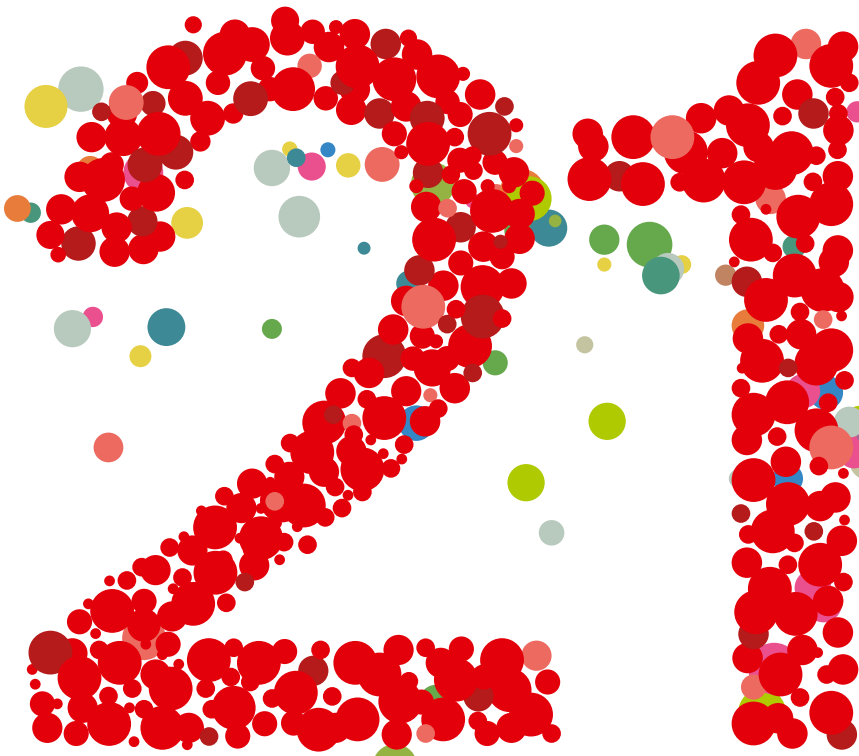


EPFL



Consolidated  
financial  
statements  
2021



# Foreword

## 2021: upholding EPFL's missions

The pandemic and climate change are forcing us to rethink the ways in which we live and work. At EPFL, these challenges are further motivating us to remain a leading institution for research, to continually update our educational programs in response to societal needs and to bolster our capacity for innovation. These goals are also aligned with the ETH Domain's strategy for the 2021–2024 period.

In managing our finances, we strive to optimize how resources are deployed and how funding is allocated in order to seize strategic opportunities in line with our governance principles. This helps ensure that EPFL remains an attractive university for students and researchers.

Despite the unique challenges caused by the pandemic, we continued to support the School's progress towards its ambitious goals in 2021 through our commitment and collaborative spirit.

## Digitalised and more agile financial processes

We would like to underscore our employees' hard work and professional attitude throughout 2021, which enabled us to pursue our School's core missions of education, research and innovation. Their commitment also let us move ahead on several keystone projects in spite of the pandemic.

Already in 2020, EPFL demonstrated its remarkable capacity to adapt by switching from a paper-based to a digitalised invoice-management system in just one week, marking a major step forward in the digitalisation of our business processes. We plan to make our processes even more flexible in 2022 by setting up a fully paperless system for supplier invoices, completing the digitalisation of our entire procurement chain (purchase-to-pay).

In 2021, we kicked off a comprehensive, ambitious project to modernise the systems and processes we use to manage our finances, purchasing and human resources. This project is designed to make our processes more agile and improve the user experience through updated management software. It should be completed by 2024–2025.

In order to support implementation of the ETH Domain's 2021–2024 strategy, the Vice Presidency for Finances (VPF) will enhance its flexibility and provide additional support and decision-making assistance 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).

This will entail continuing the close partnership established in 2021 between the VPF and 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, so as to respond to climate change and other societal challenges.

In conclusion, we would like to thank our supervisory bodies and partner organisations for their ongoing confidence in our institution.

## Discussion of the consolidated financial statements

### Consolidated statement of financial performance

EPFL generated a net surplus of MCHF 46 for full-year 2021. Operating revenue came in at MCHF 1,113 (versus MCHF 1,063 in 2020), while the combined total of operating expenses plus net financial income/expense was nearly flat at MCHF 1,066 (versus MCHF 1,069 in 2020).

Looking at the sources of consolidated operating revenue, the federal contribution to EPFL (66% of operating revenue) was largely stable and our research funding (34% of operating revenue) again came from a wide range of organisations, allowing us to continue with our long-term financing policy. We were able to diversify our revenue streams last year in spite of the pandemic and expand into innovative areas of research. We further developed a number of strategic ecosystems in fields such as the environment, energy and neurotechnology, including at our satellite campuses in Fribourg, Geneva, Neuchâtel and Valais. These initiatives operate within the framework of our new governance model.

The federal contribution to EPFL totalled MCHF 730 in 2021, up 2.4% from 2020. Half of this growth was due to the structural increase in EPFL's basic funding; the other half relates to funding received for the ETH Domain's strategic focus areas, including MCHF 22 for the Blue Brain Project, MCHF 2 for personalised healthcare and related technology, MCHF 7 for the Swiss Data Science Center and MCHF 4 for advanced manufacturing. The federal contribution is our main source of funding and accounts for two-thirds of operating revenue.

The second-largest source is indirect public funding (MCHF 187 in 2021, up 2.2% from 2020), which we receive from the Swiss National Science Foundation, Innosuisse, and 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 195 in 2021 (up 17.4% from 2020) and represent our third-largest source of funding. The increase in 2021 reflects additional proceeds from philanthropic initiatives, which enabled us to set up new research chairs for strategic projects as well as a number of joint projects with other universities. One example is the Dubochet R&D centre that EPFL is financing in association with the University of Lausanne.

Consolidated operating expenses were largely unchanged at nearly CHF 1 billion.

Personnel expenses totalled MCHF 707, or nearly 67% of operating expenses, and represented approximately 5,968 full-time equivalents (FTEs). Additional expenses grew nearly 3.4% in line with the increase in headcount in 2021, but this was more than offset by a sharp decline in net pension costs resulting from a change in the calculation method for net defined benefit liabilities (see Note 26). In the end, personnel expenses were down MCHF 17 relative to the prior year.

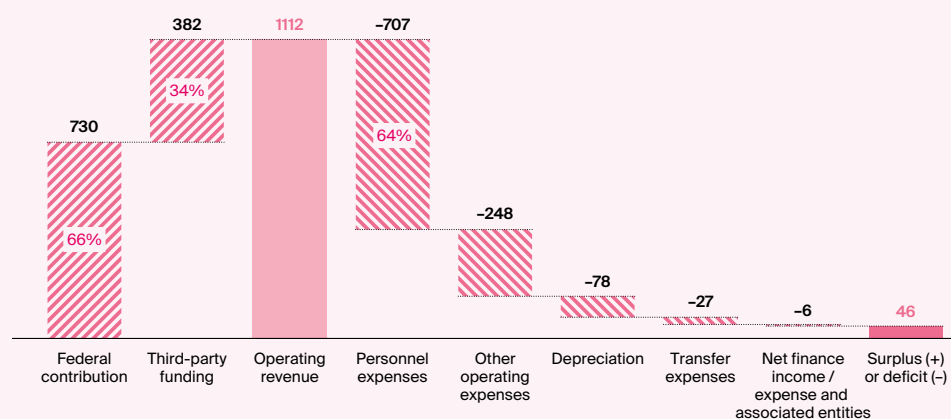
Other operating expenses were unchanged from 2020 and made up nearly 23% of total operating expenses. The pandemic altered our cost structure again in 2021; some expenses, such as those for travel, were lower, but laboratory equipment costs were higher as research activity resumed.

Depreciation and transfer expenses accounted for 10% of operating expenses.

## Summary consolidated statement of financial performance

MCHF	2021	2020
Operating revenue	1 113	1 063
Changes to previous year	4.7%	0.7%
Operating expenses	1 060	1 061
Changes to previous year	-0.1%	1.1%
Net finance income/expense	-6	-8
<b>Surplus (+) or deficit (-)</b>	<b>46</b>	<b>-8</b>
Third-party funds relative to operating revenue	34%	33%
Personnel expenses relative to operating revenue	64%	68%

## Graphical representation of the 2021 consolidated statement of financial performance



## Consolidated balance sheet

Total assets were MCHF 1,659 at end-2021, largely unchanged from the prior year.

Third-party funding fell by 12%, or MCHF 154, mainly due to reductions in the following two line items:

- Dedicated third-party funds, which were down 5%, or MCHF 25, to MCHF 521. 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. This line item generally fluctuates by  $\pm 5\%$  from year to year and corresponds to approximately two years of research contributions, mandates and scientific services.
- Net defined benefit liabilities. 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 contractual cash outflows for the School. These liabilities decreased by MCHF 121 as a result of an increase in the discount rate from 0.2% to 0.4%, updated demographic charts (LPP 2020 instead of LPP 2015), and a higher growth rate in the fair value of plan assets (4.5% return) than in pension liabilities.

In 2021, we modified the way in which equity is presented in order to align with the Swiss federal government's requirements. Equity was up 46%, or MCHF 157, at end-2021, primarily reflecting changes in net defined benefit liabilities recognised in valuation reserves, but also a 9% increase in reserves with and without internal dedication recognised in other equity.

EPFL is free to use these reserves as it deems fit to fund projects related to its core missions. The increase in these reserves demonstrates that our School has sufficient resources to maintain a sustained level of research funding in promising areas over the medium term, such as by hiring new professors and making targeted investments in new buildings and state-of-the-art facilities.

### Summary consolidated balance sheet

MCHF	31.12.2021	31.12.2020
<b>Current assets</b>	<b>893</b>	<b>873</b>
Thereof cash and cash equivalents	629	619
<b>Non-current assets</b>	<b>766</b>	<b>783</b>
<b>Total assets</b>	<b>1 659</b>	<b>1 656</b>
<b>Liabilities</b>	<b>1 157</b>	<b>1 311</b>
<b>Equity</b>	<b>502</b>	<b>345</b>
<b>Total liabilities and equity</b>	<b>1 659</b>	<b>1 656</b>
Changes to previous years	0.2%	1.1%

### Consolidated cash flow statement

With regard to cash flow from investing activities, the 2020 figure includes a MCHF 232 transfer of assets held with the Swiss Federal Finance Administration from more than 90-day deposits to less than 90-day deposits.

In 2021, guided by key values such as diversity and excellence, we stepped up our capital investment programme to modernise our operating facilities and build a combined data centre/heating plant. This latter project is a novel and ambitious initiative that will allow us to switch away from fossil fuels and use lake water and excess heat from the new plant to regulate the temperature in our buildings starting in 2022.

We made MCHF 72 of capital investment in 2021 (up nearly MCHF 9 from 2020), mainly on projects to expand our campuses, acquire research equipment and upgrade our IT systems. However, these investments were handicapped in the second half of 2021 due to a shortage of raw materials and electronics with some of our suppliers and bottlenecks in global supply chains.

### Summary consolidated cash flow statement

MCHF	2021	2020
Cash flows from operating activities	91	110
Cash flows from investing activities	-72	169
Cash flows from financing activities	-9	-9
<b>Total cash flow</b>	<b>11</b>	<b>270</b>

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## Glossaire

BBP	Blue Brain Project
BCC	Building cost classification
BVG	Altersvorsorge
BVV2	Ordinance on occupational retirement, survivors' and disability pension
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
FTE	Full time equivalent
GAAP	Generally accepted accounting principles
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
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
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	2021	2020	Change absolute	Notes
Federal financial contribution	673	653	20	
Federal contribution to accommodation	56	61	-4	
<b>Total federal contribution</b>	<b>730</b>	<b>713</b>	<b>16</b>	<u>05</u>
<b>Tuition fees, continuing education</b>	<b>18</b>	<b>17</b>	<b>1</b>	<u>06</u>
Swiss National Science Foundation (SNSF)	97	95	2	
Swiss Innovation Agency (Innosuisse)	11	15	-3	
Special federal funding of applied research	17	14	3	
EU Framework Programmes for Research and Innovation (EU-FPs)	62	59	3	
Industry-oriented research (private sector)	50	47	3	
Other project-oriented third-party funding (incl. cantons, municipalities, international organisations)	44	32	13	
<b>Research contributions, mandates and scientific services</b>	<b>281</b>	<b>261</b>	<b>20</b>	<u>07</u>
<b>Donations and bequests</b>	<b>33</b>	<b>23</b>	<b>10</b>	<u>08</u>
<b>Other revenue</b>	<b>50</b>	<b>49</b>	<b>2</b>	<u>09</u>
<b>Operating revenue</b>	<b>1 113</b>	<b>1 063</b>	<b>49</b>	
Personnel expenses	707	724	-17	<u>10, 26</u>
Other operating expenses	248	239	9	<u>11</u>
Depreciation	78	76	1	<u>19, 21</u>
Transfer expenses	27	21	5	<u>12</u>
<b>Operating expenses</b>	<b>1 060</b>	<b>1 061</b>	<b>-1</b>	
<b>Operating result</b>	<b>52</b>	<b>2</b>	<b>51</b>	
<b>Net finance income / expense</b>	<b>-6</b>	<b>-8</b>	<b>2</b>	<u>13</u>
<b>Share of surplus / deficit of associated entities and joint ventures</b>	<b>0</b>	<b>-1</b>	<b>0</b>	<u>18</u>
<b>Surplus (+) or deficit (-)</b>	<b>46</b>	<b>-8</b>	<b>53</b>	

## ■ Consolidated balance sheet

MCHF	31.12.2021	31.12.2020	Change absolute	Notes
Cash and cash equivalents	629	619	11	14
Current receivables from non-exchange transactions	211	207	4	15
Current receivables from exchange transactions	17	14	2	15
Current financial assets and loans	17	16	1	20
Inventories	3	3	0	16
Prepaid expenses and accrued income	17	15	2	17
<b>Total current assets</b>	<b>893</b>	<b>873</b>	<b>20</b>	
Property, plant and equipment	392	394	-2	19
Intangible assets	54	56	-3	19
Non-current receivables from non-exchange transactions	214	225	-11	15
Investments in associated entities and joint ventures	34	34	0	18
Non-current financial assets and loans	8	7	1	20
Co-financing	64	67	-2	21
<b>Total non-current assets</b>	<b>766</b>	<b>783</b>	<b>-17</b>	
<b>Total assets</b>	<b>1 659</b>	<b>1 656</b>	<b>3</b>	
Current liabilities	54	53	1	22
Current financial liabilities	14	18	-4	23
Accrued expenses and deferred income	45	38	6	24
Short-term provisions	29	31	-2	25
<b>Short-term liabilities</b>	<b>142</b>	<b>140</b>	<b>2</b>	
Dedicated third-party funds	521	547	-25	27
Non-current financial liabilities	314	322	-7	23
Net defined benefit liabilities	165	287	-121	26
Long-term provisions	15	16	-1	25
<b>Long-term liabilities</b>	<b>1 016</b>	<b>1 171</b>	<b>-155</b>	
<b>Total liabilities</b>	<b>1 157</b>	<b>1 311</b>	<b>-154</b>	
Valuation reserves	128	12	116	
<b>Reserves from associated entities</b>	<b>34</b>	<b>34</b>	<b>0</b>	18
<b>Donations, grants, co-financing<sup>1</sup></b>	<b>161</b>	<b>164</b>	<b>-2</b>	
Reserves with internal dedication <sup>1</sup>	148	128	20	
Reserves without dedication <sup>1</sup>	245	234	11	
Accumulated surplus (+) / deficit (-)	-214	-228	13	
<b>Other equity*</b>	<b>179</b>	<b>135</b>	<b>44</b>	
<b>Total equity</b>	<b>502</b>	<b>345</b>	<b>157</b>	
<b>Total liabilities and equity</b>	<b>1 659</b>	<b>1 656</b>	<b>3</b>	

<sup>1</sup> The 2020 values do not correspond to the values published in the Financial Report 2020. They have been restated due to the retrospective amendment of the accounting and recognition requirements for the reserve categories newly defined in 2021. See the section "Restatement of prior-year figures".

## ■ Consolidated statement of changes in equity

MCHF	Valuation reserves	Reserves from associated entities	Donations, grants, co-financing	Teaching and research reserves	Infrastructure and administration reserves	Reserves with internal dedication	Reserves without dedication	Accumulated surplus (+)/deficit (-)	Total equity
<b>2020</b>									
Value as of 01.01.2020 <sup>1</sup>	-361	35	169	99	34	133	200	-197	-21
Revaluation of financial assets	0								0
Revaluation of defined benefit liability	373								373
<b>Total items directly recognised in equity</b>	<b>374</b>	<b>0</b>						<b>0</b>	<b>374</b>
Surplus (+) or deficit (-)									-8
Increase (+)/decrease (-) in reserves <sup>2</sup>	0	-1	-6	-8	3	-5	34	-23	0
<b>Total changes</b>	<b>374</b>	<b>-1</b>	<b>-6</b>	<b>-8</b>	<b>3</b>	<b>-5</b>	<b>34</b>	<b>-30</b>	<b>366</b>
<b>Value as of 31.12.2020<sup>2</sup></b>	<b>12</b>	<b>34</b>	<b>164</b>	<b>92</b>	<b>37</b>	<b>128</b>	<b>234</b>	<b>-228</b>	<b>345</b>
<b>2021</b>									
Changes from restatement as of 01.01. <sup>3</sup>	0	0	-4	0	0	0	0	0	-4
Value as of 01.01.2021	12	34	159	92	37	128	234	-228	340
Revaluation of financial assets	1								1
Revaluation of defined benefit liability	115								115
<b>Total items directly recognised in equity</b>	<b>116</b>							<b>0</b>	<b>116</b>
Surplus (+) or deficit (-)			2					46	46
Transfers in current period								-2	0
Transfer of reserves with internal dedication				22	-2	20	-20		0
Appropriation of surplus or deficit							30	-30	0
<b>Total changes</b>	<b>116</b>	<b>0</b>	<b>2</b>	<b>22</b>	<b>-2</b>	<b>20</b>	<b>11</b>	<b>13</b>	<b>161</b>
<b>Value as of 31.12.2021</b>	<b>128</b>	<b>34</b>	<b>161</b>	<b>114</b>	<b>34</b>	<b>148</b>	<b>245</b>	<b>-214</b>	<b>502</b>

<sup>1</sup> The figures as of 1 January 2020 show the values after restatement, meaning that they do not correspond to the values published in the Financial Report 2020. Details on the restatement as of 1 January 2020 can be found in Annex 2 in the section "Restatement of prior-year figures", especially Table 5.

<sup>2</sup> The 2020 values / values as of 31 December 2020 do not correspond to the values published in the Financial Report 2020. They have been restated due to the amended accounting and recognition requirements for the reserve categories newly defined in 2021.

<sup>3</sup> Relates to a reclassification from the donations to liabilities.

## Overview

Equity increased by MCHF 161 in 2021. This mainly reflects changes in valuation reserves (resulting from changes in actuarial assumptions for net defined benefit liabilities and 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. Reserves with and without dedication, which represent the School's capacity to continue funding its development plans, totalled MCHF 393 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 net 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 165 at 31 December 2021.

## Reserves with internal dedication

These are reserves used for teaching and research activities, including research in the strategic areas identified by the ETH Board, and for funding new research facilities.

## Reserves without dedication

These reserves include unused funds that are not bound by contractual or internal obligations, as set forth in IPSAS. The MCHF 11 increase in these reserves (equivalent to 1.7% of the federal financial contribution) is largely the result of underspending caused by the pandemic (see Note 11).

## Donations, grants, co-financing

The MCHF 2 decrease in reserves from donations, grants and co-financing means that nearly all the funds we received for new research chairs and other teaching and research activities were offset by new donations and bequests (see Note 8). 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.

## Accumulated surplus (+)/ deficit (-)

The majority of this line item consists of restatements, which totalled MCHF -247 at end-2021 and include all restatements carried out since EPFL adopted IPSAS.

## ■ Consolidated cash flow statement

MCHF	2021	2020	Change absolute	Notes
Surplus (+) or deficit (-)	46	-8	53	
Depreciation	78	76	1	<a href="#">19, 21</a>
Share of surplus / deficit of associated entities and joint ventures	0	1	0	<a href="#">18</a>
Net finance income / expense (non-cash)	-1	0	-1	<a href="#">13</a>
Increase / decrease in net working capital	-4	-13	10	
Increase / decrease in net defined benefit liabilities	-7	29	-36	<a href="#">26</a>
Increase / decrease in provisions	-3	3	-5	<a href="#">25</a>
Increase / decrease in non-current receivables	11	-13	24	<a href="#">15</a>
Increase / decrease in dedicated third-party funds	-27	35	-62	<a href="#">27</a>
Reclassification and other (non-cash) income	-3	0	-3	
<b>Cash flows from operating activities</b>	<b>91</b>	<b>110</b>	<b>-19</b>	
Purchase of property, plant and equipment	-70	-60	-10	<a href="#">19</a>
Purchase of intangible assets	-1	-2	1	<a href="#">19</a>
Increase in co-financing	0	0	0	<a href="#">21</a>
Increase in current and non-current financial assets	-1	0	-1	<a href="#">20</a>
Total investments	-72	-63	-9	
Disposal of property, plant and equipment	0	0	0	<a href="#">19</a>
Disposal of intangible assets	0	0	0	<a href="#">19</a>
Decrease in co-financing	0	0	0	<a href="#">21</a>
Decrease in current and non-current financial assets	1	232	-231	<a href="#">20</a>
Total divestments	1	232	-231	
Dividends received from associated entities and joint ventures	0	0	0	<a href="#">18</a>
<b>Cash flows from investing activities</b>	<b>-71</b>	<b>169</b>	<b>-240</b>	
Increase in short-term and long-term financial liabilities	0	1	-1	<a href="#">23</a>
Decrease in short-term and long-term financial liabilities	-9	-10	1	<a href="#">23</a>
<b>Cash flows from financing activities</b>	<b>-9</b>	<b>-9</b>	<b>0</b>	
<b>Total cash flow</b>	<b>11</b>	<b>270</b>	<b>-260</b>	
<b>Cash and cash equivalents at the beginning of the period</b>	<b>619</b>	<b>349</b>	<b>270</b>	<a href="#">14</a>
Total cash flow	11	270		
<b>Cash and cash equivalents at the end of the period</b>	<b>629</b>	<b>619</b>	<b>11</b>	<a href="#">14</a>
Contained in the cash flows from operating activities				
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. Thirteen complete Bachelor's programmes and twenty-five 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 2021 to 31 December 2021. The reporting date is 31 December 2021. The report is prepared in Swiss francs (CHF). All figures are shown in millions of Swiss francs (MCHF) unless indicated otherwise.

#### 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 6.6)

#### 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	01.01.2023

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.

IPSAS 41 introduces changes in the valuation, classification and impairment of financial instruments. The EPFL does not expect any significant impact from the reclassification and application of the new valuation rules. Due to the introduction of the new expected credit loss model under IPSAS 41, a slight increase in impairments on receivables is conceivable. The EPFL plans to implement the new standard early as of 1 January 2022 (with no adjustment to the prior year's figures).

There are no further changes or interpretations which are not yet compulsory in their application and which would have a significant impact on EPFL.

## Restatement of prior-year figures

During the reporting period, an adjustment was made to the structure and recognition of equity in order to clarify the difference between externally dedicated reserves and internally dedicated reserves. These adjustments address the needs of the owner. The funds reported under the category "Donations, grants and co-financing", in particular, are externally dedicated. The funds received are used in accordance with the specifications of the grant providers.

The adjustment made to the structure of the reserve categories during the reporting period takes the previous special feature into account. The changed accounting and recognition requirements lead to retroactive adjustments of the values as at 1 January 2020 and 31 December 2020. These relate exclusively to reclassification between the different positions under equity.

During the assessment of the equity positions on the basis of the amended requirements, two business cases were identified that were not correctly allocated in the past. They were also corrected as of 1 January 2020 and are reported separately in the following table under "Restatement of prior period errors".

## Restatement of the consolidated equity

MCHF	31.12.2019 – 01.01.2020 (disclosed)	Adjustment related to change in accounting policies	Restatement of prior period errors	01.01.2020 (restated)
Valuation reserves	-361	0	0	-361
Reserves from associated entities	35	0	0	35
Donations and bequests	101	-99	-2	0
Teaching and research reserves	123	-122	-1	0
Infrastructure and administration reserves	22	-22	0	0
Free reserves	210	-210	0	0
Co-financing	70	-70	0	0
Donations, grants, co-financing <sup>1</sup>	0	169	0	169
Internally dedicated reserves for teaching and research <sup>2</sup>	0	99	0	99
Internally dedicated reserves for infrastructure and administration <sup>2</sup>	0	34	0	34
Reserves without dedication <sup>3</sup>	0	197	3	200
Accumulated surplus (+) / deficit (-)	-221	24	0	-197
<b>Total equity</b>	<b>-21</b>	<b>0</b>	<b>0</b>	<b>-21</b>

<sup>1</sup> Comprises donations and bequests, co-financing and individual items from the reserves for teaching and research as well as infrastructure and administration and the free reserves

<sup>2</sup> Corresponds to the former items teaching and research reserves and infrastructure and administration reserves less the items reclassified to donations / grants / co-financing, plus the reclassified positions from the free reserves

<sup>3</sup> Corresponds to the former free reserves less the items reclassified to other categories.

## 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 section 33 "Relationships with 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 31.12.2021	closing rate as of 31.12.2020	average rate 2021	average rate 2020
EUR	1	1.0359	1.0817	1.0810	1.0705
USD	1	0.9107	0.8840	0.9143	0.9381
GBP	1	1.2332	1.2097	1.2575	1.2039

## 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:

- 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 2021, using actuarial assumptions as of 31 December 2021 (e. g. BVG 2020 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 2021. The fair value of the plan assets is used including estimated performance as of 31 December 2021.

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 that relate to risk-sharing assumptions have no longer been recognised on the statement of financial performance since the 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.

### 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.

### Donations, grants and co-financing

This item includes unused third-party funds from donations and bequests as well as from other grants that have conditions attached, but are not required to be classified as liabilities.

These funds are exclusively from non-exchange transactions (IPSAS 23). The result generated from the management of third-party funds and the reserves for fluctuations in the value of the securities portfolio (risk capital) are also allocated to this category. Further information on co-financing can be found in the section "Co-financing".

### Reserves with internal dedication

- Teaching and research reserves. This item indicates that various internal commitments exist and appropriate reserves are recognised to cover them. They comprise reserves for teaching and research projects.
- Infrastructure and administration reserves. These include reserves for delayed construction projects and for dedicated savings for specific infrastructure projects and administration projects.

**Reserves without dedication**

Unused funds for which there are no contractual or internal provisions in accordance with IPSAS are presented as reserves without dedication. They are not restricted in terms of time or purpose. Reserves must have been generated. They are recognised and released within the equity.

**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 (transfers in current period) in donations, grants and co-financing as well as reserves from associated entities and the allocations to and releases from the reserves (appropriation of surplus or deficit).

The surplus / deficit carried forward changes 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 as well as contingent assets and liabilities**

Provisions as well as contingent assets and liabilities involve a higher degree of estimation with respect to the probability and scale of cash inflows and outflows. As a result, they 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.
- 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	2021	2020	Change absolute
Federal financial contribution	673	653	20

MCHF	2021	2020	Change absolute
Federal contribution to accommodation	56	61	-4

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”.

Basic funding grew 3.1%, or MCHF 20, to MCHF 673. Half of this increase can be attributed to the structural increase and the other half to funds received specifically for the SFAs.

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 totalled MCHF 56.4 in 2021, down MCHF 4.1 from the prior year (MCHF 60.5) due to a decline in the reference interest rate (currently 1.25%).

## 06 Tuition fees, continuing education

MCHF	2021	2020	Change absolute
Tuition fees, continuing education	18	17	1
of which tuition fees for bachelor / master students	13	11	1

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 2019).

## 07 Research contributions, mandates and scientific services

MCHF	2021	of which revenues (IPSAS 23)	of which revenues (IPSAS 9)	2020	Change absolute
Swiss National Science Foundation (SNSF)	97	97	0	95	2
Swiss Innovation Agency (Innosuisse)	11	11	0	15	-3
Special federal funding of applied research	17	14	2	14	3
EU Framework Programmes for Research and Innovation (EU-FPs)	62	62	0	59	3
Industry-oriented research (private sector)	50	28	22	47	3
Other project-oriented third-party funding (incl. cantons, municipalities, international organisations)	44	37	8	32	13
<b>Total research contributions, mandates and scientific services</b>	<b>281</b>	<b>249</b>	<b>32</b>	<b>261</b>	<b>20</b>
<b>EU Framework Programmes for Research and Innovation (EU-FPs)</b>					
of which financed by SERI	0	0	0	1	-1

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 281 in 2021, up a sharp 7.7% from the prior year.

The growth in EU Framework Programme funding can be attributed in part to a MCHF 2.4 increase in funding for the Human Brain Project and to a MCHF 1.6 increase in funding for EUROfusion.

Other project-oriented third-party funding jumped by 37.5%; half of this increase reflects funding for a joint R&D centre with the University of Lausanne and the other half reflects growth in the number of R&D projects under way.

## 08 Donations and bequests

MCHF	2021	2020	Change absolute
Donations and bequests	33	23	10

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	2021	2020	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	3	1
<b>Total in-kind contributions not recognised as revenue</b>	<b>3</b>	<b>3</b>	<b>1</b>
<b>Total in-kind contributions received</b>	<b>8</b>	<b>7</b>	<b>1</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	2021	2020	Change absolute
Licences and patents	3	4	-2
Sales	3	3	0
Refunds	1	1	0
Other services	18	16	2
Real estate revenue	24	22	1
Revenue from real estate owned by the Federal Government left for use	0	1	-1
Profit from disposals (property, plant and equipment)	0	0	0
Own work capitalised	0	0	0
Other miscellaneous revenue	2	1	1
<b>Total other revenue</b>	<b>50</b>	<b>49</b>	<b>2</b>

Other services revenue comes primarily from conferences and other events, with the SwissTech Convention Center in particular seeing activity gradually return to normal after the steep decline caused by the pandemic.

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 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. The transfer of 50% of the revenue is recognised under other operating expenses (see Note 11).

## 10 Personnel expenses

MCHF	2021	2020	Change absolute
Professors	82	82	0
Scientific personnel	280	271	9
Technical and administrative personnel, apprentices, trainees	222	212	10
IC, Suva and other refunds	-2	-2	0
<b>Total salaries and wages</b>	<b>582</b>	<b>563</b>	<b>19</b>
Social insurances OASI/DI/IC/MB	37	36	1
Net pension costs	63	97	-34
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>116</b>	<b>149</b>	<b>-33</b>
Other employer contributions	0	0	0
Temporary personnel	4	2	1
Change in provisions for untaken leave and overtime	-1	4	-5
Change in provisions for contributions to long-service awards	-1	-2	1
Other personnel expenses	6	7	-1
<b>Total personnel expenses</b>	<b>707</b>	<b>724</b>	<b>-17</b>

The 2.3%, or MCHF 17, decrease in personnel expenses is the result of the following factors:

- Growth in total headcount, particularly among scientific personnel (which rose by 87 FTEs to 3,567 FTEs) and technical and administrative personnel, apprentices and trainees (which rose by 77 FTEs to 2,073 FTEs). The additional staff was hired in order to support the expansion in EPFL's student body and enable us to continue providing high-quality education and research. The number of faculty members held steady last year, but that was because the pandemic unfortunately delayed the hiring of new professors.
- A decrease in net pension costs due to a change in actuarial assumptions and to the allocation of risks between employees and employer (see Note 26).

full-time equivalents (FTEs)	2021	2020	Change absolute
Professors	328	329	-1
Scientific personnel	3 567	3 480	87
Technical and administrative personnel, apprentices, trainees	2 073	1 996	77
<b>Total full-time equivalents</b>	<b>5 968</b>	<b>5 805</b>	<b>163</b>

## 11 Other operating expenses

MCHF	2021	2020	Change absolute
Expenses for goods and materials	47	42	5
Premises costs	96	98	-2
Energy costs	16	15	2
IT expenses	30	28	2
Expenses for consultations, appraisals and guest lecturers	22	22	-1
Library expenses	6	6	0
Other operating costs	31	29	2
<b>Total other operating expenses</b>	<b>248</b>	<b>239</b>	<b>9</b>

The increase in expenses for goods and materials reflects higher purchasing volumes for chemical and biological supplies as well as an increase in non-capitalized costs, as research activity resumed in 2021 after slowing down the prior year because of the pandemic.

The premises costs charged by the Swiss government (for the use of buildings it owns) decreased by MCHF 4.1. These costs are fully offset by the federal contribution to accommodation (see Note 5).

Other operating costs were largely unchanged from 2020.

## 12 Transfer expenses

MCHF	2021	2020	Change absolute
Scholarships and grants to students and doctoral students	7	6	2
Contributions to research projects	13	11	2
Other transfer expenses	6	5	1
<b>Total transfer expenses</b>	<b>27</b>	<b>21</b>	<b>5</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	2021	2020	Change absolute
Interest income	0	0	0
Changes in fair value of financial assets	1	0	1
Foreign currency gains	2	2	0
Other finance income	0	0	0
<b>Total finance income</b>	<b>4</b>	<b>3</b>	<b>1</b>
Interest expense	8	8	0
Changes in fair value of financial assets	0	0	0
Foreign currency losses	2	3	0
Other finance expense	0	0	0
<b>Total finance expense</b>	<b>10</b>	<b>11</b>	<b>-1</b>
<b>Total net finance income / expense</b>	<b>-6</b>	<b>-8</b>	<b>2</b>

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

## 14 Cash and cash equivalents

MCHF	31.12.2021	31.12.2020	Change absolute
Cash	0	0	0
Swiss Post	12	21	-9
Bank	4	5	-1
Short-term deposits (< 90 days)	613	593	20
<b>Total cash and cash equivalents</b>	<b>629</b>	<b>619</b>	<b>11</b>

Bank-account deposits decreased by MCHF 10 in 2021. These deposits have been placed with the Swiss Federal Finance Administration in order to avoid potentially having to pay negative interest rates.

## 15 Receivables

MCHF	31.12.2021	31.12.2020	Change absolute
Receivables from project contracts and donations	425	427	-2
Other receivables	0	5	-4
Value adjustments	0	0	0
<b>Total receivables from non-exchange transactions</b>	<b>425</b>	<b>432</b>	<b>-7</b>
of which current	211	207	4
of which non-current	214	225	-11
Trade accounts receivable	18	16	2
Other receivables	0	0	0
Value adjustments	-1	-2	0
<b>Total receivables from exchange transactions</b>	<b>17</b>	<b>14</b>	<b>2</b>
of which current	17	14	2
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>31.12.2021</b>					
Gross amount	443	427	11	0	5
Receivables from non-exchange transactions	425	419	6	0	0
Receivables from exchange transactions	18	8	5	0	5
Value adjustments	-2	0	0	0	-2
of which individually impaired	-1				
<b>31.12.2020</b>					
Gross amount	448	436	7	0	4
Receivables from non-exchange transactions	432	430	2	0	0
Receivables from exchange transactions	16	7	5	0	4
Value adjustments	-2	0	0	0	-2
of which individually impaired	-1				

## 16 Inventories

MCHF	31.12.2021	31.12.2020	Change absolute
Inventories purchased	3	3	0
Inventories self-produced	0	0	0
<b>Total inventories</b>	<b>3</b>	<b>3</b>	<b>0</b>

## 17 Prepaid expenses and accrued income

MCHF	31.12.2021	31.12.2020	Change absolute
Prepaid expenses	14	12	2
Other prepaid expenses and accrued income	3	3	0
<b>Total prepaid expenses and accrued income</b>	<b>17</b>	<b>15</b>	<b>2</b>

## 18 Change in associated entities

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	2021	2020
As of 01.01.	34	35
Additions	0	0
Disposals	0	0
Dividends	0	0
Share of the annual surplus or deficit	0	-1
Share of items directly recognised in equity	0	0
Currency translation differences	0	0
As of 31.12.	34	34

### 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	Les Bois Chamblard	Fondation Campus Biotech Geneva
<b>31.12.2021</b>		
Reporting date used	31.12.2020	31.12.2021
Current assets	11	8
Non-current assets	15	10
Short-term liabilities	0	5
Long-term liabilities	0	4
Revenue	0	28
Surplus (+) or deficit (-)	-1	2
<b>31.12.2020</b>		
Reporting date used	31.12.2019	31.12.2020
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

The reporting date of 31 December 2020 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 2021.

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

MCHF	2021	2020
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 01.01.2021	543	166	20	730	450	7	457	1187	83
Additions	42	10	14	66	1	6	6	72	1
Reclassifications	11	1	-12	0	4	-4	0	0	0
Disposals	-7	-7	-1	-15	0	0	0	-15	0
Value as of 31.12.2021	590	170	21	780	455	9	464	1244	84
<b>Accumulated depreciation</b>									
Value as of 01.01.2021	441	145	0	586	208	0	208	793	27
Depreciation	42	12	0	54	18	0	18	71	4
Impairments	0	0	0	0	0	0	0	0	0
Disposals value adjustments	-6	-7	0	-13	0	0	0	-13	0
Value as of 31.12.2021	477	149	0	626	226	0	226	852	31
<b>Balance sheet value as of 31.12.2021</b>									
	113	21	21	154	229	9	238	392	54
thereof leased assets				0			173	173	0
<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
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

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 2021 related to microscopes for the Dubochet centre (MCHF 8). The School also spent MCHF 4 on immovable assets.

During the year, MCHF 16 of assets under construction were put into service and reclassified accordingly, a lower amount than in 2020.

## 20 Financial assets and loans

MCHF	31.12.2021	31.12.2020	Change absolute
Securities, fixed deposits and investment funds	17	16	1
Other financial assets	0	0	0
Loans	0	0	0
<b>Total current financial assets and loans</b>	<b>17</b>	<b>16</b>	<b>1</b>
Securities and fixed deposits	0	0	0
Other financial assets	8	7	1
Loans	0	0	0
<b>Total non-current financial assets and loans</b>	<b>8</b>	<b>7</b>	<b>1</b>

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	2021	2020	Change absolute
<b>Purchase value</b>			
As of 01.01.	93	94	-1
Additions	0	0	0
Disposals	0	-1	1
As of 31.12.	93	93	0
<b>Accumulated depreciation</b>			
As of 01.01.	26	24	2
Depreciation	2	3	0
Disposals	0	-1	1
As of 31.12.	29	26	2
<b>Balance sheet value as of 31.12.</b>	<b>64</b>	<b>67</b>	<b>-2</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 60) of the total.

No new co-financing was raised in 2021. The decrease in this line item can be attributed solely to depreciation.

## 22 Current liabilities

MCHF	31.12.2021	31.12.2020	Change absolute
Trade payables	18	13	5
Liabilities to social insurance institutions	4	3	1
Other current liabilities	32	37	-5
<b>Total current liabilities</b>	<b>54</b>	<b>53</b>	<b>1</b>

Other current liabilities consist primarily of funds to be distributed to research project partners on projects for which EPFL is the leading house (2021: MCHF 25 / 2020: MCHF 31).

## 23 Current and non-current financial liabilities

MCHF	31.12.2021	31.12.2020	Change absolute
Liabilities to financial institutes	0	0	0
Finance lease liabilities	9	9	0
Negative replacement values	0	0	0
Other financial liabilities	5	9	-4
<b>Total current financial liabilities</b>	<b>14</b>	<b>18</b>	<b>-4</b>
Finance lease liabilities	242	251	-9
Other financial liabilities	72	71	2
<b>Total non-current financial liabilities</b>	<b>314</b>	<b>322</b>	<b>-7</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	2021			2020		
	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	24	39	63	25	38
Due after more than 5 years	251	48	203	266	53	213
<b>As of 31.12.</b>	<b>329</b>	<b>78</b>	<b>251</b>	<b>345</b>	<b>85</b>	<b>260</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 159 for the SQNE lease and MCHF 92 for the SQIE lease.

## 24 Accrued expenses and deferred income

MCHF	31.12.2021	31.12.2020	Change absolute
Deferred income	32	27	5
Other accrued expenses and deferred income	13	11	2
<b>Total accrued expenses and deferred income</b>	<b>45</b>	<b>38</b>	<b>6</b>

## 25 Provisions

### Provisions – summary

MCHF	31.12.2021	31.12.2020	Change absolute
Provisions for untaken leave and overtime	28	29	0
Other long-term employee benefits (IPSAS 39)	15	16	-1
Litigations	1	2	-1
<b>Total provisions</b>	<b>44</b>	<b>46</b>	<b>-3</b>

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

### Provisions – derivation 2021

MCHF	Provisions for untaken leave and overtime	Other long-term employee benefits (IPSAS 39)	Litigations	Other provisions	Total provisions
<b>Value as of 01.01.2021</b>	<b>29</b>	<b>16</b>	<b>2</b>	<b>0</b>	<b>46</b>
Additions to provisions	0	2	0	0	2
Reversal	-1	0	-1	0	-2
Use of provisions	0	-2	0	0	-3
Reclassifications	0	0	0	0	0
Increase in present value	0	0	0	0	0
<b>Value as of 31.12.2021</b>	<b>28</b>	<b>15</b>	<b>1</b>	<b>0</b>	<b>44</b>
of which current	28	0	1	0	29
of which non-current	0	15	0	0	15

### 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>
Additions to provisions	5	0	1	0	6
Reversal	0	0	0	0	-1
Use of provisions	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

## 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 2021 includes obligations under other pension plans amounting to MCHF 1 (past year: MCHF 3).

### 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 (f 2), was 109.3% at the end of 2021 (2020: 107.9%, definitive). The provisional economic funding ratio for the ETH Domain's pension scheme at Publica was 96.5% at the end of the year (2020: 88.9%, definitive).

## Special events

In the current reporting period, the decision was taken to reduce the employer's participation in the financing of the bridging pension in accordance with the revised regulation found in the ETH Domain Personnel Ordinance. This adjustment is included as a negative past service cost in the IPSAS 39 measurement.

In the previous year, in keeping with the risk sharing between employer and employee, only that part of the defined benefit obligation that was likely to fall upon the employer is taken into account as of 31 December 2020. This provides a more realistic picture of the anticipated pension scheme costs for EPFL.

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 (valuation reserves) as a change in the accounting estimate.

## Net defined benefit liabilities

MCHF	31.12.2021	31.12.2020
Present value of defined benefit obligations	-2 267	-2 279
Fair value of plan assets	2 101	1 992
Recognised net defined benefit liabilities	-165	-287

The decrease in net defined benefit liabilities of MCHF 122 results from a reduction in the present value of defined benefit obligations and an increase in the fair value of plan assets. The increase in the discount rate (31 December 2021: 0.4%/31 December 2020: 0.2%) and the adjustment of demographic assumptions led to a reduction in net defined benefit liabilities of MCHF -44 and MCHF -63, respectively.

Plan assets increased by MCHF 64 due to the positive return on investment.

## Net pension cost

MCHF	2021	2020
Current service cost (employer)	63	95
Past service cost	-2	2
Gains (-)/losses (+) from plan settlements	0	0
Interest expense from defined benefit obligations	5	-5
Interest income from plan assets	-4	4
Administrative costs (excl. asset management costs)	1	1
Total Net pension costs incl. interest expense recognised in statement of financial performance	63	97

The net pension costs of the EPFL for the reporting period total MCHF 63 (2020: MCHF 97). Of this figure, MCHF 1 (2020: MCHF 1) relates to pension plans outside the ETH Domain's pension fund at Publica.

Net pension costs are MCHF 34 lower than in the previous year. This decrease can primarily be attributed to both the lower current service cost (MCHF -32) and the negative past service cost (MCHF -4).

The current service cost was reduced due to the increase in the discount rate (1 January 2021: 0.2% vs 1 January 2020: -0.2%) as well as the first-time impact of the risk-sharing features in the statement of financial performance. As the switch to risk sharing took place at the end of 2020, no risk-sharing effects had to be taken into account in the prior year's net pension costs.

The past service cost includes the acquisitions made by professors at EPFL as well as a reduction owing to the amended ETH Domain Personnel Ordinance. In the current reporting

period, the decision was taken to reduce the employer's participation in the financing of the bridging pension. This adjustment is incorporated in the calculations as a negative past service cost in the amount of MCHF 4.

As a consequence of the positive discount rate, the compounding of interest on the defined benefit liabilities results in an interest expense for the 2021 reporting period (previous year: interest income due to negative interest).

As was the case in the previous year, no deposits were transferred from the ETH Board to the ETH Domain's pension plan in the reporting period.

Employer's contributions of MCHF 68 and employees' contributions of MCHF 37 are expected for the coming financial year.

### Revaluation recognised in equity

MCHF	31.12.2021	31.12.2020
Actuarial gains (-) and losses (+)	-21	-278
from change in financial assumptions	-41	-231
from change in demographic assumptions	-63	-82
from experience adjustments	83	36
Return on plan assets excl. interest income, gains (-)/losses (+)	-94	-96
Revaluation amount recognised in equity	-115	-373
<b>Cumulative amount of revaluation recognised in equity, gain (-)/loss (+)</b>	<b>-127</b>	<b>-12</b>

The revaluation gain recognised in equity in 2021 amounted to MCHF 115 (2020: MCHF 373). This results in positive valuation reserves of MCHF 127 as of 31 December 2021 (2020: positive valuation reserves of MCHF 12). Of this figure, revaluation gains of MCHF 4 (2020: MCHF 2) relate to pension plans outside the ETH Domain's pension fund at Publica.

The actuarial gains from changes in financial assumptions result from the increase in the discount rate (MCHF 44). They were mitigated slightly by the higher interest on retirement savings and the reduction in the expected salary development (actuarial loss of MCHF 4).

The adjustment of demographic assumptions in line with the BVG 2020 technical basis led to actuarial gains in the amount of MCHF 63. Compensating for this, experience-based losses reduced the revaluation gains recognised in equity by MCHF 83.

The return on plan assets recognised in equity is attributable to the higher return on investment of 4.5% generated compared with the expected return (corresponds to discount rate of 0.2%).

## Change in present value of defined benefit obligations

MCHF	2021	2020
<b>Present value of defined benefit obligations as of 01.01.</b>	<b>2 279</b>	<b>2 521</b>
Current service cost (employer)	63	95
Interest expense from defined benefit obligations	5	-5
Employee contributions	38	37
Benefits paid in (+) and paid out (-)	-95	-93
Past service cost	-2	2
Gains (-)/losses (+) from plan settlements	0	0
Actuarial gains (-)/losses (+)	-21	-278
<b>Present value of defined benefit obligations as of 31.12.</b>	<b>2 267</b>	<b>2 279</b>

The weighted average term arising from defined benefit obligations for EPFL is 13.5 years as of 31 December 2021 (2020: 14.3 years).

## Change in fair value of plan assets

MCHF	2021	2020
<b>Fair value of plan assets as of 01.01.</b>	<b>1 992</b>	<b>1 890</b>
Interest income from plan assets	4	-4
Employer contributions	70	68
Employee contributions	38	37
Benefits paid in (+) and paid out (-)	-95	-93
Gains (+)/losses (-) from plan settlements	0	0
Administrative costs (excl. asset management costs)	-1	-1
Return on plan assets excl. interest income, gains (+)/losses (-)	94	96
<b>Fair value of plan assets as of 31.12.</b>	<b>2 101</b>	<b>1 992</b>

## Transition of net defined benefit liabilities

MCHF	2021	2020
<b>Net defined benefit liabilities as of 01.01.</b>	<b>-287</b>	<b>-631</b>
Net pension costs incl. interest expense recognised in statement of financial performance	-63	-97
Revaluation amount recognised in equity	115	373
Employer contributions	70	68
Obligations paid directly by the entity	0	0
<b>Net defined benefit liabilities as of 31.12.</b>	<b>-165</b>	<b>-287</b>

## Major categories of plan assets (in percentage)

%	2021			2020		
	Listed	Not listed	31.12.2021	Listed	Not listed	31.12.2020
Liquidity	3	0	3	3	0	3
Bonds (in CHF) Confederation	5	0	5	6	0	6
Bonds (in CHF) ex. Confederation	9	0	9	10	0	10
Government bonds (in foreign currencies)	23	0	23	25	0	25
Corporate bonds (in foreign currencies)	9	0	9	10	0	10
Mortgages	2	0	2	1	0	1
Shares	28	0	28	26	0	26
Real estate	6	6	12	4	6	10
Commodities	2	0	2	2	0	2
Other	0	7	7	0	7	7
<b>Total plan assets</b>	<b>87</b>	<b>13</b>	<b>100</b>	<b>87</b>	<b>13</b>	<b>100</b>

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)

%	2021	2020
Discount rate as of 01.01.	0.20	-0.20
Discount rate as of 31.12.	0.40	0.20
Expected salary development	0.60	0.40
Expected pension development	0.00	0.00
Interest on retirement savings	0.40	0.30
Share of employee contribution to funding gap	36.00	36.00
Life expectancy at age 65 – women (no. of years)	24.37	24.76
Life expectancy at age 65 – men (no. of years)	22.57	22.72

As was the case in the previous year, the discount rate is based on the yield from fixed-interest high-quality corporate bonds and the expected cash flows of the ETH Domain's pension scheme at Publica in accordance with existing prior-year 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 2020 are applied for assumptions about life expectancy.

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

MCHF	31.12.2021		31.12.2020	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate (change $\pm$ 0.25%)	-55	59	-61	64
Expected salary development (change $\pm$ 0.25%)	6	-6	6	-6
Expected pension development (change $\pm$ 0.25%)	44	n/a	50	n/a
Interest on retirement savings (change $\pm$ 0.25%)	11	-11	11	-11
Share of employee contribution to funding gap (change $\pm$ 10%)	-9	9	-25	25
Life expectancy (change $\pm$ 1 an)	57	-58	58	-59

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 and not lowered for the reporting period, as a reduction of the pension benefit is not possible.

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	31.12.2021	31.12.2020	Change absolute
Swiss National Science Foundation (SNSF)	226	243	-18
Swiss Innovation Agency (Innosuisse)	21	20	1
EU Framework Programmes for Research and Innovation (FP)	142	166	-25
Special federal funding of applied research	33	22	11
Industry-oriented research (private sector)	52	52	0
Other project-oriented third-party funding	48	44	4
<b>Total dedicated third-party funds</b>	<b>521</b>	<b>547</b>	<b>-25</b>

Dedicated third-party funds consist of funding to be received for research projects and mandates in progress under non-exchange transactions. The 4.6%, or MCHF 25, decrease in this line item can be attributed mainly to a drop in funds received for EU Framework Programmes.

## 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);
- liquidity risk;
- 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 <sup>1</sup>	SNSF, Innosuisse, OASI social service, Suva	SNB and banks with government guarantee	PostFinance and other banks	Other counterparties
<b>31.12.2021</b>							
Cash and cash equivalents	629	613	0	0	0	16	0
Receivables from non-exchange transactions	425	30	102	175	0	0	117
Receivables from exchange transactions	17	1	0	0	0	0	16
Financial assets and loans	25	0	0	0	1	0	24
Prepaid expenses and accrued income	3	0	0	0	0	0	2
<b>Total</b>	<b>1 099</b>	<b>643</b>	<b>102</b>	<b>175</b>	<b>1</b>	<b>16</b>	<b>160</b>
<b>31.12.2020</b>							
<b>Total previous period</b>	<b>1 090</b>	<b>611</b>	<b>124</b>	<b>198</b>	<b>0</b>	<b>36</b>	<b>121</b>

<sup>1</sup> The remaining receivables due from the Federal Government (State Secretariat for Education, Research and Innovation SERI) under the bridging programme for Horizon 2021 and the receivables from European universities arising from EU research framework programmes are shown in the column headed European Commission.

## 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.

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 a liability due to the donated right at EPFL (Microcity) which is recognised in the balance sheet. It is treated as a finance lease but does not represent a liquidity risk.

The table below gives the maturity schedule for our financial liabilities.

The entities controlled by the institutions of the ETH Domain 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.

### 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>31.12.2021</b>					
<b>Non-derivative financial liabilities</b>					
Current liabilities	54	54	54	0	0
Leasing liabilities	251	329	16	63	251
Financial liabilities	77	77	5	21	52
Accrued expenses and deferred income	12	12	12	0	0
Derivative financial liabilities	0	0	0	0	0
<b>Total</b>	<b>394</b>	<b>472</b>	<b>87</b>	<b>84</b>	<b>303</b>
<b>31.12.2020</b>					
<b>Total previous period</b>	<b>404</b>	<b>489</b>	<b>89</b>	<b>81</b>	<b>318</b>

## 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 August 2021. 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 recon-

cile 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 would impact on the statement of financial performance as follows.

### Sensitivity analysis, foreign currency risk

MCHF	Total	CHF	EUR	USD	other
<b>31.12.2021</b>					
Cash and cash equivalents	629	627	0	2	0
Receivables from non-exchange transactions	425	306	104	14	1
./. IPSAS 23 receivables with performance obligation component	-357	-240	-103	-13	0
Receivables from exchange transactions	17	16	0	0	0
Financial assets and loans	25	23	0	2	0
Prepaid expenses and accrued income	3	2	0	0	0
<b>Total</b>	<b>742</b>	<b>735</b>	<b>1</b>	<b>4</b>	<b>1</b>
Current liabilities	54	47	5	2	0
Leasing liabilities	251	251	0	0	0
Financial liabilities	77	77	0	0	0
Accrued expenses and deferred income	12	11	1	0	0
<b>Total</b>	<b>395</b>	<b>387</b>	<b>6</b>	<b>2</b>	<b>0</b>
<b>Net currency balance</b>	<b>347</b>	<b>349</b>	<b>-5</b>	<b>3</b>	<b>1</b>
Sensitivity affecting financial performance $\pm 10\%$			-1	0	
Closing rate			1.0359	0.9107	
<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>Bilan net par devises étrangères</b>	<b>295</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	

## 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>31.12.2021</b>						
Cash and cash equivalents	629				629	629
Receivables from non-exchange transactions	425				425	425
Receivables from exchange transactions	17				17	17
Financial assets and loans	0	17	8		25	25
Prepaid expenses and accrued income	3				3	3
<b>Financial assets</b>	<b>1 074</b>	<b>17</b>	<b>8</b>	<b>0</b>	<b>1 099</b>	<b>1 099</b>
Current liabilities				54	54	54
Leasing liabilities				251	251	251
Financial liabilities		0		77	77	77
Accrued expenses and deferred income				12	12	12
<b>Financial liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>394</b>	<b>394</b>	<b>394</b>
<b>31.12.2020</b>						
<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>
<b>Financial liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>404</b>	<b>404</b>	<b>404</b>

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

## Hierarchy levels of the financial instruments measured at 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>31.12.2021</b>				
Financial assets	25	18	7	0
Financial liabilities	0	0	0	0
<b>31.12.2020</b>				
Financial assets	23	16	7	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>31.12.2021</b>				
<b>Total net surplus or deficit by category</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>-8</b>
<b>31.12.2020</b>				
<b>Total net surplus or deficit by category</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>-8</b>

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	31.12.2021	31.12.2020	Change absolute
Guarantees	0	0	0
Warranties	1	1	0
Litigations	0	0	0
Other	228	247	-19
<b>Total contingent liabilities</b>	<b>229</b>	<b>248</b>	<b>-19</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 225) – 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 of the European Commission deeming certain project costs ineligible. We had recognised an MCHF 9 contingent liability for this risk in 2020, but because this risk no longer exists, the liability was removed in 2021.
- 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 2021.

## 30 Financial commitments

MCHF	31.12.2021	31.12.2020	Change absolute
Financial commitments up to 1 year	11	21	-10
Financial commitments from 1 to 5 years	0	0	0
Financial commitments over 5 years	0	0	0
No due date / indefinite	0	0	0
<b>Total financial commitments</b>	<b>11</b>	<b>21</b>	<b>-10</b>

Financial commitments of less than one year relate to new orders of over MCHF 0.5 for research equipment. The decrease in these commitments in 2021 resulted from MCHF 11.2 of new orders that were placed during the year less the MCHF 20.7 of orders that were paid off in full. EPFL has also committed to covering the costs of major maintenance and renovation work for the operating equipment and interior of the Microcity building in Neuchâtel.

## 31 Operating lease

MCHF	2021	2020	Change absolute
<b>Due dates</b>			
Due within 1 year	9	9	0
Due within 1 to 5 years	30	30	0
Due after more than 5 years	88	95	-7
<b>Future minimum payments for non-cancellable operating lease as of 31.12.</b>	<b>127</b>	<b>134</b>	<b>-7</b>
<b>Leasing expenses</b>			
Minimum lease payments	9	9	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	2	0

## 32 Remuneration of key management personnel

The number of key management personnel decreased from seven to six as part of EPFL's reorganisation on 1 January 2021.

MCHF	2021	2020	Change absolute
Directorate (6 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 or participating share 31.12.2021	Proportion of voting rights or participating share 31.12.2021	Reporting date used
Fondation pour les étudiants de l'EPFL	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 %	31.12.2021
Fondation EPFL Innovation Park	Foundation	The foundation owns and maintains buildings for promising start-ups (technology park)	Ecublens VD	CHF	45 %	100 %	31.12.2021
SQIE Société pour le quartier de l'innovation de l'EPFL	Simple partnership	The simple partnership maintains buildings on a finance leasing basis for larger technology companies	Ecublens VD	CHF	100 %	100 %	31.12.2021
SQNE Société pour le quartier nord de l'EPFL	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	80 %	100 %	31.12.2021

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

	Forme juridique	Type de collaboration / d'activité commerciale	Siège	Monnaie	Part des droits de vote 31.12.2021	Part des droits au capital 31.12.2021
Les Bois Chamblard	Foundation	The foundation provides infrastructure for the organisation of workshops and conferences	Buchillon	CHF	20 %	100 %
Fondation Campus Biotech Geneva	Foundation	The Biotech Campus is a centre of excellence in biotechnology and in life science research	Geneva	CHF	25 %	50 %
Fondation du centre universitaire protestant de Lausanne	Foundation	The foundation provides accommodation for students from EPFL and from the University of Lausanne	Lausanne	CHF	33 %	60 %
Fondation « Institut d'imagerie moléculaire translationnelle IIMT »	Foundation	The foundation contributes to the development of new programs in translational research and technological innovation in the area of molecular imaging	Geneva	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.

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	31.12.2021	31.12.2020
<b>Controlled entities</b>		
Quantity	5	4
Total assets (MCHF)	7	6
<b>Associated entities</b>		
Quantity	4	4
Total assets (MCHF)	36	36

## 34 Events after the reporting date

EPFL's President and EPFL's Vice President for Finances approved these 2021 consolidated financial statements on 28 February 2022. 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. 939.21470.003

# ***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 2021, the consolidated balance sheet as of 31 December 2021, 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 2021, 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 Audit Office 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 Audit Office 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, 28 February 2022

SWISS FEDERAL AUDIT OFFICE

Regula Durrer  
Licensed audit expert

Patrick Wegmann  
Licensed audit expert





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

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