorded as at 31 December 2020 with no effect on profit or loss and reduced the liability by MCHF 83. Moreover, the increase in the discount rate (2020: 0.2% / 2019: - 0.2%) and the adjustment of demographic assumptions led to a reduction in net defined benefit liabilities of MCHF 161 resp. MCHF 82.

Plan assets increased by MCHF 102 due to the positive return on investment.

Of the total, MCHF 3 (2019: MCHF 4) of the net defined benefit liabilities relate to pension plans outside the EPFL's pension fund at Publica.

### Net pension costs

MCHF	2020	2019
Current service cost (employer)	95	83
Past service cost	2	0
Gains (-) / losses (+) from plan settlements	0	0
Interest expense from defined benefit obligations	- 5	7
Interest income from plan assets	4	- 5
Administrative costs (excl. asset management costs)	1	1
<b>Total net pension costs incl. interest expense recognised in statement of financial performance</b>	<b>97</b>	<b>87</b>

The EPFL net pension costs for the reporting period are MCHF 97 (2019: MCHF 87), of which MCHF 1 (2019: MCHF 1) relate to pension plans outside the EPFL's pension plan at Publica.

Net pension costs are MCHF 10 higher than in the previous year.

The increase in current service cost (MCHF +12) and the change in interest expense from defined benefit liabilities and interest income from plan assets can be primarily attributed to the actuarial assumptions adjusted in the previous year (discount rate as of 1 January 2020: -0.2% vs. 1 January 2019: 0.3%). As a consequence of the negative discount rate, the compounding of interest on the defined benefit liabilities results in interest income for the 2020 reporting period.

As the pension costs as per IPSAS 39 are based on the assumptions from the previous year, the calculation of risk-sharing features only affects pension expenditure in the following year.

The past service cost includes the acquisitions (MCHF 2) made by professors at EPFL.

No deposits (2019: MCHF 3.5) were transferred from ETH Board to the ETH Domain's pension plan in the reporting period.

Employer's contributions of MCHF 66 and employees' contributions of MCHF 36 are expected for the coming financial year.

#### Revaluation recognised in equity

MCHF	31.12.2020	31.12.2019
Actuarial gains (-) and losses (+)	-278	182
from change in financial assumptions	-231	170
from change in demographic assumptions	-82	-1
from experience adjustments	36	13
Return on plan assets excl. interest income, gains (-)/losses (+)	-96	-150
<b>Revaluation amount recognised in equity</b>	<b>-373</b>	<b>31</b>
<b>Cumulative amount of revaluation recognised in equity, gain (-)/loss (+)</b>	<b>-12</b>	<b>361</b>

The revaluation gain recognised in equity in 2020 amounted to MCHF 373 (2019: revaluation loss of MCHF 31). This results in an accumulated gain of MCHF 12 as of 31 December 2020 (2019: loss of MCHF 361), of which revaluation gains of MCHF 2 (2019: MCHF 1) relate to pension plans outside the EPFL's pension fund at Publica.

The actuarial gains from changes in financial assumptions result from the increase in the discount rate (MCHF 161) and the introduction of risk sharing (MCHF 83). They were mitigated slightly by the higher interest on retirement savings and the reduction in the expected salary development (actuarial loss of MCHF 13).

The adjustment of the demographic assumptions (in particular the probabilities of departure and disability) led to actuarial gains in the amount of MCHF 82 (previous year: MCHF 1).

The return on plan assets recognised in equity is attributable to the higher return on investment of over 4.2% generated compared with the expected return (corresponds to a discount rate of -0.2%).

## Change in present value of defined benefit obligations

MCHF	2020	2019
<b>Present value of defined benefit obligations as of 01.01.</b>	<b>2 521</b>	<b>2 308</b>
Current service cost (employer)	95	83
Interest expense from defined benefit obligations	-5	7
Employee contributions	37	35
Benefits paid in (+) and paid out (-)	-93	-95
Past service cost	2	0
Gains (-)/losses (+) from plan settlements	0	0
Actuarial gains (-)/losses (+)	-278	182
<b>Present value of defined benefit obligations as of 31.12.</b>	<b>2 279</b>	<b>2 521</b>

The weighted average term arising from defined benefit obligations for EPFL is 14.3 years as of 31 December 2020 (2019: 15.8 years).

## Change in fair value of plan assets

MCHF	2020	2019
<b>Fair value of plan assets as of 01.01.</b>	<b>1 890</b>	<b>1 730</b>
Interest income from plan assets	-4	5
Employer contributions	68	66
Employee contributions	37	35
Benefits paid in (+) and paid out (-)	-93	-95
Gains (+)/losses (-) from plan settlements	0	0
Administrative costs (excl. asset management costs)	-1	-1
Return on plan assets excl. interest income, gains (+)/losses (-)	96	150
<b>Fair value of plan assets as of 31.12.</b>	<b>1 992</b>	<b>1 890</b>

## Transition of net defined benefit liabilities

MCHF	2020	2019
<b>Net defined benefit liabilities as of 01.01.</b>	<b>-631</b>	<b>-579</b>
Net pension costs incl. interest expense recognised in statement of financial performance	-97	-87
Revaluation amount recognised in equity	373	-31
Employer contributions	68	66
Obligations paid directly by the entity	0	0
<b>Net defined benefit liabilities as of 31.12.</b>	<b>-287</b>	<b>-631</b>

## Major categories of plan assets (in percentage)

%	2020*			2019*		
	Listed	Not listed	31.12.2020	Listed	Not listed	31.12.2019
Liquidity	3	0	3	4	0	4
Bonds (in CHF) Confederation	6	0	6	6	0	6
Bonds (in CHF) ex. Confederation	10	0	10	10	0	10
Government bonds (in foreign currencies)	25	0	25	26	0	26
Corporate bonds (in foreign currencies)	10	0	10	11	0	11
Mortgages	1	0	1	0	0	0
Shares	26	0	26	27	0	27
Real estate	4	6	10	3	6	9
Commodities	2	0	2	2	0	2
Other	0	7	7	0	5	5
<b>Total plan assets</b>	<b>87</b>	<b>13</b>	<b>100</b>	<b>89</b>	<b>11</b>	<b>100</b>

\* The table was adjusted including the previous year's figures. The listed and not listed shares of total plan assets are now shown as a percentage per category.

Publica bears the actuarial and investment risks itself. The investment strategy is defined in such a way that benefits under the policy can be provided at maturity.

There is no known pension plan property used by the employer.

## Principal actuarial assumptions used as at the reporting date (in percentage)

%	2020	2019
Discount rate as of 01.01.	-0.20	0.30
Discount rate as of 31.12.	0.20	-0.20
Expected salary development	0.40	0.50
Expected pension development	0.00	0.00
Interest on retirement savings	0.30	0.00
Share of employee contribution to funding gap	36.00	n/a
Life expectancy at age 65 – women (no. of years)	24.76	24.65
Life expectancy at age 65 – men (no. of years)	22.72	22.61

The discount rate is now based on the return from the fixed-interest high-yield corporate bonds (previous year: the spot interest rates for federal bonds published by the Swiss National Bank on a monthly basis) and the expected capital flows from ETH Domain pension scheme to Publica based on the previous year's data. The expected future salary development is based on economic reference values.

The rate of pension increase is the rate of pension increase expected for the average remaining term based on the financial position of the pension plan. The share of employee contribution to funding gap is based on the current graduation of the savings contributions under the policy. The generation tables in BVG 2015 are applied for assumptions about life expectancy.

## Sensitivity analysis (effect on present value of defined benefit obligations)

MCHF	31.12.2020		31.12.2019	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate (change $\pm 0.25\%$ )	-61	64	-96	103
Expected salary development (change $\pm 0.25\%$ )	6	-6	11	-11
Expected pension development (change $\pm 0.25\%$ )	50	n/a	79	n/a
Share of employee contribution to funding gap (change $\pm 10\%$ )	-25	25	n/a	n/a
Interest on retirement savings (change $\pm 0.25\%$ )	11	-11	16	n/a
Life expectancy (change $\pm 1$ an)	58	-59	86	-87

The adjustment in defined benefit obligations upon adjustment of the actuarial assumptions is determined in the sensitivity analysis. Only one of the assumptions is adjusted at a time, while the other parameters remain unchanged.

The discount rate, the assumptions made on salary development and on interest on retirement savings as well as the share of employee contribution to funding gap have been increased or lowered by fixed percentage points. The assumption made on pension development has been increased but not lowered for the reporting period, as a reduction of the pension benefit is not possible (an assumption on the interest on retirement savings was also applied in the previous year).

The sensitivity to life expectancy has been calculated by lowering or increasing life expectancy by a flat-rate factor, as a result of which the life expectancy of most age categories has been increased or reduced by about one year.

## 27 Dedicated third-party funds

MCHF	31.12.2020	31.12.2019	Change absolute
Swiss National Science Foundation (SNSF)	243	234	10
Swiss Innovation Agency (Innosuisse)	20	19	1
EU Framework Programmes for Research and Innovation (FP)	166	161	5
Special federal funding of applied research	22	19	3
Industry-oriented research (private sector)	52	71	-19
Other project-oriented third-party funding	44	25	18
<b>Total dedicated third-party funds</b>	<b>547</b>	<b>530</b>	<b>17</b>

Dedicated third-party funds consist of funding to be received for research projects and mandates in progress under non-exchange transactions. The 3%, or MCHF 17, increase in this line item illustrates EPFL's effectiveness in obtaining research funding.

## 28 Financial risk management and additional information about financial instruments

### General

Financial risk management is embedded in the general risk management of EPFL. It primarily addresses:

- credit risk (default risk);
- and liquidity risk;
- as well as market risk (interest rate, foreign currency and other price risk).

The focus of risk management remains on credit risk. There are guidelines governing the investment of financial resources in order to reduce credit and market risk. The counterparties to a large proportion of the receivables and claims arising from financial assets are of high credit standing and solvency. Risk concentrations only exist in respect of those counterparties, which is why credit risk is regarded as low.

Furthermore, there are receivables and financial assets in foreign currencies which are hedged according to prevailing circumstances in order to minimise the currency risk.

Compliance with and the effectiveness of the guidelines are ensured by the internal control system (ICS).

### Credit and default risk

The maximum exposure to credit risk corresponds to the carrying amounts in the balance sheet. The actual risk is very low due to the fact that the counterparties to a large proportion of the financial assets are the Federal Government and other public-sector institutions.

MCHF	Total	Federal Government	European Commission FP*	SNSF, Innosuisse, OASI social service, Suva	SNB and banks with government guarantee	Postfinance and other banks	Other counterparties
<b>31.12.2020</b>							
Cash and cash equivalents	619	593	0	0	0	26	0
Receivables from non-exchange transactions	432	18	124	198	0	0	92
Receivables from exchange transactions	14	0	0	0	0	0	14
Financial assets and loans	23	0	0	0	0	10	13
Prepaid expenses and accrued income	2	0	0	0	0	0	2
<b>Total</b>	<b>1 090</b>	<b>611</b>	<b>124</b>	<b>198</b>	<b>0</b>	<b>36</b>	<b>121</b>
<b>31.12.2019</b>							
<b>Total previous period</b>	<b>1 058</b>	<b>539</b>	<b>126</b>	<b>193</b>	<b>0</b>	<b>68</b>	<b>131</b>

\* The remaining receivables due from the Federal Government (State Secretariat for Education, Research and Innovation SERI) under the bridging programme for Horizon 2020 and the receivables from European universities arising from EU research framework programmes are shown in the column headed "European Commission FP".

## Liquidity risk

The EPFL has processes and principles in place which guarantee that adequate liquidity is available to settle current and future obligations. This includes maintaining an adequate reserve of liquidity and tradeable securities.

### Contractual maturities of the financial liabilities

MCHF	Total carrying amount	Total contract value	Up to 1 year	1 to 5 years	More than 5 years
<b>31.12.2020</b>					
<b>Non-derivative financial liabilities</b>					
Current liabilities	53	53	53	0	0
Leasing liabilities	260	345	16	63	266
Financial liabilities	80	80	9	18	52
Accrued expenses and deferred income	11	11	11	0	0
<b>Derivative financial liabilities</b>	0	0	0	0	0
<b>Total</b>	<b>404</b>	<b>489</b>	<b>89</b>	<b>81</b>	<b>318</b>
<b>31.12.2019</b>					
<b>Total previous period</b>	<b>428</b>	<b>520</b>	<b>99</b>	<b>84</b>	<b>338</b>

Financial liabilities arise, most notably, from current operating liabilities and leasing liabilities. Under normal circumstances, expenses and investments are financed with self-generated funds. In some cases, investments are financed through lease agreements. Financial liabilities include liabilities due to the donated right at EPFL (Microcity) which is recorded in the balance sheet. It is treated as a finance lease but does not represent a liquidity risk.

The entities controlled by EPFL may raise funds on the financial market.

All financial liabilities are covered by liquidity and by short-term deposits with the Federal Government. Liquidity risk is low.

## Market risk

### Interest rate and price risk

Interest rate risk is not hedged. A one percentage point increase or decrease in the interest rate would increase or reduce surplus or deficit by around MCHF 6.

The bonds under the asset management mandates are also taken into account in analysing interest rate risk. The other trading positions (excluding bonds) largely consist of equity funds holding both international and Swiss equities. A 10% decrease in price would reduce surplus or deficit by MCHF 1.

Most of the trading positions exposed to a price risk are held under asset management mandates with Swiss banks.

EPFL issued the investment guidelines based on Art. 34c paragraph 2 of the ETH Act (SR 414.110), which came into effect on 1 January 2008. EPFL defined his own investment strategies on this basis. A model is operated for the selection of the relevant portfolio optimised for the investment strategy of the asset management mandate. This model is used to reconcile the risk associated with the assets and the risk capability of EPFL and a value fluctuation reserve is formed accordingly. It ensures that expected minimum yields are achieved. EPFL reviews the defined strategy quarterly.

## Foreign currency risk

Most foreign currency receivables are in euros and US dollars; they are hedged using derivative financial instruments according to prevailing circumstances. Most foreign currency risks in asset management mandates are hedged. Net of hedges, a fluctuation in the exchange rate of these two currencies of  $\pm 10\%$  would impact on the statement of financial performance as follows.

### Sensitivity analysis, foreign currency risk

MCHF	Total	CHF	EUR	USD	Autres
<b>31.12.2020</b>					
Cash and cash equivalents	619	610	7	2	0
Receivables from non-exchange transactions	432	296	126	8	1
./. IPSAS 23 receivables with performance obligation component	-391	-258	-125	-7	-1
Receivables from exchange transactions	14	13	1	0	0
Financial assets and loans	23	22	1	1	0
Prepaid expenses and accrued income	2	2	0	0	0
<b>Total</b>	<b>700</b>	<b>685</b>	<b>10</b>	<b>5</b>	<b>1</b>
Current liabilities	53	31	22	1	0
Leasing liabilities	260	260	0	0	0
Financial liabilities	80	80	0	0	0
Accrued expenses and deferred income	11	9	1	0	0
<b>Total</b>	<b>404</b>	<b>380</b>	<b>23</b>	<b>1</b>	<b>0</b>
<b>Net currency balance</b>	<b>296</b>	<b>305</b>	<b>-13</b>	<b>4</b>	<b>1</b>
Sensitivity affecting financial performance $\pm 10\%$			-1	0	
Closing rate			1.0817	0.8840	
<b>31.12.2019</b>					
Cash and cash equivalents	349	343	4	1	0
Receivables from non-exchange transactions	436	307	124	4	1
./. IPSAS 23 receivables with performance obligation component	-390	-262	-123	-4	-1
Receivables from exchange transactions	16	15	0	0	0
Financial assets and loans	255	253	1	1	0
Prepaid expenses and accrued income	3	2	0	0	0
<b>Total</b>	<b>668</b>	<b>658</b>	<b>6</b>	<b>3</b>	<b>1</b>
Current liabilities	64	45	18	1	0
Leasing liabilities	269	269	0	0	0
Financial liabilities	82	82	0	0	0
Accrued expenses and deferred income	13	12	1	1	0
<b>Total</b>	<b>429</b>	<b>408</b>	<b>19</b>	<b>1</b>	<b>0</b>
<b>Net currency balance</b>	<b>239</b>	<b>250</b>	<b>-13</b>	<b>2</b>	<b>1</b>
Sensitivity affecting financial performance $\pm 10\%$			-1	0	
Closing rate			1.0866	0.9676	

## Capital management

Managed capital is defined as equity excluding valuation reserves. EPFL seeks to create a solid equity base. This base will enable the implementation of the performance mandate to be guaranteed. Legal regulations prohibit EPFL from raising funds in the capital market.

## Estimation of fair value

Because of their short-term maturity, the carrying amount of cash and cash equivalents and the carrying amounts of current loans, fixed deposits, receivables and current liabilities are a reasonable approximation of fair value.

The fair value of non-current receivables from non-exchange transactions and non-current loans is calculated on the basis of the payments falling due in the future, which are discounted at market interest rates.

The fair value of available-for-sale financial assets is based on actual values, provided they can be determined reliably, or reflects their costs.

The fair value of fixed-interest financial liabilities which are not traded publicly is estimated on the basis of payments due in the future and discounted at market interest rates.

The fair value of fixed-interest financial assets and liabilities which are traded publicly is based upon stock market quotations on the reporting date.

The fair value of finance lease liabilities is estimated on the basis of payments falling due in the future, which are discounted at market interest rates.

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## Classes and categories of financial instruments

MCHF	Loans and receivables	At fair value through surplus or deficit	Available for sale	Financial liabilities measured at amortised cost	Total carrying amount	Total fair value
<b>31.12.2020</b>						
Cash and cash equivalents	619				619	619
Receivables from non-exchange transactions	432				432	432
Receivables from exchange transactions	14				14	14
Financial assets and loans	0	16	7		23	23
Prepaid expenses and accrued income	2				2	2
<b>Financial assets **</b>	<b>1 067</b>	<b>16</b>	<b>7</b>	<b>0</b>	<b>1 090</b>	<b>1 090</b>
Current liabilities				53	53	53
Leasing liabilities				260	260	260
Financial liabilities		0		80	80	80
Accrued expenses and deferred income				11	11	11
<b>Financial liabilities *</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>404</b>	<b>404</b>	<b>404</b>
<b>31.12.2019</b>						
<b>Financial assets **</b>	<b>1 036</b>	<b>15</b>	<b>7</b>	<b>0</b>	<b>1 059</b>	<b>1 059</b>
<b>Financial liabilities *</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>428</b>	<b>428</b>	<b>428</b>

\* Current liabilities, Leasing liabilities, Financial liabilities, Accrued expenses and deferred income.

\*\* Cash and cash equivalents, Receivables from non-exchange transactions, Receivables from exchange transactions, Financial assets and loans, Prepaid expenses and accrued income.

EPFL does not hold any held-to-maturity financial assets.

## Hierarchy levels of the financial instruments measured at the fair value

Financial instruments measured at fair value are required to be disclosed within a three-level valuation hierarchy:

- Level 1 – quoted prices in an active market for identical assets and liabilities.
- Level 2 – valuation techniques where all significant inputs are based on observable market data.
- Level 3 – valuation techniques where significant inputs are not based on observable market data.

### Fair value hierarchy

MCHF	Carrying amount / fair value	Level 1	Level 2	Level 3
<b>31.12.2020</b>				
Financial assets	23	16	7	0
Financial liabilities	0	0	0	0
<b>31.12.2019</b>				
Financial assets	22	16	6	0
Financial liabilities	0	0	0	0

### Net surplus or deficit by category

MCHF	Loans and receivables	At fair value through surplus or deficit	Available for sale	Financial liabilities
<b>31.12.2020</b>				
Total net surplus or deficit by category	-1	0	0	-8
<b>31.12.2019</b>				
Total net surplus or deficit by category	-1	3	0	-8

Changes in fair value and interest expense of the financial liabilities have had the biggest impact on net income. Further information can be found in Note 13 “Financial result”.

## 29 Contingent liabilities and contingent assets

### Contingent liabilities

MCHF	31.12.2020	31.12.2019	Change absolute
Guarantees	0	0	0
Warranties	1	1	0
Litigations	0	0	0
Other	247	260	-13
<b>Total contingent liabilities</b>	<b>248</b>	<b>261</b>	<b>-13</b>

The MCHF 1 in warranties relates to a commitment to cover any duties charged by foreign customs offices in cross-border transactions. This warranty does not have a time limit.

The other contingent liabilities concern mainly:

- Campus Biotech Geneva (MCHF 234) – This is a lease agreement between Campus Biotech Geneva Foundation, the University of Geneva and EPFL. The corresponding contingent liability is equal to the solidarity commitment remaining until the lease expires, including refurbishing;
- The possibility that the European Commission deems certain project costs ineligible. The extrapolated maximum liability not already covered by provisions is MCHF 9;
- A joint and several liability for the rent on the Agora building in Lausanne. EPFL could be liable for MCHF 4 if the other two parties on the lease (CHUV and UNIL) default on their obligations.

EPFL also has contingent liabilities of an unspecified amount related to its membership in research consortiums.

### Contingent assets

There were no contingent assets at 31 December 2020.

## 30 Financial commitments

MCHF	31.12.2020	31.12.2019	Change absolute
Financial commitments ≤ 1 year	21	7	14
Financial commitments from 1 to 5 years	0	0	0
Financial commitments > 5 years	0	0	0
No due date / indefinite	0	0	0
<b>Total financial commitments</b>	<b>21</b>	<b>7</b>	<b>14</b>

Financial commitments less than one year relate to new orders of over MCHF 0.5 for research equipment. The increase in these commitments in 2020 is due to MCHF 27 of new orders that were placed during the year, less the MCHF 13 of orders that were paid off in full. EPFL has also committed to covering the following expenses:

- 40% of the costs for the Wyss Center for Bio and Neuroengineering in Geneva;
- Costs for major maintenance and renovation work for the operating equipment and interior of the Microcity building in Neuchatel.

### 31 Operating lease

MCHF	2020	2019	Change absolute
<b>Due dates</b>			
Due within 1 year	9	8	1
Due within 1 to 5 years	30	30	0
Due after more than 5 years	95	99	-4
<b>Future minimum payments for non-cancellable operating lease as of 31.12.</b>	<b>134</b>	<b>138</b>	<b>-4</b>
<b>Leasing expenses</b>			
Minimum lease payments	9	9	0
Payments from subleasing	0	0	0
<b>Leasing payments of current period</b>	<b>9</b>	<b>9</b>	<b>0</b>
<b>Additional details</b>			
Future revenue from sublease (from non-cancellable contracts)	2	1	0

### 32 Remuneration of key management personnel

MCHF	2020	2019	Change absolute
Directorate (7 EPT)	3	3	0

### 33 List of the controlled and associated entities (scope of consolidation)

EPFL generally has no rights over the assets of controlled and associated entities. It cannot require that certain funds be transferred or access the entities' resources in any other way.

The scope of consolidation of the ETH Domain includes the following entities.

#### Controlled entities

	Legal form	Nature of collaboration / business activity	Domicile	Currency	Proportion of voting rights 31.12.2020	Proportion of participating share 31.12.2020	Reporting date used
<b>Fondation pour les étudiants de l'EPFL</b>	Foundation	The foundation supports students at EPFL, if their financial circumstances are making it much more difficult for them to complete their degree	Ecublens VD	CHF	60%	100%	31.12.2020
<b>EPFL Innovation Park Foundation</b>	Foundation	The foundation owns and maintains buildings for promising start-ups (technology park)	Ecublens VD	CHF	42%	100%	31.12.2020
<b>SQIE Société pour le quartier de l'innovation de l'EPFL</b>	Simple partnership	The simple partnership maintains buildings on a finance leasing basis for larger technology companies	Ecublens VD	CHF	100%	100%	31.12.2020
<b>SQNE Société pour le quartier nord de l'EPFL</b>	Simple partnership	The simple partnership maintains various buildings on a finance leasing basis and operates a convention centre, student halls of residences, shops and a hotel	Ecublens VD	CHF	75%	100%	31.12.2020

EPFL has a 100% stake in SQNE that consists of a direct 90% stake, an indirect 5% stake through Fondation EPFL Innovation Park (fully consolidated), and an indirect 5% stake through Fondation Les Bois Chamblard, an associated entity that EPFL fully owns. Due to the 100% stake in Fondation Les Bois Chamblard, SQNE is fully consolidated without considering or presenting non-controlling interests.

#### Associated entities

	Legal form	Nature of collaboration / business activity	Domicile	Currency	Proportion of voting rights 31.12.2020	Proportion of participating share 31.12.2020
<b>Fondation Les Bois Chamblard</b>	Foundation	The foundation provides infrastructure for the organisation of workshops and conferences	Buchillon	CHF	20 %	100 %
<b>Fondation Campus Biotech Geneva</b>	Foundation	The Biotech Campus is a centre of excellence in biotechnology and in life science research	Genève	CHF	25 %	50 %
<b>Fondation du centre universitaire protestant de Lausanne</b>	Foundation	The foundation provides accommodation for students from EPFL and from the University of Lausanne	Lausanne	CHF	33 %	60 %
<b>Fondation « Institut d'imagerie moléculaire translationnelle IIMT »</b>	Foundation	The foundation contributes to the development of new programs in translational research and technological innovation in the area of molecular imaging	Genève	CHF	50 %	50 %

#### Entities below materiality thresholds

The Ordinance on Finance and Accounting of the ETH Domain specifies the ownership thresholds to consider when establishing EPFL's scope of consolidation. Under Appendix 2 of the Ordinance, entities that otherwise meet the consolidation criteria but are below the thresholds are not included in the scope of consolidation and must be presented as follows.

	31.12.2020	31.12.2019
<b>Controlled entities</b>		
Quantity	4	4
<b>Total assets (MCHF)</b>	<b>6</b>	<b>7</b>
<b>Associated entities</b>		
Quantity	4	4
<b>Total assets (MCHF)</b>	<b>36</b>	<b>29</b>

## 34 Events after the reporting date

EPFL's President and EPFL's Vice President for Finances approved these 2020 consolidated financial statements on 22 February 2021. No material events occurred between this date and the balance sheet date that would require an amendment or additional note to these financial statements.



Reg. Nr. 1.20317.939.00125.003

# ***Report of the statutory auditor***

***to the President of the Swiss Federal Institute of Technology in Lausanne***

## **Report on the audit of the consolidated financial statements**

### *Opinion*

We have audited the consolidated financial statements of the Swiss Federal Institute of Technology in Lausanne (EPFL), which comprise the consolidated statement of financial performance 2020, the consolidated balance sheet as of 31 December 2020, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (excluding foreword).

In our opinion the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the EPFL as of 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS) and legal requirements and the Accounting Manual for the ETH Domain.

### *Basis for Opinion*

We conducted our audit in accordance with Swiss Law, International Standards on Auditing (ISAs), Swiss Auditing Standards and article 35ater of the Federal Act on the Federal Institutes of Technology (SR 414.110). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent based on the Federal Auditing Act (SR 614.0) and the requirements of the audit profession, 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.

*Other information in the Annual Report*

The Executive Board of the EPFL 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 and our auditor's report 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. In this context, please refer to the section Report on other legal and regulatory requirements at the end of this report.

*Responsibilities of the Executive Board of the EPFL for the consolidated financial statements*

The Executive Board of the EPFL is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and the legal requirements (Ordinance on the ETH Domain, SR 414.110.3; Ordinance on the Finance and Accounting of the ETH Domain, SR 414.123; Accounting Manual for the ETH Domain), and for such internal control as the Executive Board 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 Executive Board of the EPFL is responsible for assessing the EPFL's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.

*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.

As part of an audit in accordance with Swiss law, ISA's and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 EPFL's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Executive Board of the EPFL's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the EPFL's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the notes to the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the EPFL to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the EPFL to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the Executive Board of the EPFL and the Audit Committee of the ETH Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Report on other legal and regulatory requirements**

In accordance with the Federal Auditing Act and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the ETH Board.

In accordance with Art. 21 par. 2 of the Ordinance on the Finance and Accounting of the ETH Domain, we confirm that no contradictions exist between the personnel reporting in the annual report (management report) and the consolidated financial statements. Likewise, we confirm that no contradictions exist between the financial figures in the annual report (management report) and the consolidated financial statements.

Furthermore, in accordance with Art. 21 par. 2 of the Ordinance on the Finance and Accounting of the ETH Domain, we confirm that risk management has been appropriately conducted according to the instructions of the ETH Board.

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

Berne, 22 February 2021

SWISS FEDERAL AUDIT OFFICE

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**EPFL**

[epfl.ch](http://epfl.ch)

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