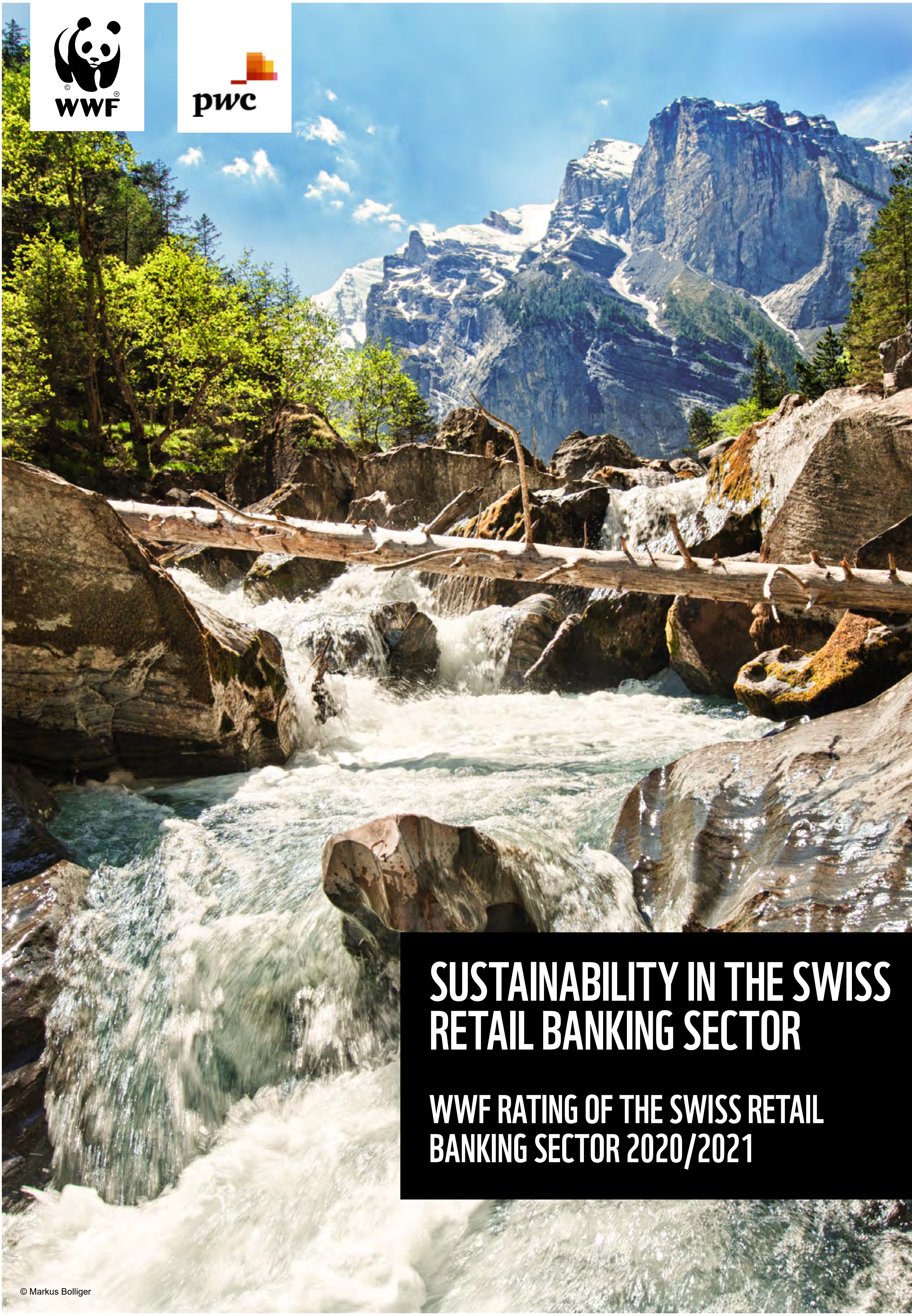

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SUSTAINABILITY IN THE SWISS RETAIL BANKING SECTOR

WWF RATING OF THE SWISS RETAIL BANKING SECTOR 2020/2021

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Source information
In some parts of this document, we have copied text excerpts from the study Sustainability in the Swiss retail banking sector – WWF rating of the Swiss retail banking sector 2016/2017. The authors of the study were Dr rer. pol. Regina Schwelger (Inrate AG) and Claude Amstutz (WWF Switzerland).

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The assessed retail banks may be current or potential clients of PwC Switzerland. To avoid any conflicts of interests, it was ensured that the members of the PwC team responsible for this study were not involved in the auditing of the reviewed retail banks. WWF Switzerland and PwC Switzerland also ensured the objectively transparent assessment of all 15 retail banks through the use of the disclosed methodology and through the application of control processes.

WWF Switzerland

The mission of WWF is to stop the global destruction of the environment and shape a future in which people and nature can live together in harmony. In order to fulfil this mission, WWF is dedicated to preserving global biodiversity. WWF also fights to reduce the use of natural resources to a sustainable level. In order to meet its objectives, WWF works at four levels: in the field, with companies, in the political arena and with the population. WWF regularly performs company ratings and thus assesses the sustainability performance of companies in important sectors.

PwC Switzerland

PwC's purpose is to build trust in society and solve important problems.

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FOREWORD BY THE CEO – WWF SWITZERLAND

Plenty has changed since the first WWF Retail Banking Study was released four years ago. People are seeing and experiencing the increasingly serious consequences of climate change. At the same time, the decline in biodiversity is becoming clearer. Our children and grandchildren in particular will live with the consequences of these two crises and how we react to them. Nonetheless, we still feel cause for optimism. There is a growing willingness to deal with the challenges posed by the climate and biodiversity crises. We are seeing that more and more people are ready to put the common good before their own interests. A new generation is emerging with different demands on society and the economy, and thus also on the financial sector. A lot of customers expect their bank to behave in a sustainable way and to no longer contribute towards climate change or the loss of species.

Banks play a key role in the economy since they provide capital to companies and individuals in order to finance projects. To ensure that they can continue to do this successfully in the future, retail banks and universal banks need to realise that natural resources are finite, and they need to make an active and long-term contribution to creating a climate-adapted economy. In a constantly changing environment, Swiss retail banks should serve society as intergenerational partners. In our view, this forms the basis for a healthy banking system and at the same time is a must for a sustainable future development.

Sustainability is no longer a niche topic. Consequently, it is crucial for the management boards and boards of directors of retail banks to develop and participate in sustainable corporate strategies and to bear responsibility for achieving the goals set. This strategy covers all areas of a retail bank and thus forms the basis for systematically embedding sustainability concerns in day-to-day business. Risk management does not just cover typical economic risks, but also risks in relation to climate change and the loss of biodiversity – as well as the social challenges which emerge as a result. At the same time, it addresses the opportunities provided by the transformation of the economy.

The retail banks that will be successful in a decarbonised world are systematically and quickly expanding their offering of sustainable products and services. These are not niche offerings, but the authentic implementation of sustainability concerns across the entire range of products. Sustainable products and services are key, particularly in the areas of financing residential property and granting loans to the real economy. One crucial factor here is for banks to consistently measure and show the sustainability impact of their products and services in order to avoid the accusation of "greenwashing".

We at WWF Switzerland hope you enjoy reading this report and hope it also leads to discussions with friends or your bank. The transformation to a sustainable and viable economy has never been as important and urgent as it is today. Let's get to work!

Thomas Vellacott
CEO WWF Switzerland

FOREWORD BY THE CEO – PWC SWITZERLAND

Worldwide we have 10 years to halve global greenhouse gas emissions. The path towards “Net Zero” adopted by a number of companies is proving a major help in stopping a global rise in temperatures of more than 1.5°C. In simple terms however, we only have a little more than two economic cycles’ worth of time to put every sector of the global economy on this track. The speed and the extent at which this change is taking place must be stepped up accordingly.

The financial sector has a key role to play in the transition to a sustainable future since it has an influence on the current and future nature of our economy in the way it allocates capital and manages risks. This is why the Paris Agreement emphasises the importance of aligning financial flows with sustainable and climate-friendly solutions. Though unlike the debate regarding climate change, less progress has been made regarding the political momentum and the scientific findings on financial risks’ association with the loss of biodiversity. Both challenges need to be tackled at the same time in order to continue to drive the transformation towards a sustainable economy.

For this reason, financial flows managed or controlled by Swiss financial institutions should follow a clearly defined and measurable transition in order to meet the target of reducing net greenhouse gas emissions to zero by no later than 2050 and likewise preserving or even fully restoring biodiversity. There have been positive developments since the publication of the “WWF rating of the Swiss retail banking sector 2016/2017”, but we still have a long way ahead of us. Further steps are necessary in order to make Swiss financial flows sustainable and to bring them line with international agreements such as the Paris Agreement and the Convention on Biological Diversity.

We are convinced that Swiss retail banks can play a key role in this change towards greater sustainability due to their generally strong local roots as well as their proximity to the population and economy. The alignment of financial flows with global environmental objectives is bringing about a transformation in the real economy and creating new economic opportunities, while at the same time fulfilling Switzerland’s international obligations. If the realignment of financial flows is also based on measurable progress, this will increase the competitiveness and the influence of the Swiss financial sector.

Andreas Staubli
CEO PwC Switzerland

OPENING REMARKS

Swiss Sustainable Finance

Retail banks play a major role in all the financial transactions of private clients, as well as small and medium-sized companies. In doing so, they take on an important advisory role, especially when it comes to sustainable finance solutions. A broad range of sustainable financial products and competent, comprehensive client advice make a major contribution on the path towards a sustainable economy and society. The WWF retail banking rating shows where the Swiss financial institutions stand in this respect today and where they can still improve. It is therefore a useful tool and reliable navigator towards a sustainable Swiss financial system.

Sabine Döbeli
CEO Swiss Sustainable Finance

Verband Schweizerischer Kantonalbanken
Union des Banques Cantonales Suisses
Unione delle Banche Cantonali Svizzere

Sustainability is a fundamental guiding principle. Public debate is currently focused above all on environmental sustainability. This is important and correct, given the unsolved climate issues. However, climate protection should not be considered in isolation. Corporate decision-makers need to find a complex balance between ecological, economical and societal interests. Sustainable development will leave future generations with a functioning community, an intact environment and the necessary economic resources.

The concept of sustainable development is a core value of cantonal banks. Founded as development banks for cantonal economies, they always combine business and societal benefits. This includes business models that ensure long-term success and, as a result, enable increased profits and reliable payouts to cantonal owners – but also fair, balanced remuneration systems that do not lead to short-term profit maximisation.

Preserving vital natural resources forms the basis of our long-term welfare. This aspect has been overlooked for a long time. We now know that climate and environmental aspects should carry more weight, in order to maintain the environmental framework. The real economy and the financial sector are both required to play a role in this transformation process. Cantonal banks are aware of their responsibility. Together with all key players, they are contributing towards future-oriented economic, social and environmental development.

The WWF Rating of the Swiss financial sector is a navigation tool on this journey. It holds a mirror up to the sector, creates the basis for constructive critical dialogue and provides incentives for further improvement.

Hanspeter Hess
Director of VSB

Global Alliance for Banking on Values

WWF Rating - Contribution GABV

The Global Alliance for Banking on Values is following the second WWF rating of retail banks in Switzerland closely and with great interest. The rating is inspired by the principles of the GABV and its own scorecard, which is why we consider the results to be highly relevant.

According to the GABV, a bank is sustainable if it is financially resilient, if a positive social and environmental impact is at the core of its business model, if it is anchored in the real economy and if its operations, whether as an employer or as a service provider, are socially and environmentally sound and transparent. Sustainability should not be a mere add-on, but an integral part of the bank's strategy and culture.

The GABV was founded in 2009 to promote collaboration among sustainable banks worldwide and to give the topic of sustainability greater visibility in finance. Things have developed rapidly in the meantime, which is encouraging to see. More and more banks are looking at their impact on society and the environment. Regulators are not lagging behind, and include sustainability risks, such as climate risks, in their considerations. Global initiatives, such as the Principles for Responsible Banking, also create important and meaningful reference frameworks for the transformation of banking. With all the hype, it is sometimes difficult to get a clear overview of things.

What really matters in the end?

- Sustainability is a process and not an absolute condition. It is not about checklists or right and wrong, but about a certain mindset and an active engagement with the topic, starting at the top management level, namely the board of directors, all the way to the client advisors.
- Banks have a special responsibility because they help shape the future of the economy, and therefore of our society. Today's economic system is not sustainable, which is why banks have to think ahead and steer the flow of money in the right direction. Banks must not think of themselves as neutral intermediaries of capital, but instead must recognise their crucial role in shaping our future.
- There is no room for profit maximisation. What matters is generating a fair profit that ensures the survival of the company and is shared adequately by all stakeholders. Dealing with profit in the right way is also part of being sustainable.
- And finally, it is important for banks to take a holistic and coherent approach and include their entire banking operations and activities into their sustainability considerations, even if this ultimately means having to say no to certain customers, businesses or sectors.

The WWF rating creates a welcome transparency. More importantly, I hope that it will entice the governing boards of Swiss banks to reflect on the matter and how they want to position their organisation in a sustainable way in a rapidly changing world. As the rating shows, some banks are 'Trend-setting' in this respect. This is encouraging and will hopefully inspire others to follow their path.

Martin Rohner
Executive Director Global Alliance for Banking on Values

THANK YOU

WWF Switzerland and PwC Switzerland would like to thank all the participating retail banks for the time and work that they have dedicated to this study. We hope that this study can support the institutions, as well as the Swiss financial centre in general, on the path towards greater sustainability. Achieving climate neutrality and fully restoring biological diversity are today more important than ever, and banks have a major role to play in this. We very much look forward to continuing this dialogue and cooperating further in future.

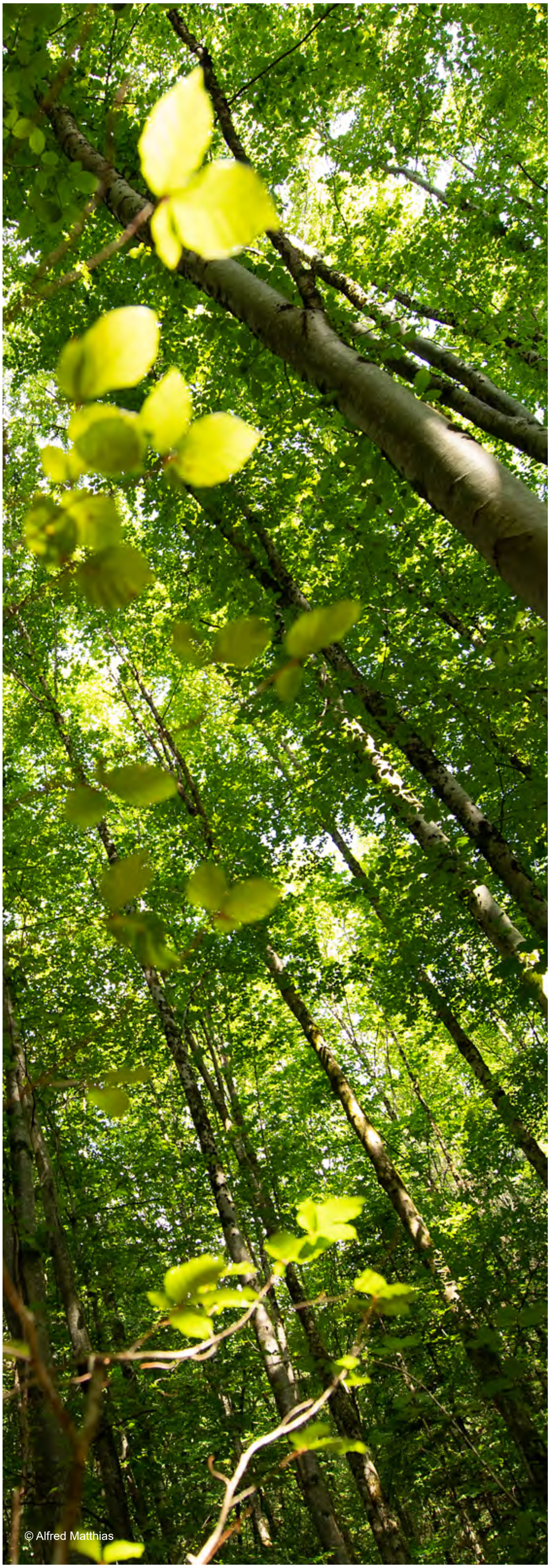
We would additionally like to express our gratitude to our expert committee, which contributed its time and provided the project team with advice and active support. Details regarding company or organisation affiliations are provided purely for information purposes; the group members participated in a personal capacity. The views expressed in this document are those of WWF Switzerland and PwC Switzerland and do not necessarily reflect the opinions of the expert committee:

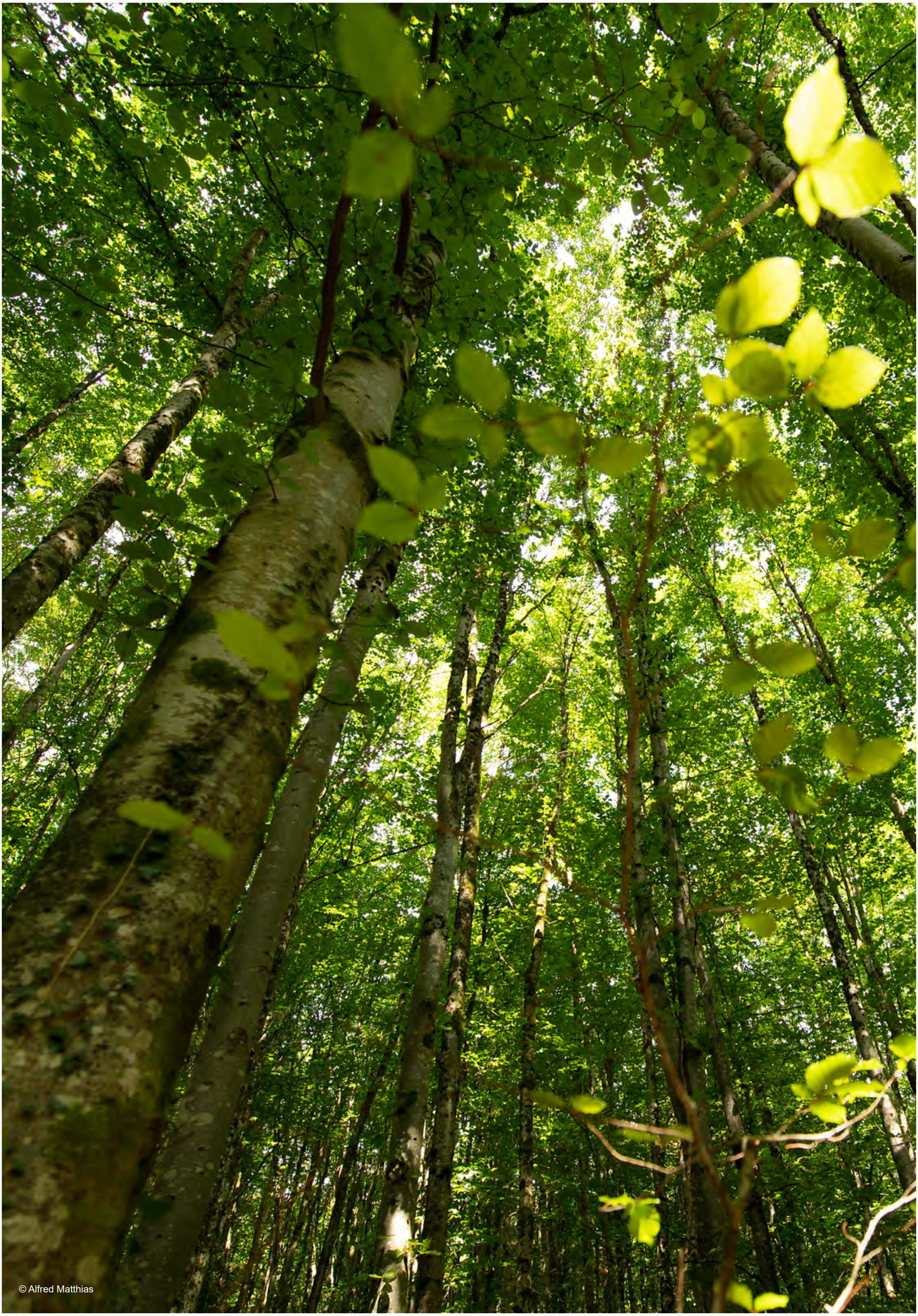
- Dr Agnes Neher (Senior Responsible Investment Manager, Baloise Asset Management)
- Claude Amstutz (Manager Investors Council & Leadership Initiatives, Global Impact Investing Network)
- Oliver Oehri (Co-Head ESG Product Group, FE fundinfo)

We would also like to thank the following institutions, which provided support with well-informed text contributions:

- Alternative Bank Switzerland
- Globalance Bank

Last but not least, we wish to thank the lead authors of the first WWF rating of the Swiss retail banking sector, Dr rer. pol. Regina Schwelger (Inrate AG) and Claude Amstutz (Global Impact Investing Network). Their work has been a great source of inspiration for us.

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SUMMARY

KEY STATEMENTS

OVERALL RESULT

The rating includes Switzerland's 15 biggest retail banks (based on balance sheet totals of the 2019 financial year). All 15 institutions actively participated in the survey.

Seven retail banks – Cantonal Bank of Basel, Basellandschaftliche Kantonalbank, Berner Kantonalbank AG, Credit Suisse, Raiffeisen Group[i], UBS Switzerland AG and Cantonal Bank of Zurich – were given an overall rating of 'Appropriate', which means they are on course in terms of the development path for retail banks as required by WWF Switzerland.[ii]

However, none of the reviewed banks were classified as 'Trend-setting' or 'Visionary'.

There has been some progress made among the reviewed retail banks surveyed since the last rating four years ago. For instance, the concept of sustainability is now increasingly embedded directly in the banks' strategic orientation, while the range of sustainable products and services offered has also been expanded. Nevertheless, the financing business continues to lag behind the investment side. Although the retail banks' transparency in terms of sustainability-related information has improved, in many cases it is still a long way from providing clients with a solid basis for making sustainable investment decisions, particularly at the product level. The potential for sustainability-related digital solutions remains virtually untapped.

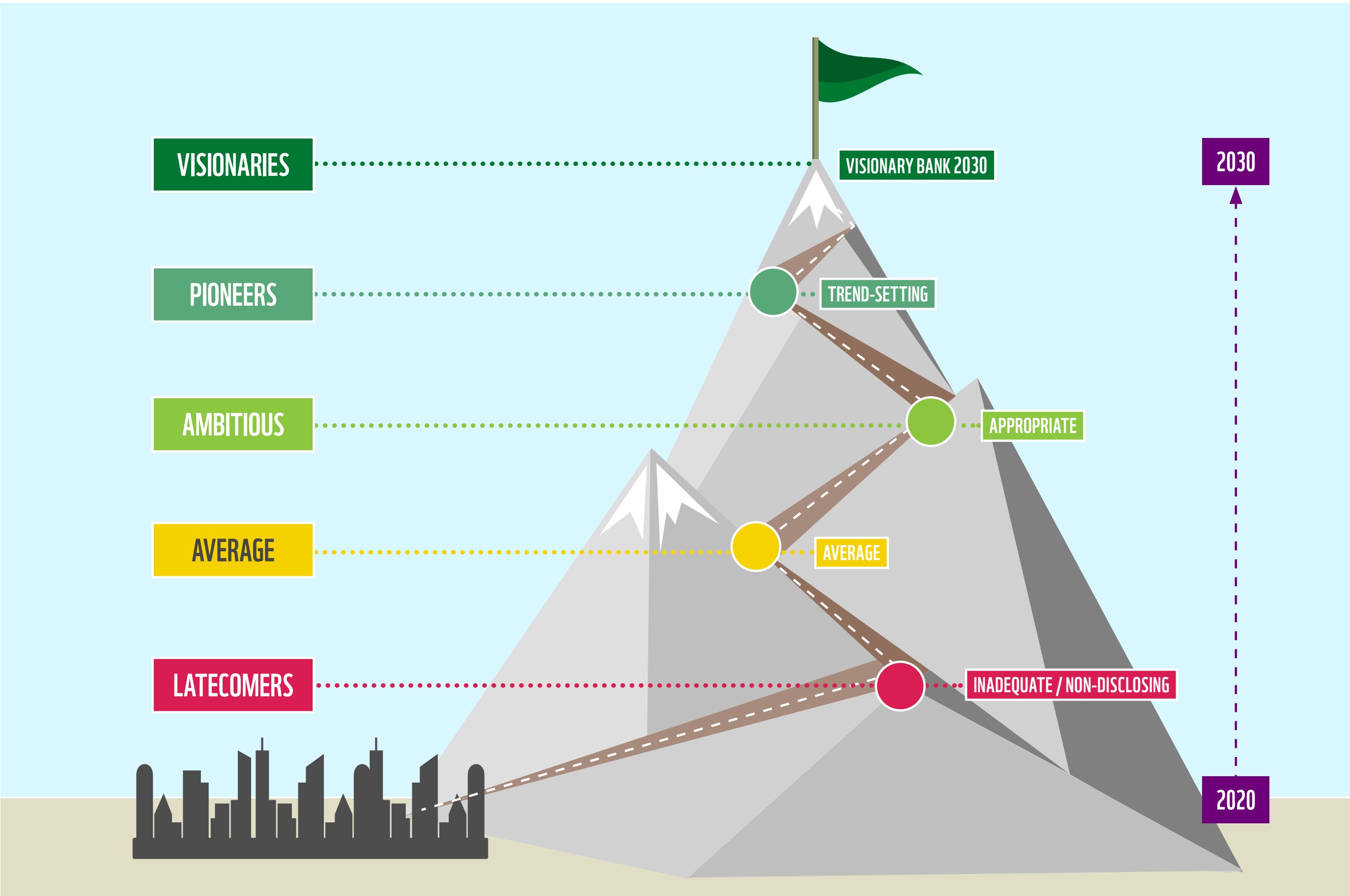


Figure 1: Sustainable development path for Swiss retail banks
Source: WWF Switzerland 2021.

i The rating of Raiffeisen Group focuses on the retail banking activities of the Raiffeisen banks and Raiffeisen Switzerland.
ii The banks are listed alphabetically, which does not constitute a ranking per se.

Corporate governance

- In the area of corporate governance, 6 of the banks scored 'Average', and 6 were rated 'Appropriate'. 3 institutions – Credit Suisse, Raiffeisen Group and UBS Switzerland AG – were rated 'Trend-setting'.
- Many of the assessed retail banks are actively engaged in initiatives addressing climate, environmental and social issues, with sustainability-related considerations relatively solidly and systematically embedded in overall corporate governance at the majority of the banks.
- However, only a very few banks already have concrete ambitions to align the environmental impacts of their core business with the Paris climate targets using science-based methods. Biodiversity aspects are still hardly considered or applied.

Savings, investments and pension provision

- In the area of savings, investments & pension provision, 7 banks were rated 'Average', and 2 'Inadequate'. By contrast, 6 institutions scored 'Appropriate': Cantonal Bank of Basel, Basellandschaftliche Kantonalbank, Berner Kantonalbank AG, Raiffeisen Group, UBS Switzerland AG and Cantonal Bank of Zurich.
- Although more banks were assessed as 'Appropriate' in the savings and investments and pension provision areas this year, the industry average in both areas was 'Average', as in the previous rating.
- In the area of savings accounts, there are still only very few banks that offer sustainable products, and transparency around how savings are used is generally still in need of improvement.
- In the area of investment and pension products, the product range has been expanded since the last rating, and all banks now offer at least one sustainable product, albeit it should be noted that there is no universal standard definition for what constitutes a sustainable product, which is interpreted differently by some banks. Also, only a few institutions are pursuing clear, measurable sustainability goals such as decarbonisation targets for the investment business.
- Product transparency with regard to environmental impacts or sustainability aspects of investment and pension products is still poorly developed in most cases, and the reviewed banks do not yet provide clients with clear and easily accessible information on the actual sustainability performance of the products offered or used by them.
- The topic of sustainability is now also regularly addressed by the majority of the banks in employee training courses in the investment and pension provision business, with 14 of the banks having set up an internal specialist department dedicated to the topic.
- The potential for innovative, digital solutions to promote sustainable investment behaviour, e.g. within online banking, remains almost entirely untapped, and only one bank was rated 'Appropriate' here.

Loans and financing

- In the area of loans & financing, 8 of the retail banks were rated 'Average', and 5 'Inadequate'. 2 banks scored 'Appropriate': Raiffeisen Group and UBS Switzerland AG. The industry average for all the reviewed topic areas – loans, mortgages and management of environmental credit and mortgage risks – was 'Average'.
- With few exceptions, today almost all banks offer eco mortgages with preferential conditions for environmentally sound construction. However, credit solutions that would specifically incentivise sustainable projects and encourage their financing are still rare.
- Training on the subject of sustainability is still slightly less pronounced in the area of financing than it is in the investment and pension provision area.
- Also in the financing area, the banks surveyed only occasionally offer innovative digital solutions that would, for example, make bank clients fully aware of the financial benefits of sustainable construction and housing.
- Cross-portfolio risk management to identify and mitigate systemic sustainability-related risks (e.g. stranded assets) is appropriately advanced in most cases at the particularly exposed institutions surveyed. However, the vast majority of the banks still have a bigger gap to fill, having not yet fully incorporated sustainability-related risks into their existing risk management.

RATING METHODOLOGY

Analogously to the first WWF rating of the Swiss retail banking sector (2016/2017), the latest rating reviewed Switzerland's 15 biggest retail banks (based on balance sheet totals of 2019). The rating study focused on the assessment of the primary business activities (core business), as well as on corporate governance and any resulting overall sustainability impact. The focus is primarily on environmental impacts and to some extent also on societal impacts, i.e. overall sustainability impacts. WWF assigned additional topic areas and fields of action to the three core areas that form the basis of the assessment in the WWF rating of the Swiss retail banking sector.

Figure 2: Areas covered by the WWF rating of the Swiss retail banking sector

The most important strategic core areas (innermost ring), topic areas (middle ring) and fields of action (outermost ring) of an environmentally conscious retail bank
Source: WWF Switzerland/PwC Switzerland 2021.

Retail bank classification categories
As in the first rating of the Swiss retail banking sector in 2016/2017, the 15 analysed retail banks were assigned to five classification categories depending on how far away they were from the defined vision of (greater) sustainable retail banking: 'Visionaries', 'Pioneers', 'Ambitious', 'Average' and 'Latecomers'. To reflect the fact that addressing key sustainability issues such as global warming or the loss of biological diversity is time-sensitive and that developments in the area of sustainable finance are accelerating, the requirements for the retail banks have been raised in the latest rating.[iii] This is also reflected in the definition of a new visionary bank of 2030, which is based on the previous 2025 vision and also takes into account present-day requirements.

VISIONARIES

Visionary retail banks pursue a holistic sustainable corporate strategy with clearly defined sustainability goals, which they communicate transparently both internally and externally. Their stated goal is to make their financial flows climate-neutral while directing these towards sustainable activities. They systematically take sustainability aspects – so-called ESG factors – into account in their business activities. These aspects also include biodiversity. They also endeavour – within the means at their disposal – to influence the behaviour of private clients, companies and other stakeholder groups in such a way that they act more sustainably and promote ecologically sustainable framework conditions. Sustainable financial products make up the bulk of their product range. With the products and services that they offer, they provide their clients with the opportunity to make a positive sustainability impact in the real economy.

PIONEERS

Pioneers recognise the importance of not only economic goals but also environmental and social goals as well. They work actively and transparently to improve their sustainability impact while achieving individual successes in this area. They move forward boldly and develop innovative solutions in some areas. They offer their clients a relatively broad range of sustainable finance products, which they actively promote. However, they have not yet integrated ESG factors holistically into their business activities.

AMBITIOUS

The Ambitious consider sustainability to be an important component of their corporate strategy but still have some deficiencies. They have recognised that integrating ESG factors presents economic opportunities while providing a suitable means of minimising risks within the scope of their business activities. They offer their clients individual sustainable finance products without, however, promoting innovations themselves. Moreover, their range of sustainable products does not cover all product areas.

AVERAGE

Retail banks that are rated 'Average' take sustainability into account in their corporate strategy but still have significant deficiencies, particularly with regard to transparency. They have integrated individual ESG factors into their decision-making process, having recognised that they are economically relevant in the short term and therefore also relevant to maximising shareholder value. They consequently adopt a rather defensive approach. They offer their clients individual sustainable financial products but do not actively promote them.

LATECOMERS/NON-DISCLOSERS

ESG factors hardly appear on the radar of latecomers; their business policy is geared towards purely financial factors. They respond to sustainability issues only if they are prompted to do so by regulation, stakeholder groups such as NGOs or sustainability-conscious clients. They do not offer their clients any sustainable financial products.

iii This was already announced by the authors in the WWF rating of the Swiss retail banking sector 2016/2017.

ASSESSMENT CATEGORIES FOR THE RATING CRITERIA

The rating was based on a set of 39 individual criteria. In line with the five aforementioned classification categories, a score of between a maximum of 5 and a minimum of 1 was possible for each criterion. Generally speaking, the maximum score of 5 denotes a situation that WWF Switzerland views as desirable and achievable for a retail bank by 2030 from a comprehensive sustainability perspective. Overall, the green assessment categories – “Visionary – the bank of 2030” (5), ‘Trend-setting’ (4) and ‘Appropriate’ (3) – represent ‘Above average’ scores.

Colour code	Assessment category	Classification class
	Visionary – the bank of 2030	Visionary
	Trend-setting	Pioneers
	Appropriate	Ambitious
	Average	Average
	Inadequate/non-disclosing	Latecomers/non-disclosers

Table 1: Assessment categories and classification categories of the WWF rating of the Swiss retail banking sector
Source: WWF Switzerland 2021.

RATING RESULTS

OVERVIEW OF RATING RESULTS

In the overall result of the present sustainability rating, 6 (2016/2017: 10) of the 15 retail banks were 'Average' in the financial year 2020 covered.[iv] As in the last rating, only 2 were classified as 'Latecomers'. Positive developments were achieved in the category for 'Ambitious' institutions, with 7 banks classified in this category in this year's rating and therefore as 'Above average': Cantonal Bank of Basel, Basellandschaftliche Kantonalbank, Berner Kantonalbank AG, Credit Suisse, Raiffeisen Group[v], UBS Switzerland AG and Cantonal Bank of Zurich.[vi] Also as in the 2016/2017 rating, no banks were classified as 'Pioneers' or 'Visionaries'.

VISIONARIES		
PIONEERS		
AMBITIOUS	Cantonal Bank of Basel ▲ Basellandschaftliche Kantonalbank ▲ Berner Kantonalbank AG ■	Credit Suisse** ▲ Raiffeisen Group* ■ UBS Switzerland AG** ▲ Cantonal Bank of Zurich ■
AVERAGE	Banque Cantonale Vaudoise ■ Graubündner Kantonalbank ○ Migros Bank AG ■	PostFinance Ltd ▲ Cantonal Bank of Saint Gall Ltd ■ Valiant Bank AG ▲
LATECOMERS	Cantonal Bank of Aargau ▼ Luzerner Kantonalbank AG ▼	

▲ Improvement ■ No change ▼ Decline ○ First-time participation

Rating result compared with the last rating in 2016/2017:***

Table 2: Assessment categories and classification categories of the WWF rating of the Swiss retail banking sector
Source: WWF Switzerland/PwC Switzerland 2021.

* The Raiffeisen Group rating focuses on the retail banking activities of the Raiffeisen banks and Raiffeisen Switzerland.
** The UBS Switzerland AG and Credit Suisse rating focuses on the retail banking business in Switzerland.
*** None of the banks have effectively regressed. As requirements to achieve the respective categories were more challenging compared with the last rating in 2016/2017 and were oriented towards the vision of a sustainable bank by 2030 (compared with a sustainable bank by 2025 in the previous rating), the banks moved down a category despite slight positive changes within their business or consistent business practices, and as a result they finished in a lower position compared with the last rating.

iv Information on financial volumes were recorded as at 31 December 2019. Guidelines and processes were taken into account up to and including the reporting date of 31 December 2020.
v The rating of Raiffeisen Group focuses on the retail banking activities of the Raiffeisen banks and Raiffeisen Switzerland
vi The order in which the specific banks are listed in the evaluation chapters is purely thematic or random and can on no account be interpreted as a ranking.

The following table summarises the results from the individual survey criteria.

									Overall result
Cantonal Bank of Aargau	■	▼	▼	▼	▼	■	■	■	▼
Banque Cantonale Vaudoise	■	▲	■	■	■	■	■	■	■
Cantonal Bank of Basel	■	■	▲	▲	▲	▲	■	▲	▲
Basellandschaftliche Kantonalbank	▲	▲	■	■	■	■	■	▲	▲
Berner Kantonalbank AG	■	■	▼	■	▲	▼	▼	■	■
Credit Suisse**	■	▲	■	■	▲	■	▼	▲	▲
Graubündner Kantonalbank	○	○	○	○	○	○	○	○	○
Luzerner Kantonalbank AG	■	■	▼	■	■	▲	▼	■	▼
Migros Bank AG	■	■	▼	■	▼	▼	■	■	■
PostFinance Ltd	▲	▲	■	▲	■	■	■	not rated	▲
Raiffeisen Group*	■	▲	▲	▼	▼	▲	▲	▲	■
Cantonal Bank of Saint Gall Ltd	▲	■	■	▲	▲	■	▼	■	■
UBS Switzerland AG**	■	▲	■	▲	▲	■	▲	▲	▲
Valiant Bank AG	▲	■	■	▲	▲	▲	■	▲	▲
Cantonal Bank of Zurich	■	▼	▼	■	■	■	■	▲	■

Rating result compared with the last rating in 2016/2017:***

▲ Improvement ■ No change ▼ Decline ○ First-time participation

* The rating of Raiffeisen Group focuses on the retail banking activities of the Raiffeisen banks and Raiffeisen Switzerland.
** The UBS Switzerland AG and Credit Suisse rating focuses on the retail banking business in Switzerland.
*** None of the banks have effectively regressed. As requirements to achieve the respective categories were more challenging compared with the last rating in 2016/2017 and were oriented towards the vision of a sustainable bank by 2030 (compared with a sustainable bank by 2025 in the previous rating), the banks moved down a category despite slight positive changes within their business or consistent business practices, and as a result they finished in a lower position compared with the last rating.

Corporate governance

- Social commitment and representation of interests
- Governance, Monitoring and Reporting
- Operational management

Savings, investments and pension provision

- Savings and Investments
- Pension provision

Loans and Financing

- Loans
- Mortgages
- Management of environmental credit and mortgage risks

Table 3: Rating results of retail banks by topic and overall

Source: WWF Switzerland/PwC Switzerland 2021.

The following figure highlights that the banks assessed in the area of corporate governance [vii] were 'Appropriate' on average for the industry and hence slightly better than in the core business. In their core business, by contrast – that is, the areas of savings, investments and pension provision, loans and financing – the banks performed slightly worse, i.e. 'Average'.

Looking at the two core business areas of savings, investments and pension provision and loans and financing, it is evident that, although progress has been made in both areas compared with the last rating, the area of loans & financing still offers a great deal of potential for more effective management of opportunities and risks in the field of sustainability and hence for improving the sustainability impact in the real economy.

Bank	Corporate governance	Savings, investments and pension provision	Loans and financing
Cantonal Bank of Aargau	●●○○○	●○○○○	●○○○○
Banque Cantonale Vaudoise	●●○○○	●●○○○	●●○○○
Cantonal Bank of Basel	●●●○○	●●●○○	●●○○○
Basellandschaftliche Kantonalbank	●●●○○	●●●○○	●●○○○
Berner Kantonalbank AG	●●●○○	●●●○○	●●○○○
Credit Suisse	●●●●○	●●○○○	●●○○○
Graubündner Kantonalbank	●●●○○	●●○○○	●●○○○
Luzerner Kantonalbank AG	●●○○○	●○○○○	●○○○○
Migros Bank AG	●●○○○	●●○○○	●●○○○
PostFinance Ltd	●●●○○	●●○○○	●○○○○
Raiffeisen Group	●●●●○	●●●○○	●●●○○
Cantonal Bank of Saint Gall Ltd	●●○○○	●●○○○	●○○○○
UBS Switzerland AG	●●●●○	●●●○○	●●●○○
Valiant Bank AG	●●○○○	●●○○○	●○○○○
Cantonal Bank of Zurich	●●●○○	●●●○○	●●○○○
Industry average	●●●○○	●●○○○	●●○○○

Figure 3: Rating results per rating area

Source: WWF Switzerland/PwC Switzerland 2021.

CORPORATE GOVERNANCE

In the area of corporate governance, 6 of the banks scored 'Average' and 6 banks were rated 'Appropriate'. 3 institutions – Credit Suisse, Raiffeisen Group and UBS Switzerland AG – were rated 'Trend-setting' (see Figure 3: Rating results per rating area).

The area of corporate governance is divided into three topic areas: "Social commitment and representation of interests", "Governance, monitoring and reporting" and "Operational management". Viewed as an industry average, the rating for the topic areas "Social commitment and representation of interests", "Governance, monitoring and reporting" and "Operational management" was 'Appropriate', with the latter two topic areas just barely achieving this rating.

vii The industry average refers to the average of the 15 reviewed retail banks.

	Corporate governance		
Bank	**Social commitment and representation of interests**	**Governance, monitoring and reporting**	**Operational management**
Cantonal Bank of Aargau	●●●○○	●●○○○	●○○○○
Banque Cantonale Vaudoise	●●○○○	●●●○○	●●○○○
Cantonal Bank of Basel	●●●○○	●●●○○	●●●●○
Basellandschaftliche Kantonalbank	●●●●○	●●●●○	●●○○○
Berner Kantonalbank AG	●●●●○	●●●○○	●●●○○
Credit Suisse	●●●●○	●●●●●	●●●○○
Graubündner Kantonalbank	●●●○○	●●●○○	●●●○○
Luzerner Kantonalbank AG	●●●○○	●●○○○	●○○○○
Migros Bank AG	●●●○○	●●○○○	●●○○○
PostFinance Ltd	●●●○○	●●●○○	●●●○○
Raiffeisen Group	●●●●○	●●●●○	●●●●○
Cantonal Bank of Saint Gall Ltd	●●●○○	●●○○○	●●○○○
UBS Switzerland AG	●●●●○	●●●●●	●●●○○
Valiant Bank AG	●●●○○	●●○○○	●●○○○
Cantonal Bank of Zurich	●●●●○	●●●○○	●●●○○
Industry average	●●●○○	●●●○○	●●●○○

Figure 4: Rating results in the area of corporate governance
Source: WWF Switzerland/PwC Switzerland 2021.

The reviewed Swiss retail banks were 'Appropriate' in many aspects of corporate governance: integrating environmental protection and sustainability into their own corporate governance structures, as well as strategic decision-making and goal-setting processes; establishing (ideally independently certified) environmental management systems; reducing energy consumption and greenhouse gas emissions in their own operations using dedicated measures and corresponding monitoring; and actively engaging in industry initiatives and associations where sustainability or environmental protection is an explicit (sub-)goal.

Compared to the last rating, there is an improvement in the identification of topic areas that are relevant to the banks from a sustainability viewpoint as well as in the concrete, and ideally measurable, targets that are derived therefrom. To the extent that the banks have defined targets, they generally manage and control target achievement professionally, review them regularly and introduce suitable measures where targets are missed.

However, carbon footprint measurement is still not a given for some Swiss banks. It is encouraging to note that 14 out of the 15 banks measure their scope 1 and scope 2 emissions and that most of them also measure scope 3 emissions to some extent. In this connection, however, it must also be noted that in the calculation of their scope 3 emissions none of the banks fully take into account the emissions that they finance in the form of loans and capital investments.

There is also still considerable room for improvement in measuring the impact of the financial products offered. Most of the participating banks are already measuring impact in the area of investments and pension products. However, the scope of the emissions measurement is also still insufficient here and it is partly limited to individual products and it is not calculated for the entire portfolio. There is an even greater information gap to be filled in the area of corporate loans and mortgages.

In the area of sustainability risk management at company level, the banks scored ‘Average’. The majority of the banks consider sustainability risks largely based on qualitative analyses, with only few institutions already conducting quantitative analyses to determine risk. Moreover, clearly defined sustainability risk indicators are still lacking for the most part, while transparency on this topic in the form of public reporting is still very limited.

Although the vast majority of institutions now use established international reporting standards for sustainability reporting – such as those of the Global Reporting Initiative (GRI) or, in some cases, the Task Force on Climate-related Financial Disclosures (TCFD) – the scope of this reporting is still limited in some cases. Partly there is also a lack of transparency, e.g. with regard to the sustainability impact of the investment and pension product portfolio, as well as financing activities.

Savings, investments and pension provision

In the area of savings, investments and pension provision, which includes the topic areas of “Savings and investments” and “Pension provision”, the 15 Swiss retail banks performed relatively differently. 7 banks were rated ‘Average’, and 2 ‘Inadequate’. By contrast, 6 institutions scored ‘Appropriate’: Cantonal Bank of Basel, Basellandschaftliche Kantonalbank, Berner Kantonalbank AG, Raiffeisen Group, UBS Switzerland AG and Cantonal Bank of Zurich. (Figure 3: Rating results per rating area).

	Savings, investments and pension provision	
Bank	**Savings and investments**	**Pension provision**
Cantonal Bank of Aargau	●○○○○	●○○○○
Banque Cantonale Vaudoise	●●○○○	●●○○○
Cantonal Bank of Basel	●●●○○	●●●○○
Basellandschaftliche Kantonalbank	●●●○○	●●●○○
Berner Kantonalbank AG	●●○○○	●●●○○
Credit Suisse	●●○○○	●●○○○
Graubündner Kantonalbank	●●○○○	●●●○○
Luzerner Kantonalbank AG	●○○○○	●○○○○
Migros Bank AG	●●○○○	●●○○○
PostFinance Ltd	●●○○○	●○○○○
Raiffeisen Group	●●○○○	●●●○○
Cantonal Bank of Saint Gall Ltd	●●○○○	●●○○○
UBS Switzerland AG	●●●○○	●●●○○
Valiant Bank AG	●●○○○	●●○○○
Cantonal Bank of Zurich	●●●○○	●●●○○
Industry average	●●○○○	●●○○○

Figure 5: Rating results in the area of savings, investments and pension provision
Source: WWF Switzerland/PwC Switzerland 2021.

It can be seen that the sustainability concept is still hardly applied in a systematic fashion in **savings accounts** as a field of action. As in the last rating, most banks came in 'Inadequate' given that they did not have sustainability guidelines in place in the area of savings accounts and thus did not take account of sustainability aspects[viii]. There is also a widespread lack of transparency in informing clients on the specific use of their savings, with only a few savings account solutions allowing clients a certain degree of choice in the use of their funds.

In the case of **investment products** as a field of action, sustainability aspects are considerably better integrated than in the case of savings products. In the period under review, each bank offered at least one sustainable investment product, whereby a standard uniform definition for what constitutes a sustainable product is lacking and can vary widely as a result. The problem of a lack of standards is a well-known difficulty, for which solutions are being sought at the international level.

Except for 3 retail banks, all of the institutions also had sustainability-related investment guidelines, which in many cases apply not only to investment products advertised explicitly as "sustainable" but also to standard products. The industry showed an improvement in this area compared with the last rating. There are also isolated cases of quantified emissions reduction targets for the investment business as a whole, but this is still the exception. This further indicates that most Swiss retail banks tend to act defensively and still prefer not to be measured against their targets by external stakeholder groups.

Of the 15 reviewed banks, 14 now have a Sustainability Office that client advisers can turn to if they have any questions. 11 institutions also offer regularly scheduled employee training on sustainability, and most of the banks at least ask clients' stance towards the subject. The strongest leverage is in place, however, when sustainable investment products are offered practically as standard or default – or when there are no longer any non-sustainable product options to choose from. The latter is the case at Basellandschaftliche Kantonalbank and Graubündner Kantonalbank.

In the case of **pillar 3a/b pension products**, sustainability aspects are integrated to a similar degree as in the case of investment products, the difference being that 5 banks now offer exclusively sustainable pension products in the area of pension funds. It can be deduced from this that the banks have taken measures to address the deficiencies on the pension side and to align them with the standard on the investment side – or even to exceed it in some cases, such as with the example of banks that now only offer sustainable pension products.

Transparency of investment and pension products

A fundamental aspect of sustainable investment and pension products is their transparency in terms of their sustainability impact. Most retail banks typically communicate the underlying sustainability strategies to their clients in their respective product fact sheets, brochures and leaflets. In most cases, however, this information is limited to a very brief and purely qualitative description of the underlying investment strategy and is usually insufficient for clients to assess the **strategy's effectiveness**.

Accordingly, an attempt was made to assess the effectiveness of the sustainable investment and pillar 3a/b pension products of the 15 retail banks. The results showed that at most banks the effectiveness of the investment strategy mix for investment and pillar 3 a/b pension fund assets was between 'rather effective' and 'very effective', and hence the banks apply strategies to their sustainable products that tend to be suitable for improving the sustainability-related impact of their products. This does not automatically ensure, however, that these investment products have a positive impact on the climate or on biodiversity. Possible measures to achieve this goal would include science-based emissions reduction pathways, for example, which are currently still very rarely applied.

viii The WWF rating of the Swiss retail banking sector has included not only environmental but also sustainability aspects among its criteria in the area of savings, investments & pension provision. For the sake of simplicity, both aspects are grouped together under "sustainability" in the following sections.

In this year's rating, it was decided not to calculate the carbon footprint of the banks' investment and pension assets as it is expected that by now banks are able to calculate this themselves. Accordingly, banks were asked only whether and to what extent this calculation is performed. 9 institutions stated that they calculate this metric for investment and pension assets, with 4 of them capturing scopes 1 to 3 in their entirety. However, this information is still very rarely disclosed at the product level: only Basellandschaftliche Kantonalbank and Cantonal Bank of Zurich explicitly disclose this information for individual products.

By contrast, the comprehensive environmental impact of all pension and investment assets under management were again also calculated in this year's rating. The environmental impacts comprehensively assess external environmental costs, i.e. along entire product life cycles (scopes 1 to 3). Although the calculation of the environmental impacts within the scope of this rating can only be an indication and may exhibit a certain degree of imprecision,[ix] the environmental impacts determined were very high to rather high in all cases. This shows above all that so far only a small investment and/or pension volume can be explicitly allocated to companies and/or industries that have a low environmental impact.

As was also the case four years ago, a major reason for the extensive lack of transparency in the calculation of environmental impacts was that banks are barely able to allocate the individual securities invested to the sectors and sub-sectors (sector allocation) that are relevant from an environmental perspective. Since in most cases the companies that they are invested in still do not publish these metrics themselves, banks find it difficult to make this allocation for their investments. This remains a major hurdle to identifying and/or estimating the environmental impacts.

There are currently only a few retail banks that produce such far-reaching product-related transparency or perform a comprehensive impact assessment. Among the reviewed retail banks, only Cantonal Bank of Basel and Cantonal Bank of Zurich stand out in terms of product transparency in asset management for retail clients. Even with this positive example, however, the extensive transparency on the sustainability-related impact still focuses primarily on the range of sustainable products. Basellandschaftliche Kantonalbank and Raiffeisen Group also disclose the sustainability impact of their sustainable products, albeit to a much lesser extent.

In principle, it would be important for the sustainability impact to be assessed and reported not only for sustainable investment and pension products but also for those products not classified as "sustainable". Only then will clients be in a position to make informed, direct comparisons between different products; and only then will banks be able to manage, control and improve the sustainability impacts of their products in a targeted manner.

The use of **digital solutions** to support sustainability in the area of savings, investments and pension provision was also taken into account as a new topic area in this year's rating. This covered aspects such as the use of digital and data-based solutions that are available to clients and client advisers during the advisory and investment selection process, as well as the extent to which these incorporate sustainability aspects (e.g. interactive information on the sustainability profile/performance of client portfolios or investment research solutions that explicitly support portfolio managers and client advisers in selecting suitable sustainable products or in terms of sustainability-related risk management). The extent to which banks use ESG data, and within which particular framework they use it, was also assessed.

It was found that the vast majority of the 15 retail banks scored just 'Average' or even 'Inadequate' in this area, with only one bank rated 'Appropriate'. Whereas most (but still not all) of the institutions now also use externally prepared ESG data, it should be noted that the potential for innovative solutions to promote sustainable investment behaviour among clients, e.g. within online banking, remains almost entirely untapped. None of the institutions surveyed have so far managed to present the sustainability performance of their portfolio to clients in an interactive and user-friendly fashion in online banking, for instance.

ix The classification into industry sectors entails a certain degree of imprecision as companies may be active in different sectors. Moreover, it does not take into account company-specific differences in the area of sustainability performance. A more detailed calculation of the environmental impacts would, however, require very extensive information on investment portfolios, which is not (or cannot be) collected in this way within the scope of this rating.

LOANS AND FINANCING

In the area of loans and financing, 8 of the retail banks were rated 'Average', and 5 'Inadequate' (see Figure 3: Rating results per rating area). 2 banks were 'Appropriate': Raiffeisen Group and UBS Switzerland AG. The industry average for all the reviewed topic areas – loans, mortgages and management of environmental credit and mortgage risks – was 'Average'.

	Loans and financing		
Bank	**Loans**	**Mortgages**	**Management of environmental credit and mortgage risks**
Cantonal Bank of Aargau	●○○○○	●○○○○	●○○○○
Banque Cantonale Vaudoise	●●○○○	●●○○○	●●○○○
Cantonal Bank of Basel	●●○○○	●●○○○	●●○○○
Basellandschaftliche Kantonalbank	●●○○○	●●○○○	●●●○○
Berner Kantonalbank AG	●●○○○	●●○○○	●●●○○
Credit Suisse	●●○○○	●○○○○	●●●●●
Graubündner Kantonalbank	●●○○○	●●○○○	●●○○○
Luzerner Kantonalbank AG	●●○○○	●○○○○	●○○○○
Migros Bank AG	●○○○○	●●○○○	●○○○○
PostFinance Ltd	●○○○○	●○○○○	not rated
Raiffeisen Group	●●●○○	●●●●○	●●○○○
Cantonal Bank of Saint Gall Ltd	●○○○○	●○○○○	●●○○○
UBS Switzerland AG	●●●○○	●●●○○	●●●●●
Valiant Bank AG	●●○○○	●○○○○	●●○○○
Cantonal Bank of Zurich	●●○○○	●●●○○	●●●○○
Industry average	●●○○○	●●○○○	●●○○○

Figure 6: Rating results in the area of loans and financing

Source: WWF Switzerland/PwC Switzerland 2021.

In the area of corporate lending, the majority of retail banks now have sustainability-related guidelines stipulating that sustainability aspects need to be taken into account when granting corporate loans. However, the institutions differ considerably in terms of the scope and stringency of the guidelines to be followed in each case. 8 banks scored 'Above average' here – many more than in the last rating, where only 2 institutions received this rating. This also demonstrates that progress has been made in this area. Encouragingly, there are also isolated product innovations that offer corporate clients incentives to improve their company's sustainability performance or that specifically finance sustainable projects.

However, financial institutions are still more reluctant to set and publish sustainability-related targets for their corporate loans than they are for their investment and pension products. There are a few scattered internal targets for sustainable credit products, but none of the banks have yet published a concrete quantitative sustainability target (such as a measurable emissions reduction pathway) for corporate loans. It is much more often the case that general statements are made – such as the goal of mitigating the negative environmental impacts of lending activities – without specifying concrete quantitative indicators for doing so. The binding nature of such statements is somewhat limitedcompared to defined measurable targets and may hinder rapid progress in terms of the sustainability performance of the credit sector.

Of the 15 banks, 12 now specified (compared to 6 in the 2016/2017 rating) that they applied sector-specific sustainability-related criteria while categorically excluding specific business areas and sectors in their financing operations. The extent of specific industry exclusions owing to their negative impact on the environment, climate and society differs from bank to bank. Of all the banks, 4 have established a particularly systematic and structured process for evaluating sustainability risks/opportunities of corporate loans.

Most banks that have specific environmental guidelines have also integrated environmental aspects into their advisory processes in addition to providing regularly scheduled training to their employees and establishing a sustainability office that client advisers can turn to for questions. However, the industry is rated ‘Average’ in this aspect, which performs less well than the advisory process in the investment and pension area, which scored ‘Appropriate’ on average.

The credit area is essentially beset with a similar **transparency problem** to that of investment and pension products. It would be desirable if retail banks regularly calculated and published the environmental impact of their loan portfolios. The banking industry is still a long way from achieving this. For this reason, an attempt was made to calculate the environmental impact of corporate loans that is caused by a company, its products and services along entire value chains, analogously to investment and pension assets. All 10 banks that were able to provide data had a very high environmental impact from companies that they financed. This is also attributable to the fact, that in many cases, the sector allocations of these credit institutions were rudimentary and hence, unspecific. Therefore, for the calculations of industry averages, for e.g. for mobility or nutrition, it was based on the assumption that they are unsustainable in Switzerland.[x]

In the **mortgage business** (mortgages and construction loans), 13 of the 15 retail banks now also offer mortgages and/or renovation loans with improved interest rates for sustainable construction methods and/or renovation. Nevertheless, the industry average in this area is merely ‘Average’. One of the reasons is that, across the board, these mortgage products only account for a fraction of the total mortgage business and are partly limited to existing clients or are applicable for renovations only. Similarly, client advisers have not yet been trained in sustainability issues at some financial institutions, and clients are not yet systematically informed about the existence of “green” mortgage products or of the benefits of sustainable construction.

In the topic area of **digital solutions** for the lending business, on average the 15 analysed retail banks only scored ‘Below average’ although 2 banks – Basellandschaftliche Kantonalbank and Raiffeisen Group –were rated ‘Above average’. Only a minority of banks use externally provided ESG data in their lending business. In the area of digital solutions for the mortgage business, 12 out of the 15 analysed retail banks were ‘Below average’, and 2 scored an ‘Average’ rating. There is a lack, for example, of consistent use (and collection) of sustainability data (e.g. forms of heating) to determine the energy and/or CO_2 emissions savings potential of sustainable forms of construction and heating, as well as applications that would help process this data for clients so that the benefits of environmental construction would be clearly visible. Internally as well, data and applications are still used very rarely in this area to determine sustainability risk profiles for construction properties. Only Raiffeisen Group scored ‘Above average’ in this area.

x If everyone in the world lived like the Swiss population, more than three times as much biocapacity would be needed than is de facto available globally. See Swiss Federal Statistical Office 2020: Switzerland’s ecological footprint, URL: https://www.bfs.admin.ch/bfs/en/home/statistics/sustainable-development/more-sustainable-development-indicators/ecological-footprint.html

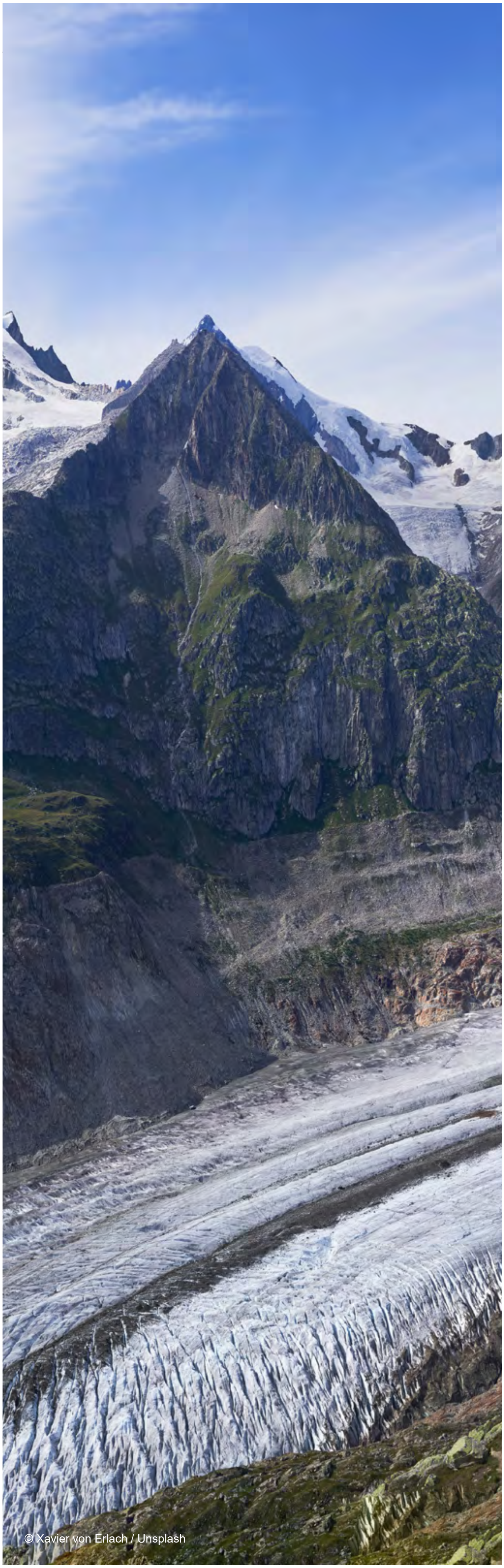
OVERALL MANAGEMENT OF ENVIRONMENTAL CREDIT AND MORTGAGE RISKS

The industry average of the 15 assessed retail banks is rated 'Average' in their overall management of environmental credit and mortgage risks. There is a notable gap between the banks that are already very advanced in this area and those that have so far paid little attention to the topic. One key reason for this is undoubtedly the fact that major banks with their international banking operations, e.g. through financing large projects, are also more likely to be exposed to material environmental risks and associated reputational risks than are smaller regional banks in Switzerland. Nevertheless, even if lending activities are mainly regional and take place in a retail bank's manageable catchment area, from a risk management perspective they should be considered in their entirety with due regard to environmental aspects. In fact, even Switzerland has an ecological footprint equalling more than three Earths. In other words, if everyone in the world lived like the Swiss population, more than three times as much biocapacity would be needed than is de facto available globally.[xi] This shows how important it is to reduce environmental consumption, also – or especially – in Switzerland.

Sustainability risks are still mostly viewed in qualitative terms and sustainability-related risk management is rarely based on quantitative measurable indicators. Scenario analyses, i.e. risk assessment based on forecasts of future developments, are also used in only a few cases. This would be an effective tool for assessing the existing risks in the credit and mortgage business against the backdrop of manifold future scenarios and for taking appropriate measures to minimise these risks. In this context, still too little attention is generally paid to transition risk, i.e. the risk that companies are not prepared for changed framework conditions in the area of sustainability and may, for example, have an increased loan default risk as a result.

There lies danger ahead if banks do not transition towards a holistic management of environmental credit and mortgage risks and if these risks are measured by experts that are not integrated in the general risk management. There is a high likelihood of an unbalanced risk management as material environmental risks will not be adequately assessed and managed.

xi See Swiss Federal Statistical Office 2020: Switzerland's ecological footprint, URL: https://www.bfs.admin.ch/bfs/en/home/statistics/sustainable-development/more-sustainable-development-indicators/ecological-footprint.html



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1 INTRODUCTION

Over the last few years, the international community committed to a range of agreements to protect the climate and environment while promoting sustainable development. In this context, the Paris Climate Agreement[1] and the Sustainable Development Goals (SDGs)[2] are of particular importance. The achievement of the climate targets outlined in the Paris Climate Agreement by 2050 and the contribution towards conserving biodiversity require the mobilisation of enormous investment resources. This is the only way to enable the transition to a climate-neutral, green, sustainable, competitive and inclusive economy. However, the magnitude of the investments required far exceeds the capabilities of the public sector.[3]

This is why the financial sector has a major role to play in transitioning towards a sustainable economy and in achieving the agreed climate and sustainability goals. Through their role as intermediaries and stewards of funds, banks can therefore:

- redirect investments towards more sustainable technologies and sectors
- finance growth in the long term and sustainably
- contribute towards creating a low-carbon, climate-resilient and circular economy.[4]

Banks consequently play a key role when it comes to facilitating and helping to shape solutions to global problems.

This important role played by banks and the financial sector in general is also reflected in the national and international developments in the area of sustainable finance. Remarkable developments have taken place over the last four years:

GLOBAL

The **Task Force on Climate-related Financial Disclosures** (TCFD), which was launched already in December 2015, has developed a framework and recommendations for climate-related reporting. This framework has since become the actual standard for disclosing climate-related opportunities and risks in corporate reporting.[5]

The **Network for Greening the Financial System** (NGFS) was launched in December 2017 – a group of major central banks and financial market regulators with the aim of greening the financial system and strengthening the financial sector's efforts to meet the goals of the Paris Climate Agreement.[6] The Swiss Financial Market Supervisory Authority (FINMA)[7] and the Swiss National Bank (SNB)[8] also joined in April 2019.

In September 2019, the **Principles for Responsible Banking** (PRB) were established by 130 banks from 49 countries (including Swiss banks). The principles form the framework for a sustainable banking system and help the industry to demonstrate how it can make a positive contribution to society.[9]

The **International Platform on Sustainable Finance** (IPSF) was launched in October 2019 to support global exchange on sustainable finance policy. The objective of the initiative is to scale up the mobilisation of private capital towards environmentally sustainable investments.[10] Switzerland joined in March 2020.[11]

The **Task Force on Nature-related Financial Disclosures** (TNFD) was launched in July 2020. Building on and complementing the TCFD, the TNFD aims to develop a framework to support companies and financial institutions in assessing, managing and reporting on their dependencies and impacts on nature.[12]

In October 2020, the **Science-Based Targets initiative** (SBTi) published a guideline for the definition of science-based targets for financial institutions. The guide is designed to support financial institutions in defining science-based targets for their operations, as well as for their investments and financing.[13]

EU

In March 2018, the European Commission adopted the **EU Action Plan on Financing Sustainable Growth**. This plan includes, among other things, an EU classification system (taxonomy) designed to help assess whether an economic activity is sustainable from an environmental perspective. In addition, the action plan defines two climate benchmarks to enhance the comparability of sustainable financial products and requires that financial service providers ask their clients about their sustainability preferences.[14]

In December 2019, the European Commission presented the **European Green Deal** – a roadmap to make the EU economy sustainable. The Deal not only includes raising the EU's emissions reduction target but also comprises an extensive investment programme: One trillion Euros is to be mobilised for climate protection and environmental sustainability and to achieve the climate targets by 2030, to which the financial sector is also expected to contribute.[15]

In 2020, the Swiss Federal Office for the Environment (FOEN) conducted – already for the second time – a voluntary **climate compatibility test of the Swiss financial market**. In addition to pension funds and insurance companies, banks and asset managers were also able to take part this time.[16]

SWITZERLAND

In June 2020, the Swiss Bankers Association (SBA) published its **Guideline for the integration of ESG criteria into the advisory process for private clients** in addition to its position paper on sustainable finance.[17]

Also, in June 2020, the Swiss Funds & Asset Management Association (SFMAA) and Swiss Sustainable Finance (SSF) jointly launched their **recommendations for sustainable asset management.**[18]

The State Secretariat for International Financial Matters (SIF) conducted a survey in early 2021, the aim of which was to determine whether amendments are necessary to the Swiss financial market law as a result of developments in the EU on the subject of sustainable finance. The findings were still pending at the time this report was published. At the same time, the SIF also plans to assess whether regulatory amendments are required in order to avoid greenwashing.

This list is not exhaustive. However, it highlights how much has been accomplished at the political and industry levels since the first WWF rating of the Swiss retail banking sector 2016/2017. These important developments and changes cannot be ignored by the institutions here.

In addition to these developments, clients' expectations have also risen: they increasingly expect their bank to offer sustainable products and services.[19] At the same time, public pressure from civil society is increasing, as demonstrated by the global climate strike movement, for example. Today, also institutional investors, in particular insurance companies and large asset managers, expect the real economy and financial sector to show significantly greater commitment to sustainability.[20],[21]

The aim of all these activities is to make the financial and real economy more sustainable and to actively contribute towards protecting the climate and preserving biodiversity as a result. This requires the involvement of all stakeholders.

Due to its international network and importance for the global economy, the Swiss financial centre and hence also the retail banking sector are tremendously affected by these developments and can make an active contribution towards building a more sustainable economy.

Through its engagement within the domestic and global financial industry, WWF Switzerland – together with its international network – seeks to enhance capital flows for an environmentally and socially responsible economy. The necessary framework conditions are to be created through dialogue with the responsible market participants and stakeholders in order to ensure that our society can live in harmony with nature in the future.

TEXTBOX 1: POSITION PAPERS OF WWF SWITZERLAND AND PWC SWITZERLAND

Since spring 2019, WWF Switzerland and PwC Switzerland have jointly published several reports and position papers on a more sustainable Swiss financial centre, as well as on a forward-looking and sustainable economy:

- March 2019: *Paradigm shift in financial markets – The economic and legal impacts of the EU Action Plan Sustainable Finance on the Swiss financial sector*
- January 2020: *Nature is too big to fail – Biodiversity: the next frontier in financial risk management*
- September 2020: *Leading the way to a green and resilient economy – A Swiss-quality approach to sustainable finance*
- January 2021: *Circularity as the new normal – Future fitting Swiss businesses*

The aim of all of these reports is to stimulate discussion towards a more sustainable Swiss financial centre. At the same time, they are meant to represent a vision and inspire the various financial market participants to show greater courage and a pioneering spirit – following in the footsteps of Gottlieb Duttweiler, Nicolas G. Hayek and the Piccard family.
But they are also designed to focus on important issues for the future while highlighting concrete problems like the consequences of biodiversity loss.

In this sense, what WWF Switzerland expects from a retail bank is that it works to establish a permanently fair balance between environmental and social interests, as well as the economic interests of its stakeholders, and that this balance be continually promoted. In a constantly changing environment, retail banks should serve both the real economy and society as a whole as an intergenerational partner. This challenging task forms the basis for a sustainable and healthy local banking system and is one of the fundamental requirements (albeit not a guarantee) for the sustainable development of the economy and our society.

1.1 MOTIVATIONS BEHIND THIS STUDY

The developments described above both in the financial industry and in society show that a lot has happened in terms of sustainability within the financial sector during the four years since the last WWF rating of the Swiss retail banking sector was published. This is why WWF Switzerland decided to conduct another rating of the Swiss retail banking sector. The aim of the rating is to objectively highlight and assess sustainability in the Swiss retail banking sector, with a focus on climate and environmental issues. The 15 biggest market participants (based on balance sheet totals) were examined for the purpose of the study.

The aim of the rating study is to

- give the readers a coherent overview of the Swiss retail banking market, in particular with regard to the economic significance of the sector, the most important sustainable areas of impact and the latest industry-specific trends;
- help bank clients, private households and small and medium-sized businesses (SMEs) to choose the ideal retail bank and desired banking services, focussing on sustainability aspects in the decision-making process;
- provide national and cantonal politicians with an orientation guide on the subject of sustainable finance while highlighting possible courses of action, such as creating favourable regulatory framework conditions or through their direct involvement with bank administrative boards or boards of directors;
- create transparency and comparability with regard to the sustainability levels of the 15 biggest Swiss retail banks;
- provide adequate support to Swiss retail banks respecting their duty to contribute towards creating a sustainable, forward-looking and inclusive economy and to initiate joint and targeted dialogues;
- demand and promote the targeted development and expansion of sustainable retail banking products and services.

The applied rating methodology is based on the first WWF retail banking study from 2016/2017, which we have revised and supplemented in part. At the same time, the ambition level has increased as a result of the changes introduced over the last four years. Accordingly, we have also adjusted the assessment criteria. The aim was to enable a comprehensive sustainability assessment for Swiss retail banks, their corporate governance and their core activity as a service provider for private and corporate clients (SMEs).

1.2 2030 VISION FOR MORE SUSTAINABLE RETAIL BANKING

The latest retail banking rating 2020/2021 is based on WWF Switzerland's revised "2030 vision" for the Swiss retail banking sector. Compared with the initial 2025 vision, we scaled it up in various areas. We expect a lot more from a visionary retail bank today than we did in the last rating in 2016/2017. For example, not only climate change impacts but also biodiversity is expected to be included in its decisions and actions. At the same time, we also expect a visionary bank to be climate-neutral[22] across all its business activities as of 2050.

Retail banks take their responsibility in society very seriously while actively supporting the transition towards a sustainable economy and society with their services.

The vision illustrates how a responsible retail bank ought to develop by 2030 if it is to support the economy and society in the transition towards sustainability:

Strategy

A visionary retail bank pursues a sustainable corporate strategy with clearly defined sustainability goals that it regularly measures, adjusts accordingly and discloses. It therefore has a long-term, intergenerational time horizon in mind. The retail bank's management team and board of directors help to support this sustainable strategy and share the responsibility for achieving the set goals. The sustainable corporate strategy consistently encompasses all areas of the company (savings, investments, loans) and all internal and external stakeholder groups such as employees, clients, advisers, suppliers and partners. It represents the strategy both internally and externally while encouraging its partners, business clients, other institutions and authorities to take similar steps.

Goals

The retail bank's business goals are long-term in nature and support both the internal and social transition towards sustainability. The visionary retail bank has a net-zero target for its direct and indirect greenhouse gas emissions by 2050 at the latest. In order to achieve this target, all new business and refinancing activities will have to be climate-neutral from no later than 2030. This means that its business model, investments and financing will be climate-neutral across the entire value chain as of 2050 at the latest. To this end, the bank already today defines and publishes science-based emissions reduction pathways for all business areas (savings, investments, loans). It thus supports the goal of the Paris Climate Agreement to achieve net-zero emissions for all financial flows by 2050.

Risk management

In addition to classic economic risks, the visionary retail bank's risk management also takes into account risks related to climate change and biodiversity loss. The visionary bank comprehends, measures, manages and publishes climate and biodiversity-related risks and opportunities in its loan and investment portfolio. For this purpose, it also conducts annual forward-looking scenario analyses.

Environmental impacts

The bank provides its clients with transparent information pertaining to the environmental footprint of its investment products and savings. This also includes third-party investment products.

The visionary retail bank is conscious of the finite nature of natural resources. This is why it orients its business practices towards the concept of planetary boundaries. It sets an economic price on negative impacts on these planetary boundaries[23]. This means that these impacts are assigned their true price.[24]

In addition to measuring and managing the ecological footprint of its own operations, the visionary bank understands the environmental impact of every single Swiss franc of its financing and investments.

Core business: saving, investing, and financing

The visionary retail bank actively seeks to direct its financial flows towards sustainable activities. In this way, it succeeds in optimally serving the real economy – in particular households and SMEs – while providing support in the transformation towards sustainability: it invests in and finances companies that are on a net-zero emissions pathway and that contribute to conserving biodiversity or that follow a circular economy model, for example. Accordingly, new loan applications for projects that have adverse impacts on the climate or biodiversity are consistently rejected. The visionary retail bank supports its corporate clients (irrespective of size) in the transformation of their core business towards a sustainable business model.

It promotes sustainable building and housing by offering mortgage products that facilitate energy-saving building and housing. It supports building owners in retrofitting older buildings to make these carbon neutral.

The visionary retail bank supports private clients who prefer to invest their money with sustainable savings accounts or investment products. It primarily offers its clients only sustainable products that are oriented towards clearly communicated and effective ESG (environmental, social and governance) criteria, as well as national and international environmental/sustainability goals.

Private clients who would like to save for their old age at the visionary retail bank can also invest in sustainable investment products with a proven environmental impact.

Employees and clients

The visionary retail bank trains its employees and supports them in a way that they are able to contribute towards achieving the sustainability strategy. As part of the advisory process, the visionary retail bank educates its clients as to the opportunities and risks inherent in its products – including in relation to climate change and biodiversity loss. It motivates and empowers its clients to make sustainable decisions in financial matters, offering them sustainable products and services that are tailored to their needs and preferences.

Transparency

The visionary retail bank is a transparent bank, i.e. its loan and investment policy is publicly accessible to all interested parties. Corporate reporting provides the answers to questions relating to the impacts, opportunities and risks of the credit, mortgage and investment portfolio and takes sustainability aspects into account. This report is based on internationally recognised guidelines and standards on sustainability reporting.

Collaboration and commitment

The visionary retail bank is aware that it is unable on its own to achieve the goals of the Paris Climate Agreement and the SDGs. This is why it works together with other banks, its clients and other stakeholder groups to help combat the climate and biodiversity crisis. The sustainable retail bank is a role model for others and is actively committed to sector initiatives and, where possible, international programmes. It advocates sustainable framework conditions and standards that apply to all market participants.

Digitisation

The visionary bank harnesses the opportunities and possibilities created by digitalisation and the increasing availability of (ESG) data, in order to offer its employees and clients solutions that can help to achieve the strategic sustainability goals.

TEXTBOX 2: WHAT ARE PLANETARY BOUNDARIES?[25]

The concept of planetary boundaries describes nine areas and the respective boundaries within which people can live and act. If people respect the finite nature of our natural resources, they will not endanger the environmental systems that are essential for our survival. Humankind has already transgressed four of these nine boundaries – and even more in a few specific regions. When we transgress these boundaries, natural ecosystems will cease to function as they did before.

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TEXTBOX 3: HOW CAN A RETAIL BANK BECOME CLIMATE-NEUTRAL?

Switzerland is committed to the goals and targets of the Paris Climate Agreement. This means that also the real and financial economies must be climate-neutral as of 2050. How can a retail bank reduce its greenhouse gas (GHG) emissions and thus contribute to achieving the climate goals?

A first step is to define science-based GHG emissions reduction targets both for operational business and for investments and financed activities (financed GHG emissions). Science-based targets provide companies and financial institutions with a clearly defined GHG emissions reduction pathway that complies with the Paris Climate Agreement. One global initiative that supports companies and financial institutions in setting such targets is the Science-Based Targets initiative (SBTi)[26], of which WWF is a partner. It develops methods, tools and criteria for science-based targets, as well as validating targets submitted by companies and financial institutions. Together with the participating companies and financial institutions, it also develops “sector guidelines”. A corresponding guideline for the financial sector has been available since October 2020 and was updated in April 2021. The set of guidelines provides recommendations for financial institutions on how they can set science-based targets for their operational business and for their investments and financed activities, including well-founded suggestions for communicating targets and measures, examples of actions that the financial institutions can take in order to achieve their targets and instructions on how to commit to the SBTi and submit targets for validation.

Over 1,300 companies from a wide range of sectors all around the world, including many from Switzerland, are currently committed to this approach. Companies that have signed up from the financial sector include Swiss Re, Zurich Insurance Group, Bank J. Safra Sarasin and the Credit Suisse Group.

The following figure illustrates the sustainable development path for Swiss retail banks required by WWF Switzerland: from the below-average 'Latecomers' through to the 'Average', 'Ambitious', 'Pioneers' and ultimately to their role as 'Visionary banks of 2030'. In order to overcome the environmental and social challenges of our time, we need banks whose business models are holistically committed to sustainable development. The figure shows that this visionary goal calls for dynamic development on the part of retail banks. This development is not only ambitious in terms of content but is also time-critical as the challenges facing society and the planet (e.g. climate change, biodiversity loss) also continue to wear on. It is therefore of the utmost importance that banks proactively take up this challenge and realise their key contribution towards a sustainable future. Moreover, this systematic sustainable focus not only serves society but also provides retail banks with a broader understanding both of potential risks and of significant economic benefits (see Self-interest: risks and opportunities).

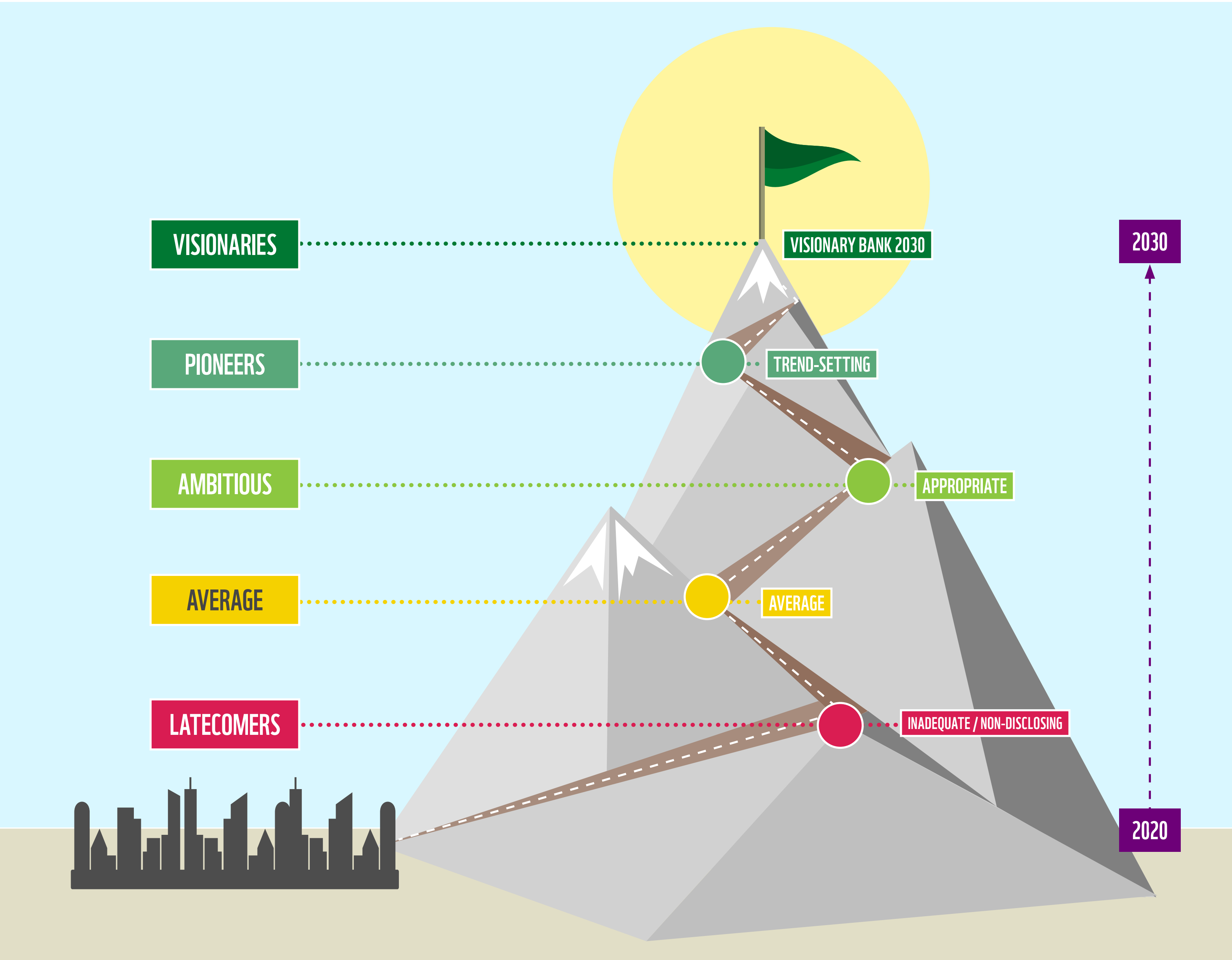

Figure 7: Sustainable development path for Swiss retail banks
Source: WWF Switzerland 2021.

2 RETAIL BANKING: DEFINITION, GENERAL MARKET OVERVIEW AND TRENDS FOR SWITZERLAND

2.1 WHAT IS RETAIL BANKING?

For purposes of this study, retail banking is defined as follows: retail banking encompasses the standardised banking business with the general population, from private households to small and medium-sized enterprises (SMEs), primarily comprising basic services and products. It is distinguished by a standardised and largely comprehensible product and service offering and is targeted at private and corporate clients alike. The range of services includes account management, payment transactions, debit and credit card sales, investment and pension products and the mortgage and lending business. Apart from banking institutions that explicitly focus on private or investment banking, all banks that operate in Switzerland offer all or some of these services.

Retail banking is usually conducted via different distribution channels (e.g. branch network, e-banking, apps, etc.). Although the volumes of individual transactions in retail banking are lower compared with other business areas such as private banking, very large numbers of transactions must be processed in return. For this reason, the banks mostly offer standardised products and services instead of individual solutions. The interest margin business is traditionally a retail bank's most important source of income and accounts for the bulk of its business volume even though the margins have come under pressure and Switzerland has been in a low interest environment for some years now.

Regarding investments, the current rating study diverges from the first one. As in the initial study, the focus here was likewise on private client business. Each bank defines this business area differently. At the same time, more and more new providers – fintech companies – are establishing themselves in this business field. They use automated asset management (robo-advisers) to offer clients access to inexpensive investment solutions, some starting at very low amounts. An increasing number of retail banks are responding to this competition and offering similar solutions of their own. For these reasons and also in order to paint a more complete picture of the Swiss retail banking sector, the participating retail banks also included asset management mandates in the study.

2.2 POSITION OF BANKS AND OF RETAIL BANKING IN SWITZERLAND

The Swiss financial centre and associated banking sector represent an important economic factor for Switzerland: in 2020, the financial sector generated 9.7% (CHF 68.1 billion) of value added in Switzerland, of which more than half (around 5.1%, or CHF 35.5 billion) was generated by the banking industry. [27] In addition, elementary banking services such as credit financing have made a significant indirect contribution to general economic development and value creation. Additionally, more than 4% of all tax revenue in Switzerland came from the banking sector, directly attributable to nearly 108,000 full-time positions.[28]

The economic relevance of banks was also evident with the onset of the Covid-19 crisis. The banks had to quickly and efficiently make 100% federally backed bridge loans available to companies that were affected by the crisis and were experiencing liquidity shortfalls. These loans could only be obtained through banks. A total of 137,801 loans were granted during the crisis, with a total loan amount of CHF 16.9 billion.[29]

This demonstrates why Swiss (retail) banks are of such enormous importance for the Swiss economy and its proper functioning, particularly during challenging times.

Proportionately, banks represent the largest sector in the financial centre although they are very diversified and broad-based: the sector consists of numerous, mostly small or medium-sized domestically-oriented institutions such as regional and cantonal banks as well as the Raiffeisen banks that mainly offer traditional retail banking, a range of highly export-oriented institutions such as asset management, private and foreign banks in addition to two major global banks, which for their part continue to offer standardised retail banking services and products in the Swiss market and are among the market leaders.[30]

2.3 CURRENT CHALLENGES AND GENERAL TRENDS

For several years now, banks throughout Europe have come under very high pressure to cut costs and find new sources of revenue. Even banks domiciled in Switzerland have not been exempt from this trend. There are numerous reasons behind this development.

Regulatory pressure

One major reason is the increased regulatory control, such as Basel III [31], and the associated costs. These rules oblige banks to maintain higher liquidity buffers and conduct regularly scheduled stress tests. Transparency requirements are also increasing. Banks are required to expand their reporting and additionally collect and share a great deal of data with regulators. These increasing requirements are not limited to banking regulations. In recent years, also international tax authorities have sought to make tax evasion more difficult. Under numerous bilateral agreements, banks have to provide more information here as well, which has also resulted in higher costs for them.

In addition, this development also means that an increasing number of international investors are withdrawing their funds from Swiss banks.

In addition to regulatory pressure, the prolonged low-interest environment has also posed a challenge. As a result, banks are required to incur costs for holding money. Although low interest rates create incentives for more investment, banks can only charge low mark-ups, meaning that only low margins can be earned on loans.

Digitisation

A further challenge for the Swiss banking sector is steadily growing competition from digital fintechs, which not only offer clients innovative products and services but also manage to cover the product range of traditional retail banks. As a result, digital challenger banks have succeeded in evolving from niche providers to serious competitors over the last few years.

Curfews and service restrictions imposed by the Covid-19 pandemic have led clients to increasingly carry out their banking transactions digitally. This has led to many people trying out new digital services, which they continue to actively use today. It cannot be assumed that clients will fully revert to their former behaviour patterns after the pandemic is over. Instead, a comprehensive digital offering, flexibility and price transparency will play an even greater role for many people when it comes to choosing a bank.

Another trend that Covid-19 has likewise reinforced is the growing preference of many people to invest their money. The restrictions imposed by the crisis have resulted in the elimination of many regular expenses and an increase in savings. Instead of parking this money in bank accounts earning little interest, many people have started to invest in shares and cryptocurrencies such as Bitcoin and Ethereum. In a survey conducted by Gemini, 25% of the 3,000 respondents stated that they invested in cryptocurrencies for the first time the previous year.[32] The study also underscores the fact that particularly young people are interested in investing in cryptocurrencies. Of the participants who have already invested in at least one crypto asset, 43% are under 34 years of age. The sharp rise in demand and an unprecedented increase in money supply have ensured new highs for these assets. Here as well, fintechs like RobinHood – for instance, Trade Republic and Bitpanda in German-speaking countries – profited the most. Traditional banks' account opening processes are often still rather cumbersome for private clients, and in most cases user-friendliness is lagging behind that of digital banks. By contrast, fintechs have taken advantage of the changed framework conditions and succeeded in winning a lot of clients through uncomplicated account opening processes, low fees and direct access to stock and crypto markets[33].

Nevertheless, these developments are not only a challenge but also an opportunity for the established banks if they succeed in harnessing the innovations of fintech companies for themselves with the help of strategic partnerships.

Covid-19

No easing of the tense economic situation triggered by Covid-19 is expected for retail banks over the next few years. In addition to the existing challenges, banks will need to prepare for the period when the massive government support programmes come to an end. Despite immense pressure, the financial sector has been able to play a major role in stabilising the economy during the crisis so far, but, with waves of bankruptcies and loan defaults expected to hit, the liquidity of many banks will once again undergo a difficult test. Despite these numerous challenges, the next few years also hold opportunities, as the challengers in the sector have shown. This development indicates that traditional banks will have to adapt their core business strategy to new trends while making their services more innovative and flexible.

3 THE IMPORTANCE OF RETAIL BANKS FOR ACHIEVING SUSTAINABILITY-RELATED GOALS – MOTIVATIONS AND OBSTACLES

3.1 WHY SHOULD BANKS PLAY A CENTRAL ROLE IN ADDRESSING SOCIETAL CHALLENGES SUCH AS CLIMATE CHANGE AND BIODIVERSITY LOSS?

A sustainable retail bank plays their part in enabling that banks fulfil their core functions for the economy and society while directing monetary flows in a way that respects planetary boundaries and makes our society more sustainable. The WWF rating of the Swiss retail banking sector 2016/2017 already established the link between the overarching definition of a sustainable retail bank and the systematic integration of environmental, social and governance aspects[34] into banking activities. While these minimum requirements still apply today as they did before, the requirements for a sustainable retail bank are growing increasingly dynamic – this in parallel to the changes that the economy, society, and environment are undergoing. For this reason, the definition of today's sustainable bank should take the "2030 vision" into account (see 2030 vision for more sustainable retail banking).

However, another question arises in this context:

Why should it be up to retail banks in particular to make an active contribution to addressing societal challenges such as the increasingly acute climate change, rapid biodiversity loss and future pandemics?

Two answers are possible:

1) because it is in their own self-interest to do so. Even retail banks can only remain successful in the long run if society and its surrounding environment are stable.

2) because they have the ability – and hence the responsibility – to make a positive contribution to humankind and the planet.

TEXTBOX 4: SUSTAINABLE RETAIL BANKS

- serve the real economy by efficiently and effectively performing their core functions – the mobilisation, pooling and allocation of capital for households and SMEs at adequate prices;
- are distinguished by fairness and transparency, in particular towards clients, employees and society;
- direct financial flows away from environmentally unsustainable activities towards those that build a sustainable future;
- influence the behaviour of companies and borrowers so that they act more sustainably.

3.1.1 SELF-INTEREST: RISKS AND OPPORTUNITIES

The integration of sustainability factors and science-based reduction pathways into investment and financing decisions results in better management of risks and opportunities for the bank and its clients. This means that they are directly linked to the business interests of a retail bank.

Climate change leads to multifarious risks, which can also be translated into financial risks.[35] With the rise in global average temperatures, the number of natural disasters such as floods also increases.[36] Also the loss of biodiversity poses a considerable risk to the real economy and consequently to the financial institutions that either finance or else invest in it. It has been estimated that approximately 55% of global gross domestic product[37] (GDP) relies on well-functioning biodiversity and ecosystem services.[38] One example of this relationship is our dependence on bees for natural plant pollination: if bees become extinct, the additional cost of artificial pollination is estimated to be EUR 153 billion.[39]

“Transition risks” are another type of risk associated with climate change and biodiversity loss. Governments around the world are introducing additional rules that impact the real economy and financial system. For example, countries in Europe as well as large cities are planning a moratorium on registrations or a ban on cars powered by fossil fuels.[40] The phase-out plans for fossil fuels give rise to the risk of stranded assets[41] for those retail banks that continue to be involved in these sectors. The general population is also asserting pressure on governments to take more action. People are bringing lawsuits against authorities, including central banks, for not assuming their responsibility in the climate crisis.[42] Indeed, these complaints are now also being heard: in December 2019, the Supreme Court of the Netherlands ruled that protection against emissions is a human right.[43] These liability and litigation risks are gaining ground on a global scale.[44]

Reputational risks are also worth noting. Banks run the risk of being actively associated with financing activities that are harmful to the climate or biodiversity. This can severely damage a bank’s reputation in the eyes of society and clients, with potential negative consequences for business.

As the number of products and services in the area of sustainable investments increases, so too does the risk of greenwashing. In 2018, the EU launched its Action Plan for Financing Sustainable Growth together with the development of the EU Taxonomy, which is designed to determine whether an economic activity is environmentally sustainable. Companies and financial institutions subject to the new EU Taxonomy Regulation will have to meet mandatory disclosure requirements. This will increase transparency on the market and help to reduce the risk of greenwashing. Being associated with greenwashing can lead to reputational risks, potentially escalating into financial risks.

TEXTBOX 5: GREENWASHING? A BRIEF EXPLANATION

Greenwashing generally means "feigned sustainable business activity in terms of environmental impact"[45]. Greenwashing may be practised by any company in any industry, including banks in the financial sector. For instance, a bank might publicly communicate ambitious environmental goals but in reality not planning any concrete measures to achieve them. Another possible form of greenwashing is at the product level. For example, investment funds may be marketed as sustainable when the funds are in fact invested in environmentally harmful companies. The misleading statements are not always made intentionally. Banks often lack appropriate internal guidelines, processes and controls to ensure that its statements reflect actual business practices. This once again underscores the importance of fully integrating sustainability aspects into the overall organizational structures, as well as raising employee awareness about the topic.

At the same time, the risks described can also create major opportunities. The real economy's financing needs for transitioning to a sustainable economy offers countless opportunities for retail bank investment and credit products. They are in a position to redirect financial flows towards transformational business activities.

Studies have shown that in the 2020 pandemic year sustainable investment funds achieved higher returns than did conventional funds.[46] The future clients of retail banks, e.g. climate youth, expect not only greater transparency but also products that reflect their values. Retail banks that respect these preferences and set an example in terms of sustainability can gain a competitive advantage. To do this, they need to respect planetary boundaries in their activities while their actions must be consistently sustainable.

3.1.2 LEVERAGING FUNCTION OF BANKS: RESPONSIBILITY FOR IMPACT

The financial system is the lifeline for the real economic system. Merely deciding where to deploy capital in the form of investments and loans has an impact on what can and cannot be realised. At the same time, the public sector is in no position to finance the necessary socioeconomic transformation on its own.[47] It has been estimated, for example, that Switzerland will require CHF 109 billion in investments to achieve the pledged net-zero greenhouse gas emissions by 2050.[48] This means that all economic players, including retail banks, must play their part. This is the only way we will be able to make the transition towards an emission-free and nature-friendly world.

Irrespective of the size of the bank, financial resources are the banking sector's most influential levers for accelerating the necessary transformation. This is essential if we are to create a world where people and nature can live together in harmony. Retail banks play an important part in this as they often operate on a regional basis. They finance a large proportion of Swiss buildings through mortgages.[49] At the same time, they interact closely with SMEs. They can serve as a lever and support for the transformation.

3.2 OBSTACLES

Fully harnessing the opportunities, minimising risks and taking responsibility are not without hurdles for retail banks. The WWF rating of the Swiss retail banking sector 2016/2017 already identified some of the challenging hurdles that retail banks have to overcome in this context. Despite the multifaceted and impressive efforts worldwide, dedicated to removing these obstacles, there remain the following challenges (not an exhaustive list):

Lack of standards, especially pertaining to biodiversity loss

Since the 2016/2017 rating, voluntary initiatives to develop common standards have been launched thanks to a number of major international efforts. For example, the Task Force on Climate-related Financial Disclosures (TCFD) is continuously working on recommendations for climate-related financial information disclosure. Its sister initiative, the Task Force on Nature-related Financial Disclosures (TNFD), focuses on biodiversity issues; as it is currently in its formative stages, it cannot yet issue any specific recommendations. In relation to the range of sustainable finance products on offer, the EU Taxonomy, which is one of the key elements of the EU Sustainable Finance Action Plan, plays a pioneering role in efforts to set clear and binding limits for defining sustainable economic activities. However, Switzerland still has no comparable binding classification system, thus rendering difficult the effective standardisation of sustainable financial products. Having said this, the Federal Council has stated its intention to make the TCFD recommendations mandatory for the entire economy.[50]

Lack of data, particularly for SME lending

The availability of reliable ESG data on companies is a prerequisite for making informed investment and lending decisions that also take sustainability criteria into account. There are various international data providers today, such as MSCI ESG, ISS ESG or Sustainalytics, as well as national data providers such as Inrate, but not every data provider has access to all of the necessary data.[51] This means that financial institutions must first determine which data provider best covers their investment and lending universe.[52] In the area of SME lending in particular, there is still a widespread gap between the data required to make sustainability-related decisions and the data provided.[53]

Lack of long-term, intergenerational time horizons

Integrating sustainability factors into investment and lending decisions is particularly beneficial when embedded in a system that adequately takes into account value created. Nevertheless, banks are often tied to rigid, short-term structures that measure short-term profit without taking into account the tremendous long-term value that can be achieved by directing funds towards sustainable activities.[54] This mindset is widespread and makes itself felt through processes that prevent adequate value measurement of goals and achievements over a longer time horizon. This also goes hand in hand with appropriate sustainability risk management pertaining to climate and nature-related risks, for instance. Since scenario analyses, i.e. forward-looking approaches to assessing climate-related risks and opportunities, for example, are able to play an important role in effectively taking such risks into account.[55]

Market failure – inadequate pricing of environmentally degrading activities and impacts

In the real economy, as previously mentioned in the WWF rating of the Swiss retail banking sector 2016/2017, negative externalities, e.g. environmental or climate degradation, are often not at all or insufficiently integrated into pricing. This means that those actors that partly cause this degradation either do not have to take any or do not have to take full responsibility for resulting impacts. For example, the lack of a uniform CO_2 price means that additional measures have to be taken in order to adequately reflect the cost of CO_2 emissions. This market failure is mirrored also in the finance system. If this market failure were remedied in the real economy, e.g. through effective internationalisation of externalities by means of environmental levies, no additional integration of so-called extra-financial ESG factors into investment and financing decisions would be necessary. ESG factors would be automatically taken into account as they would be economically relevant from the outset.

Inadequate regulatory framework conditions

The regulatory framework for greater sustainability in Swiss banking is currently underdeveloped. Key elements in this regard would be, for example, an obligation to disclose and report relevant and comparable environmental information at financial product and company levels, as well as the integration of sustainability factors into investment and financing decisions as a binding component of the fiduciary duty. Framework conditions ensuring greater transparency, standardisation and comparability could help the banking sector to contribute towards the sustainable development of the local economy and society.[56]

Insufficient integration of ESG risks into credit ratings

The risk models of specialised rating agencies or banks in general are only now gradually beginning to integrate ESG risks as well. For this reason, the current credit ratings generally reflect ESG risks inadequately.

In addition to the authors of the study, Oliver Oehri (Co-Head ESG Product Group, FE fundinfo) and Daniel Frauenfelder (Managing Director of Thalmann & Verling Trust reg., Triesen, Liechtenstein) also made significant contributions to Chapter 3.

4 SUSTAINABLE RETAIL BANKING IN SWITZERLAND: MARKET OVERVIEW AND TRENDS

TEXTBOX 6: MAIN DEVELOPMENTS SINCE THE LAST WWF RATING OF THE SWISS RETAIL BANKING SECTOR 2016/2017:

(1) Banks are now offering an expanded range of sustainable investment and financing options.

(2) The proportion of private clients in sustainable investments has doubled, confirming the growing interest among private clients.

(3) The existing range of sustainability products and services offered is still aimed mainly at the investment sector, whereas the sustainability offering in the financing sector is still less advanced and essentially focuses on the mortgage business.

(4) New technologies and digital solutions that promote sustainable investment behaviour and transparency towards clients are still not very widespread.

(5) The Federal Council has set itself the goal of making Switzerland a global leader in digital and sustainable financial services.

4.1 HOW SUSTAINABILITY IS POSITIONED WITHIN SWISS BANKS

The topic of sustainability has enjoyed increasing attention since the publication of the last retail banking rating by the WWF in 2016/2017 – not only among institutional investors but also and above all among private investors, policymakers and the general public. What used to be niche just a few years ago, the volume of investment in sustainable assets in Switzerland alone increased 62% from 2018 to nearly CHF 1,163.3 billion in 2019. By comparison, ten years earlier – in 2009 – this figure was only CHF 32.4 billion, which equates to not even 3% of today’s volume. Unlike in previous years, sustainable investments are playing an increasingly important role also among private investors, with a remarkable growth of 185%.[57] This development is supported in a positive way by a broadened range of sustainable investment products that are also increasingly being actively offered to private investors. For example, the number of sustainable public funds offered in Switzerland grew by 182 – from 595 in 2019 to 777 in 2020.[58] However, this growth must also be put into perspective insofar as there has been no generally applicable standard for defining sustainable investment products to date.

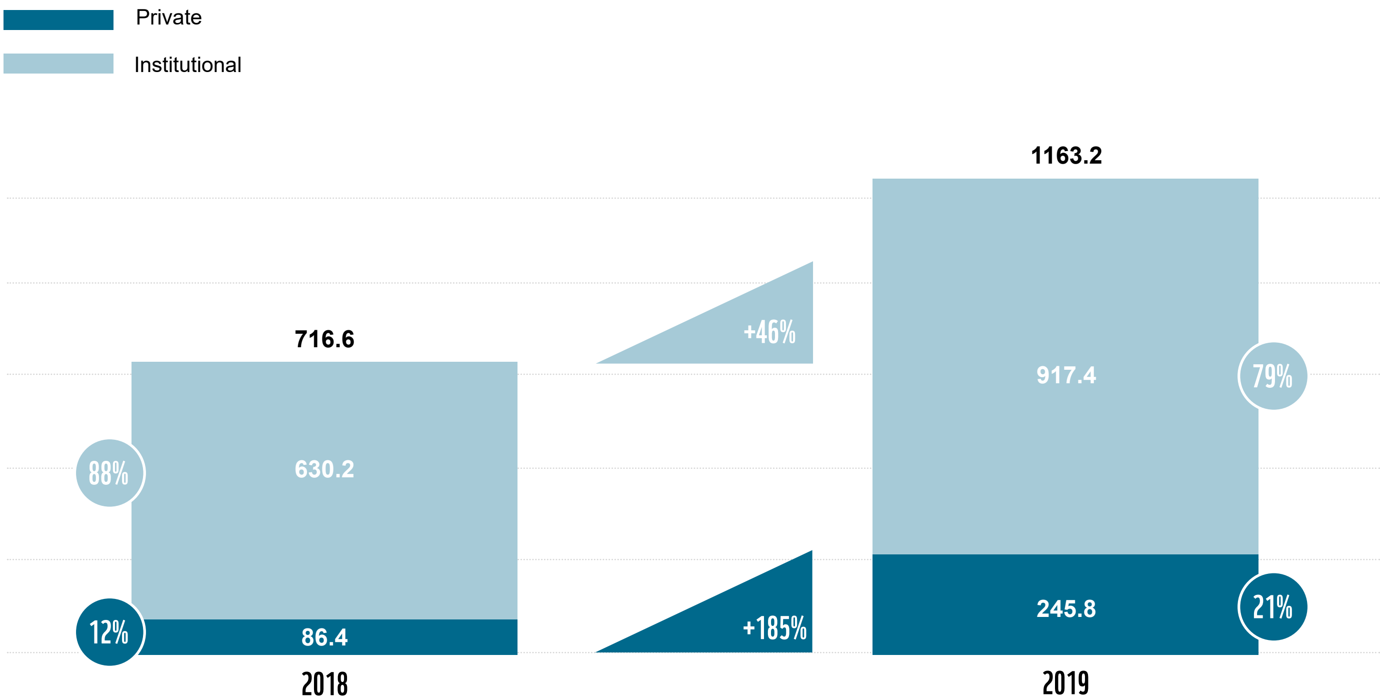

Figure 8: Development of institutional and private sustainable investments in CHF bn (2018–2019)
Source: See Swiss Sustainable Finance 2020: Swiss Sustainable Investment Market Study

The current issue of the Global Consumer Insights Pulse Survey by PwC confirms this development: For more than 50% of clients, it is important when making a purchase decision that the respective company operates in a socially and environmentally responsible manner.[59] Survey results in Switzerland also indicate that 47% of respondents believe sustainability will play an important role in our purchasing decisions in future.[60]

Notwithstanding this promising starting position, the debate on sustainable finances in Switzerland is still dominated by a number of questions. This is made clear by the report *Leading the way to a green and resilient economy* jointly published by PwC Switzerland and WWF Switzerland in 2020. It applies in particular to topics such as (1) the purpose that sustainable finance should serve (e.g. competitiveness of the financial sector vs. contribution to sustainability goals), (2) the scope it encompasses (e.g. ESG vs. climate change), (3) the business lines it focuses on (e.g. lending vs. investment) and (4) the type of intervention that is required or desirable (e.g. regulation vs. voluntary action).[61]

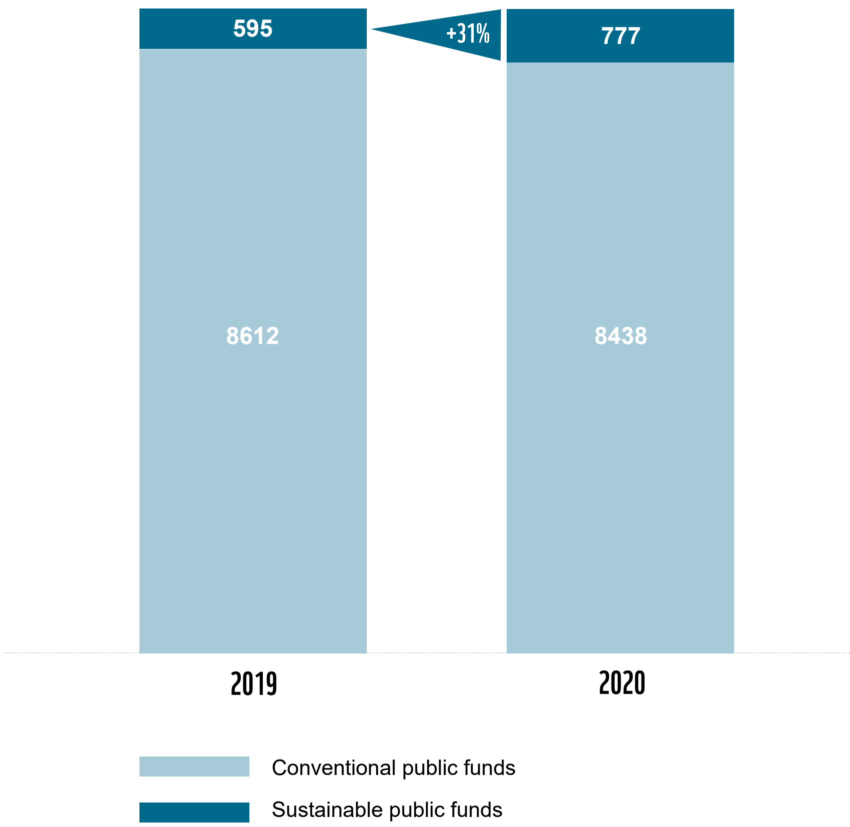

Figure 9: Development of the number of sustainable institutional public funds (2019–2020)
Source: See IFZ Lucerne 2020: Sustainable Investments Study 2020

WWF Switzerland and PwC Switzerland claim that financial flows should first and foremost serve to create a green and resilient economy. This would also enable the achievement of global environmental goals to which Switzerland is committed. To this end, all financial flows (investment, lending and underwriting business) managed or controlled by Swiss financial institutions need to follow a measurable transitional pathway to achieve the net-zero emissions target set by the Federal Council and fully recover biodiversity by not later than 2050.[62]

Research carried out by the University of Zurich shows that most banks have developed a set of ESG guidelines and a sustainable product offering, and, compared to the previous study conducted by the WWF, the majority of the players have established the systematic identification, assessment, control and monitoring of ESG-related risks across all business lines.[63] Above all, the topic of climate protection is becoming increasingly important for asset managers – they most frequently disclose the carbon footprint of portfolios, followed by investments in climate solutions and active commitment and voting rights for more climate protection.[64] The existing range of sustainability products and services offered is primarily targeted at the investment sector, whereby sustainability offerings in the area of loans & financing is still fairly underdeveloped. To achieve a transformational impact towards a global sustainable economy, banks must embed sustainability-related business models not only at the strategic level but also operationally. As the study shows, not all bank employees are familiar with the ESG requirements, for example, and are therefore unable to advise clients accordingly.[65]

Similarly, biodiversity impacts are inadequately incorporated into financial products. In the report *Nature is too big to fail* published jointly by the WWF Switzerland and PwC Switzerland in 2020, it is argued however that this is a major factor in the fight against the consequences of climate change. Extensive biodiversity loss and the destruction of ecosystems can have far-reaching effects on the economy. This is why the risk of such losses should be integrated into ordinary risk management processes. Biodiversity is an extremely complex issue, however, and its ongoing measurement has proven difficult so far. Accordingly, it has not been priced into most financial products to date. By using methods like the Global Diversity Score developed by CDC Biodiversité and similar approaches, however, greater transparency could be achieved in this area today and this risk could be accurately priced in.[66]

TEXTBOX 7: ALTERNATIVE BANK SWITZERLAND (ABS)

Ethics over profits for more than 30 years

Alternative Bank Switzerland (ABS) is a pioneer of values-based banking in Switzerland. True to its articles of association and mission statement, it is committed to the common good through its business activities. ABS promotes the real economy socially, environmentally and transparently, strictly excluding anything in contradiction with this approach. The fact that, since its founding in 1990, ABS has voluntarily gone much further than, for example, the Federal Council's guidelines in its 2020 strategy for a sustainable financial center, is attributable to the solidarity of all its clients and more than 8,100 shareholders. Starting as a project that many did not take very seriously, ABS has since developed into a stable, successful bank with total assets of CHF 2.1 billion and more than 41,000 clients. For ABS, sustainability is not just one aspect among its actions but rather the guiding principle for all its activities:

1. **As a social actor, ABS takes its responsibility for financial flows seriously.** The intermediation and investment of funds – the central task of banks – is not value-neutral but rather has a determining influence on the direction in which society, the economy and the environment develop. Accordingly, ABS has established exclusion criteria for areas that it classifies as unsustainable. It has defined business fields that it wants to promote and facilitate based on their positive impact on society and on the environment. The exclusion criteria apply to both its lending and investment business equally. In 2019, ABS also launched its first dedicated investment fund with the strictest sustainability criteria in Switzerland.

2. **ABS' business activity is strongly oriented towards the real economy.** Loans or financial investments have a bearing on the real economy if they flow directly into a project or a company. This is based on the conviction that investments in the real economy have a greater leverage effect on the development of the economy and society than pure financial market transactions. 86% of loans are issued in nine funding areas, thereby bringing added value to sustainability. 100% of the loans comply with the extensive exclusion criteria.

3. **ABS covers all banking activities that it considers to be sustainable.** It is consistently guided by the sustainability criteria of its business model. For this reason, ABS deliberately refrains from investment banking, speculation and proprietary trading. It seeks to be profitable but only aims to achieve sufficient profit to be able to consistently pursue its business model even during times of crisis.

4. **Since its founding, ABS has focused on transparency.** Every loan granted by ABS is published in its annual report along with the loan amount and purpose, as is the remuneration of each individual member of the bank's governing bodies. The sustainability of the bank is analysed and published every year using the comprehensive evaluation grid of the international association of value-based banks, the Global Alliance for Banking on Values (www.gabv.org).

5. **ABS practises its sustainability principles also internally:** The Executive Committee consists of three women and two men and has no chair. Part-time work and job sharing are also practised at this level. The 122 employees are organised in a Staff Association, which provides one member to the Board of Directors. 38% of the management positions are held by women. Both through its actions and through a strong voice, ABS aims to become a model for a sustainable financial centre. As a founding member of the Global Alliance for Banking on Values, ABS is also committed to responsible financial flows within the international association.

Rico Travella, Head of Marketing and Communication, Alternative Bank Switzerland

4.2 INTEGRATION OF SUSTAINABILITY INTO RETAIL BANKING PRODUCTS

4.2.1 SUSTAINABLE FINANCIAL INVESTMENTS AND IMPACT INVESTING

Sustainable financial investing refers to the strategy where the traditional criteria of profitability, liquidity and security are supplemented by environmental, social, ethical and corporate governance criteria (ESG criteria). Sustainable financial investments are also called “responsible investments” (RI) or “socially responsible investments” (SRI).

The topic of “impact investing” has been added to the scope of this study. This refers to investments in companies, organisations and funds, with the intention of achieving measurable positive environmental and social impacts in addition to a positive financial return. The social and/or environmental impact forms part of the investment strategy and is measured. The decisive difference to Social Responsible Investing is the explicit definition of impact targets and the measurement of the investment’s impact. As ESG is now widely integrated into the financial markets, a considerable shift towards the real impact of the investment – impact investing – can be observed. With annual growth of 209%, impact investing showed the highest growth rate of all sustainable investment approaches (see figure below) in 2019.

All approaches showed considerable volume increases. As was the case in 2018, ESG integration continues to lead the way in 2019. A typical ESG integration process begins with collecting ESG data on countries and companies through a number of sources, such as ESG data providers, public sources and companies themselves. This data is applied to an ESG rating, enabling data comparability. The exclusion approach again ranks second with regard to investment volume. These strategies check to see whether invested companies or sovereigns (government bonds) violate certain exclusion criteria. The most widespread exclusion criteria for corporate investments are human rights violations, labour law violations, corruption and bribery, environmental degradation, weapons and tobacco. As soon as a company violates at least one of the exclusion criteria applied, it is deemed non-investable for sustainable investment products. ESG engagement now ranks third (up from fourth place last year), which indicates that active interaction with investee companies has become more important. Both ESG engagement and ESG voting grew at a significant rate. Both volumes more than doubled in 2019.[67]

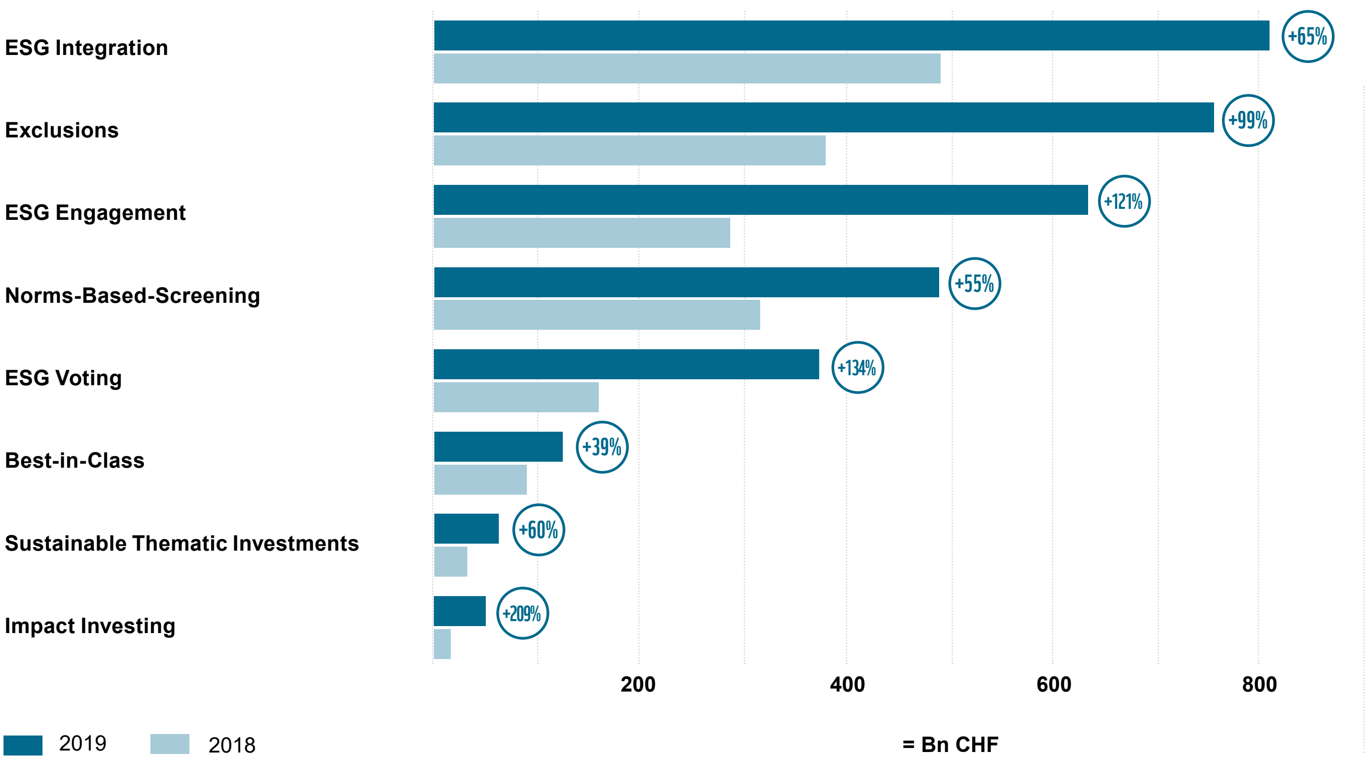

Figure 10: Development of sustainable investment strategies

Source: See Swiss Sustainable Finance 2020: Swiss Sustainable Investment Market Study

4.2.2 REGULATORY DEVELOPMENTS

Besides data gaps, the biggest barriers to implementing sustainable investment strategies are the lack of common definitions, metrics and standards. To accelerate the implementation of the United Nations' Agenda 2030 and the Paris Climate Agreement, some countries and regions are moving forward with financial market regulation. With its Sustainable Finance Action Plan, the EU in particular has taken on a leading role in creating a regulatory framework for sustainable finance. This is designed to promote investments in sustainable economic activities. The EU is breaking new ground here, introducing among other things a uniform classification system for sustainable economic activities and investments – the Taxonomy. With its Taxonomy, the EU has defined binding standards that serve as guidance for retail banks.

In addition, numerous initiatives and platforms at the international level are dedicated to the topic of sustainability in the financial sector. Various stakeholders have joined forces here, creating widely accepted standards such as the TCFD (Task Force on Climate-related Financial Disclosures), the PRI (Principles for Responsible Investment) and the PRB (Principles for Responsible Banking). In Switzerland, almost 145 institutions have signed the PRI (139) and/or the PRB (6).

Even if locally operating retail banks are not yet directly affected by European developments, it seems only a matter of time before the regulatory screws are tightened also in Switzerland for sustainability in finance, with recommendations becoming binding requirements. The Federal Council has taken a first step in this direction with its announcement on planning to develop a binding implementation of the TCFD recommendations for companies in the overall economy. [68]

As to developments here, the Federal Council declared in summer 2020 its intention to make Switzerland a leading location for sustainable financial services. [69] This positioning follows in the footsteps of other European financial centres such as Frankfurt, Paris and London, which have also made bold announcements of their aspirations to become leaders in the area of sustainable finance. However, it is still difficult to see how the Federal Council intends to turn this high aspiration into reality. To distinguish itself from the other financial centres and develop a "sweet spot" in this competitive landscape, PwC Switzerland and WWF Switzerland are convinced that Switzerland should focus on its typical Swiss values such as excellence, innovation and authenticity. This means a new quality approach is required for the Swiss financial sector: financial flows for a green and resilient economy.[70]

An important building block in this context is the revised CO_2 Act, which aims among other things to align financial flows in a climate-friendly way, calling on FINMA and the SNB to review the micro- and macro-prudential financial risks of climate change. Numerous associations in Switzerland are also active in developing groundbreaking "quasi-regulations". These include the recommendations published by Swiss Sustainable Finance (SSF) and the Swiss Funds & Asset Management Association (SFAMA) for the effective implementation of a sustainable investment process, for example, or the guidelines for the integration of ESG criteria into the advisory process for private clients by the Swiss Bankers Association (SBA).

This calls for Switzerland to incorporate international developments and recommendations if it is to take on a leading role in the area of sustainability in the financial system. Sector-wide collaborations can help to create a level playing field in this setting.

4.2.3 GREEN FINTECH NETWORK PRESENTS ACTION PLAN

To strengthen the Swiss financial centre as a leading location for sustainable financial services, the framework conditions must be defined in such a way that competitiveness is continually improved and an effective contribution is made towards the implementation of the UN Agenda 2030.[71]

The Green Fintech Network, founded for this purpose in November 2020, was launched with the support of the State Secretariat for International Financial Matters (SIF). It consists of an informal group of experts from the "green digital finance ecosystem" and pursues the goal of identifying potential improvements in order to establish the optimal framework conditions for a "green digital finance ecosystem" in Switzerland. Specific measures are proposed in the process, and their implementation is supported. The network regards its proposals as a concrete incentive for authorities, associations, academia and companies to strive for promising innovative implementations.

A corresponding action plan for a green and innovative Swiss financial centre was presented on 8 April 2021. It outlines 16 concrete proposals for a forward-looking combination of digital technology and sustainable finance. The action plan includes, among other things, proposals on the following topics:

(1) Promoting access to data

(2) Cultivating new start-ups

(3) Promoting access to clients

(4) Simplifying access to capital

(5) Supporting ecosystem and innovation[72]

This is bringing new opportunities and new players to the market to meet the growing demand for sustainable solutions. Swiss green fintech companies offer services in the area of investment management. Prominent examples include Yova, a robo-advisor that provides tailored investment solutions with sustainable impact, as well as 3rd Eyes, which offers a goal-based and sustainable investment suite with scenario-based asset and liability management methods. In addition, companies such as Greenmatch, Blueyellow and Pexapark focus on renewable energy, as well as its efficient trading and structures. Globally, the Green Digital Finance Alliance (GDFA), launched in 2016 as a partnership between Ant Financial and the United Nations Environment Programme, serves as an example for companies that advance sustainable development with a focus on financial services. Its objectives are generally in line with those of green fintech, the use of digital technologies and innovations to improve financing mechanisms for sustainable development (GDFA, 2021).[73]

Although the development of the green fintech market is still in its early stages, it can be assumed that green fintech will continue to grow in relevance in Switzerland and present retail banks with further opportunities and challenges.


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5 METHODOLOGY

5.1 RATING FOCUS

Similar to the first WWF rating of the Swiss retail banking sector (2016/2017), the current rating assessed Switzerland's 15 biggest retail banks based on assets under management for financial year 2019. The table below summarises basic information on the retail banks assessed:

Bank	**Total assets in CHF m (2019)**	**AuM** in CHF m (2019)	**Loans/lending to clients** in CHF m (2019)	
		Client deposits (liabilities from client deposits)	**Mortgage receivables**	**Receivables from clients**
UBS Switzerland AG	**285,014**			
Credit Suisse (Switzerland) Ltd	**222,721**	**159,573**	**117,403**	**29,121**
Cantonal Bank of Zurich	**167,054**	**85,089**	**84,311**	**8,905**
PostFinance Ltd	**125,574**	**108,469**	**0**	**12,075**
Raiffeisen Group	**64,169**	**13,943**	**11,105**	**2,824**
Banque Cantonale Vaudoise	**48,352**	**33,048**	**27,016**	**5,752**
Migros Bank AG	**47,033**	**35,482**	**38,322**	**2,091**
Cantonal Bank of Basel	**44,820**	**26,456**	**28,670**	**2,881**
Luzerner Kantonalbank AG	**42,493**	**22,629**	**28,874**	**3,810**
Cantonal Bank of Saint Gall Ltd	**35,944**	**22,499**	**24,659**	**2,278**
Berner Kantonalbank	**32,930**	**22,970**	**22,663**	**1,398**
Valiant Bank AG	**29,906**	**19,090**	**23,332**	**1,471**
Graubündner Kantonalbank	**28,509**	**16,697**	**17,378**	**2,701**
Cantonal Bank of Aargau	**28,351**	**18,221**	**21,615**	**1,181**
Basellandschaftliche Kantonalbank	**27,280**	**17,487**	**19,601**	**1,471**

Table 4: The 15 biggest Swiss retail banking institutions according to balance sheet total for financial year 2019
Source: WWF Switzerland/PwC Switzerland 2021. Based on the banks' 2019 annual reports.

5.2 ASSESSMENT METHODS AND CATEGORIES

The retail banks were assessed at the level of individual criteria on the basis of a cost-benefit analysis. The cost-benefit analysis method was selected as it permits the aggregation of the score obtained per criterion across different areas.

As shown earlier, the rating is based on 3 core areas, 8 topic areas, 15 fields of action and 39 individual criteria. For each of the 39 individual criteria, 5 performance levels were defined which correspond to the assessment criteria to assess the measures implemented by the retail banks. A score between a maximum of 5 and a minimum of 1 was possible for each criterion. For each of these scores an assessment category was defined that is based on the five classification categories described above (see Table 5: Assessment categories and classification categories of the WWF Rating of the Swiss retail banking sector). The maximum score 5 denotes a situation that WWF Switzerland views as desirable and achievable for a retail bank based on environmental criteria. Overall, the green assessment categories – 'Visionary – the bank of 2030' (5), 'Trend-setting' (4) and 'Appropriate' (3) – represent 'Above average' scores.

Each of the 39 individual criteria was operationalised in detail using the five assessment criteria. The operationalisation serves as a guide for the assessment and keeps track of the particular score given to a particular performance. Systemising the assessment in this way ensures that each bank is measured against the same requirements, enabling a high level of transparency and traceability of the assessment.

The assessment of the retail banks was performed by multiplying the score obtained per criterion by the weighting of the respective criterion. The sum of these scores gave the overall rating for assigning each retail bank to one of the classification categories defined above.

Not all of the reviewed retail banks offer financial services in all product and/or service areas. To reflect these circumstances, the relevant criteria were given a zero weighting in the rating for the retail banks concerned, with the weighting of the remaining criteria increased proportionally.

Colour coding	Assessment categories	Classification categories
	Visionary – the bank of 2030	Visionaries
	Trend-setting	Pioneers
	Appropriate	Ambitious
	Average	Average
	Inadequate/non-disclosing	Latecomers/non-disclosers

Table 5: Assessment categories and classification categories of the WWF Rating of the Swiss retail banking sector
Source: WWF Switzerland.

5.3 RATING CONCEPT

The methodology behind the rating is based on WWF's 2030 vision for (more) sustainable retail banking (see 2030 vision for more sustainable retail banking.) It identifies and evaluates:

- whether the 15 biggest Swiss retail banks are moving in the "right direction", i.e. towards a better realisation of requirements formulated in the 2030 vision; and
- how the retail banks position themselves in relation to each other and in comparison with the first rating (2016/2017).

The content-related focus of the WWF rating of the Swiss retail banking sector 2020/2021 is primarily on:

- the environmental impacts of the retail banks' management, investment and financing products; and
- the corresponding transparency and documentation.

A comprehensive sustainability assessment of retail banks is important to WWF. Accordingly, not only the environmental impacts but also the overall sustainability impacts were consciously assessed in the savings, investments and pension provision rating area and at the level of general corporate management. In the loans & financing rating area, however, the main focus is on the environmental impacts.

The methodology of the retail banking rating 2020/2021 is based on the methodology of the retail banking rating 2016/2017, which was developed in collaboration with Inrate; however, it was revised with the support of PwC Switzerland and the external expert committee and was adapted to reflect developments over the last four years (see Introduction).

RATING CATEGORIES AND WEIGHTINGS [74]

For the WWF, an environmentally conscious retail bank stands out for its responsible and goal-oriented actions in three strategic core areas – general corporate governance and its two core businesses:

- **Corporate governance:** Strategies and management systems geared towards environmental sustainability and social commitment to promote environmentally sustainable frameworks and behaviour patterns.

- **Savings, investments and pension provision:** Ecologically sustainable and transparent product offering with binding environmental and sustainability objectives.

- **Loans and financing:** The focus here as well is on ecologically sustainable and transparent products with binding environmental and sustainability objectives.

WWF assigned additional topic areas and fields of action to these three core areas, which form the basis for the assessment in the WWF rating of the Swiss retail banking sector.

The three core areas were weighted equally. The topic areas and fields of action in the area of corporate governance were given strictly equal weightings. In the core areas of savings, investments & pension provision and loans & financing, the weightings took into account the calculated volume shares of the different product and service areas[75] in order to reflect their actual level of financial importance.

Figure 11: Areas covered by the WWF rating of the Swiss retail banking sector

The most important core strategic areas (innermost ring), topic areas (middle ring) and fields of action (outermost ring) of an environmentally conscious retail bank
Source: WWF Switzerland/PwC Switzerland 2021.

Main area	Topics	Fields of action
Corporate governance	Social commitment and representation of interests	Commitment to sector initiatives
	Governance, monitoring and reporting	Structures and standards
		Relevance analysis and objectives
		Risk management
		Monitoring and reporting
	Operational management	Operational environmental management
		Pension fund and equity
Savings, investments and pension provision	Savings and investments	Savings and account management
		Investment advice and products
	Pension provision	Pension advice and products
Loans and financing	Loans	Private loans
		Corporate loans
	Mortgages	Mortgages and building loans
	Management of environmental credit and mortgage risks	Overall management of environmental risks

Figure 12: Areas covered by the WWF rating of the Swiss retail banking sector
Source: WWF Switzerland/PwC Switzerland 2021.

5.3.2 ASSESSMENT CRITERIA AND RATING QUESTIONNAIRE

At the level of the strategic core areas, topic areas and fields of action, WWF has formulated in a precise manner what its expectations are for a sustainable and environmentally conscious retail bank. For the purpose of assessing retail banks, a set of 39 individual criteria was derived from these expectations and requirements: 10 criteria for the area of corporate governance, 15 criteria for the area of savings, investments and pension provision, and 14 criteria for the area of loans and financing. For each criterion, a number of questions were posed via the online questionnaire to fully cover the criterion. The retail banks were asked to verify their responses using source details and supplementary comments. If there was any unclarity or inconsistency in the responses provided, additional information was requested through follow-up questions.

5.3.3 CLASSIFICATION CATEGORIES

Depending on how far off the 15 analysed retail banks were from the 2030 vision for (more) sustainable retail banking, they were classified according to five categories: 'Visionaries', 'Pioneers', 'Ambitious', 'Average' and 'Latecomers'.

The classification categories are defined as follows:

VISIONARIES

Visionary retail banks pursue a holistic sustainable corporate strategy with clearly defined sustainability goals, which they communicate transparently both internally and externally. Their stated goal is to make their financial flows climate-neutral and directing them towards sustainable activities. They systematically take sustainability aspects – so-called ESG factors – into account in their business activities. These aspects also include biodiversity. They also endeavour – within the means at their disposal – to influence the behaviour of private clients, companies and other stakeholder groups in such a way that they act more sustainably and promote ecologically sustainable framework conditions. Sustainable finance products make up the bulk of their product range. With the products and services that they offer, they provide their clients with the opportunity to make a positive impact in the real economy.

PIONEERS

Pioneers recognise the importance of not only economic goals but environmental and social goals as well. They work actively and transparently to improve their sustainability impact while achieving individual successes in this area. They move forward boldly and develop innovative solutions in some areas. They offer their clients a relatively broad range of sustainable financial products, which they actively promote. However, they have not yet integrated ESG factors holistically into their business activities.

AMBITIOUS

The Ambitious consider sustainability to be an important component of their corporate strategy but still have some deficiencies. They have recognised that integrating ESG factors presents economic opportunities while providing a suitable means of minimising risks within the scope of their business activities. They offer their clients individual sustainable finance products without, however, promoting innovations themselves. Moreover, their range of sustainable products does not cover all product areas.

AVERAGE

Retail banks that are assessed as Average take sustainability into account in their corporate strategy but still have significant deficiencies, particularly with regard to transparency. They have integrated individual ESG factors into their decision-making process, having recognised that they are economically relevant in the short term and therefore also relevant to maximising shareholder value. They consequently adopt a rather defensive approach. They offer their clients individual sustainable finance products but do not actively promote them.

LATECOMERS/NON-DISCLOSERS

ESG factors hardly appear on the radar of Latecomers; their business policy is geared towards purely financial factors. They respond to sustainability issues only if they are prompted to do so by regulation, stakeholder groups such as NGOs or sustainability-conscious clients. They do not offer their clients any sustainable financial products.

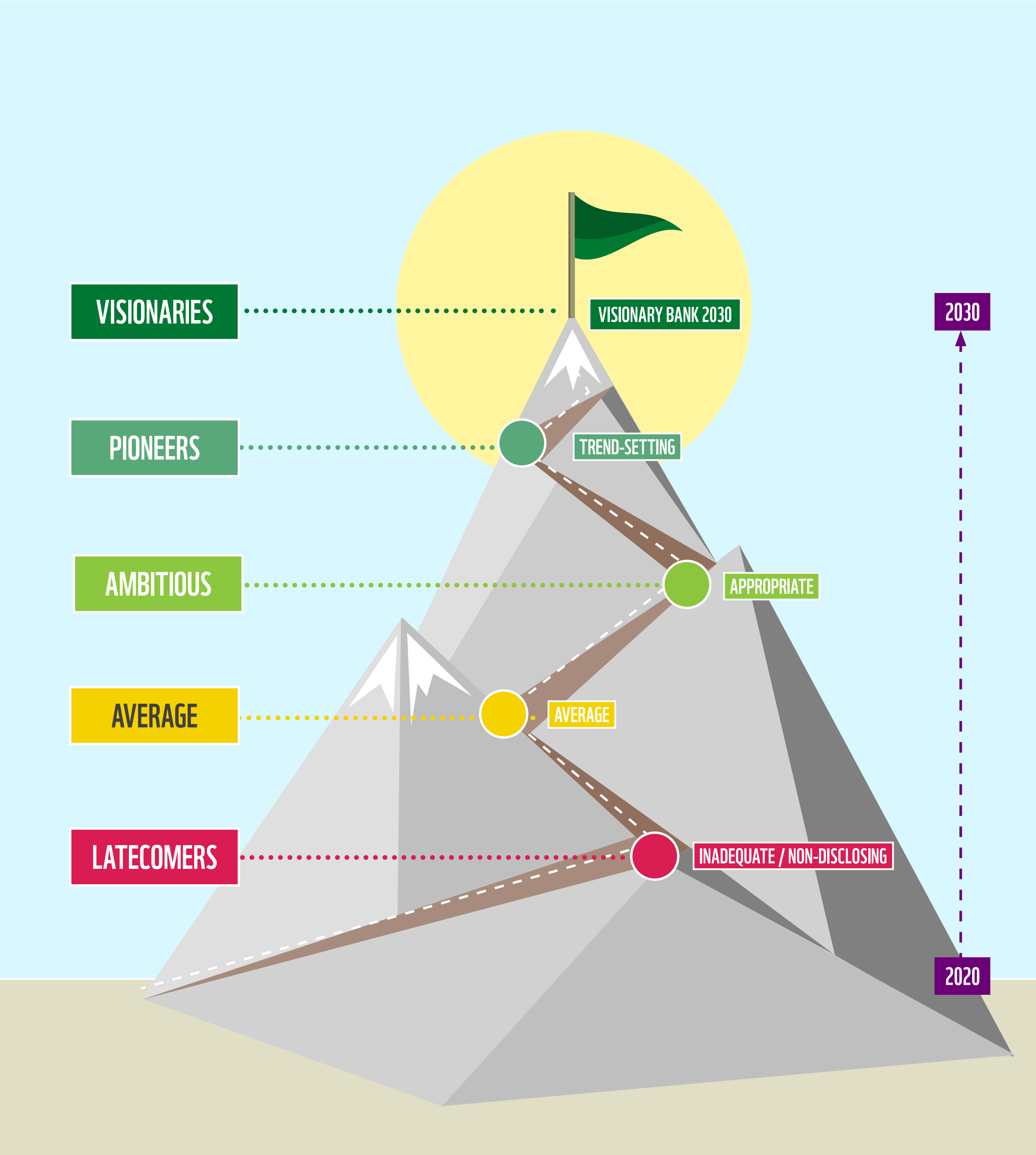


Figure 13: Sustainable development path for Swiss retail banks

Source: WWF Switzerland 2021.

5.4 DIFFERENCES TO THE METHODOLOGY OF THE WWF RATING OF THE SWISS RETAIL BANKING SECTOR 2016/2017

To reflect the fact that addressing key sustainability issues such as global warming or the loss of biological diversity is time-sensitive and that developments in the area of sustainable finance are accelerating, the requirements for the retail banks have been raised in this latest rating.[76] The current rating differs in the following points to the WWF rating of the Swiss retail banking sector 2016/2017:

5.4.1 CONTENT-RELATED FOCUS OF THE RATING

The rating categories and criteria document the extent to which the retail banks have integrated sustainability into their business activities, with a primary focus on environmental issues (see Rating focus). The environmental focus of the WWF rating of the Swiss retail banking sector 2016/2017 was on climate protection in particular. In the current rating, the focus is not only on climate protection but also on the protection of biodiversity. To this end, specific biodiversity criteria were developed and queried.

5.4.2 CHANGES TO THE FIELDS OF ACTION

The “Risk management” field of action has now been added to the “Governance, monitoring and reporting” topic area of corporate governance. This is attributable to the mounting scientific and empirical evidence that environmental risks such as climate and biodiversity risks pose material financial risks to institutions and should be included in their decision-making processes as a result.

5.4.3 CHANGES AND ADDITIONS TO CRITERIA

The following points were newly queried in the area of corporate governance:

- Goals in the area of biodiversity, and the monitoring and disclosure of such goals
- Identification, measurement and disclosure of (quantitative) environmental risks
- Participation in the climate alignment test conducted by the Swiss Federal Office for the Environment (FOEN)[77]

The following points were newly queried in the area of savings, investments and pension provision:

- Digital solution offerings in the area of investments and pension provision, with the aim of achieving greater transparency on the sustainability performance of products and services, thereby empowering clients and employees to make informed, sustainable financial decisions.
- Integration of the client’s sustainability preferences in investment advice.
- Inclusion and disclosure of sustainability risks in investment advice

The following points were newly queried in the area of loans and financing:

- Digital solution offerings in the area of loans and financing, with the aim of achieving greater transparency on the sustainability performance of products and services, thereby empowering clients and employees to make informed, sustainable financial decisions.
- Quantification of the sustainability impact of loans granted
- Quantification of the sustainability impact of mortgages granted

As part of the WWF rating of the Swiss retail banking sector 2016/2017, the comprehensive carbon footprint of investment products was calculated using the envIMPACT methodology developed by Inrate.[78] This methodology was no longer used in the current rating. In this year’s rating, retail banks were expected to be able to compile and disclose these or comparable metrics themselves.

5.5 SYSTEM BOUNDARIES

The segments considered for the assessed institutions form part of the retail business (see What is retail banking?). At the major Swiss banks/universal Swiss banks Credit Suisse and UBS Switzerland AG, only their activities in Switzerland were part of the assessment. On the investment side, business with asset management mandates for private individuals was also assessed as part of this rating (for explanation, see What is retail banking?).

On the financing side, offerings for private households and for SMEs were both assessed. There is no uniform client segmentation in Swiss retail banking on either the investment or financing side. It is thus possible that the analysed retail banks selected different spectrums (e.g. of assets) for retail client segmentation.

The system boundary for the assessment period of all retail bank strategies, policies, measures, etc. was financial year 2020 (closing date: 31/12/2020). Any further developments and measures planned by the banks for 2021 were not included in the rating. Data from financial year 2019 ending 31 December 2019 was used for calculating the effectiveness of sustainable investment strategies and for assessing the environmental impacts of the investment and pension products, as well as corporate loans (see Appendix 2: Environmental impact of different sectors and sub-sectors), as this data was already available at the time of the survey.

Geographically, the rating relates only to the business in Switzerland of the respectively assessed retail banks.

5.6 SPECIFIC CONCEPTUAL FOUNDATIONS

5.6.1 "POLITICAL COMMITMENT" SUB-RATING

In the "corporate governance" rating area, "political commitment" was analysed and assessed. A separate sub-rating underlies this criterion: the WWF policy rating. Although this sub-rating carries only a low weighting in the overall rating, WWF Switzerland regards the political commitment of retail banks as very relevant. Banks act as important multipliers with a view to creating sustainable framework conditions. Accordingly, this sub-rating is explained in greater detail below.

The administration and parliament can be influenced both directly and indirectly by companies via associations. Political actors perceive these as important voices. Hence, companies also have a substantial influence on the outcome of political processes, including when these directly or indirectly relate to the environment. There are very considerable differences between some industries in terms of the influence that companies have on environment-related political decisions.

We expect a sustainable retail bank to be committed to also promoting sustainable framework conditions in the Swiss political arena. In the sub-rating, we used all information that was publicly available – such as consultation responses, newsletters, position papers and texts on websites as well as in association and business publications. In addition, we included lobbying letters provided by industry associations and interest groups.

16 items from the following policy areas were taken into account for the assessment of "political commitment": financial market policy, energy and climate policy, transport policy and economic policy.

The policy items are as follows:

1. **17.071** Total revision of the CO_2 Act for the post-2020 period. Building. Art. 8 and 9.
2. **17.071** Total revision of the CO_2 Act for the post-2020 period. Domestic target. Art. 3. Para. 2 (reduction targets).
3. **17.071** Total revision of the CO_2 Act for the post-2020 period. Collection of CO_2 levy. Art. 29 and 30.
4. **13.074** Energy strategy 2050. First package of measures. Overall assessment of proposal
5. **16.083** Paris Climate Agreement. Approval of a reduction target of at least 50%
6. **17.071** Total revision of the CO_2 Act for the post-2020 period. Art. 38: Introduction of an air ticket levy
7. **16.077** Code of Obligations (OR). Stock corporation law. (The Committee for Legal Affairs of the National Council (RK-N) is submitting new proposals as part of the revision of stock corporation law (16.077), which constitute an indirect counter-proposal to the popular initiative "For responsible companies – for the protection of people and the environment").
8. **20.433** Parliamentary initiative. Strengthening the Swiss circular economy.
9. **19.3951** Postulate. ESPEC CS. Releasing the brakes on sustainable finance products
10. **17.071** Total revision of the CO_2 Act for the post-2020 period. Art. 43a/b CO_2 Act: climate alignment test for financial flows
11. **17.071** Total revision of the CO_2 Act for the post-2020 period. Art. 43c CO_2 Act: obligation to disclose the climate risks of financial flows
12. **17.071** Total revision of the CO_2 Act for the post-2020 period. Art. 47a CO_2 Act: disclosure of climate risks
13. **20.3012** Postulate. EATC NC. Sustainability goals for the Swiss National Bank.
14. **17.455** Parliamentary initiative. Thorens Goumaz. Constitutional business of the SNB under the banner of sustainability.
15. **19.4313** Motion. Leo Müller. Demonstrating sustainable finance flows
16. **19.3127** Postulate. Thorens Goumaz: International developments in the area of sustainability: How can we ensure the competitiveness of our financial sector?

We selected these policy items because of their greater importance to the retail banking sector from an environmental perspective from 2017 to today.

We have identified the following key stakeholder organisations whose direct members are companies in the retail banking sector and which have commented on at least a few of the aforementioned environmental transactions:

1. SwissBanking (Swiss Bankers Association)
2. Swiss Sustainable Finance
3. FNG (Sustainable Investment Forum)
4. Asset Management Association Switzerland (formerly Swiss Funds & Asset Management Association)
5. Association of Swiss Cantonal Banks
6. öbu
7. Economiesuisse

It should be noted that representation on high-level bodies of an association is also classified as membership even if the company is not officially a member. Political steering committees are classified as relevant bodies, whereas specific, thematically restricted working groups are not.

For each item (or for selected, particularly important parts of the item), it was verified where possible on whether the company or one of the relevant associations actively lobbied and, if so, to what extent. If a bank was not directly active in an item, nor indirectly active through an association, this was given a slightly negative rating and classified as 'Average'. This was done with the conviction that, in important environmental items, a sustainable retail bank is expected to be working directly or indirectly *for* an ecologically sound solution. This slightly negative rating for inactivity is better, however, than direct and/or indirect lobbying against the environment.

A few cantonal banks were given a sustainability mandate by the legislator, among others. This can be defined for the individual banks in the purpose article of the corresponding cantonal banking law. In the example of Cantonal Bank of Zurich (ZKB), the sustainability mandate is noted in Art. 2 of the Law on Cantonal Bank of Zurich (Cantonal Bank Law). Bank are also free to pursue objectives in this area without an explicit sustainability mandate, of course, and document the achievement of their objectives in sustainability reports published at regular intervals.

5.6.2 ASSESSMENT OF THE ENVIRONMENTAL IMPACT

Every franc that clients entrust to their bank for savings, investments or pension provision has an impact on the environment. The same also applies to loans and mortgages granted to clients and companies. Banks can in this way use their clients' savings to invest in coal-fired power plants, for example. These funds damage the climate and destroy nature. Alternatively, banks can invest the funds in renewable energy technology such as solar or wind power, thereby creating a positive impact on the climate and environment.

As the majority of the banks still do not quantify and publish the environmental impacts of their investment, pension products and corporate loans and mortgages, the WWF rating of the Swiss retail banking sector 2020/2021 again made an effort to calculate the environmental impact in each case. The prerequisite for the calculation was that the assessed retail banks were able to provide information on the allocation of their investment and pension products and corporate loans and mortgage volumes (in CHF or %) to sectors and sub-sectors of particular environmental relevance (sector allocation).

The sector matrix in the appendix provided the methodical basis for the calculation. The sector matrix assigns specific environmental impact scores in the second column to the sectors and sub-sectors of particular environmental relevance. These assess the external environmental costs of economic activities on a scale of 1 to 5. A rating of 1 represents a very high negative environmental impact, while a rating of 5 represents a very low negative environmental impact. Retail banks that were unable to perform the sector allocation were likewise given a rating of 1. The environmental impact of the investment products, pension products, corporate loans and mortgages is calculated by weighting the environmental impact scores of the financed sectors and sub-sectors by the retail banks' respective volume shares.

The sector matrix and environmental impact scores are based on the "Impact Matrix" developed by Inrate (as of November 2016) and have been revised by WWF's climate and environmental experts. The table can be found in Appendix 2.

5.6.3 CAPTURING THE CARBON FOOTPRINT (SCOPES 1 TO 3)

Unlike in the first rating, the carbon footprint was not calculated using a specific methodology this time. As part of the questionnaire, participating banks had the opportunity to share information relating to the measurement of their own carbon footprint.

TEXTBOX 8: THE GHG PROTOCOL: DIRECT AND INDIRECT GHG EMISSIONS

The predominant and globally accepted standard for greenhouse gas (GHG) emissions accounting is the Greenhouse Gas Protocol (GHG Protocol). It assists financial institutions, companies and governments in measuring, managing and disclosing emissions across operations, value chain and products. It divides GHG emissions into three categories (scopes):

Category ("scope")	Bank example
Scope 1: Direct GHG emissions from operations that are owned or controlled by the reporting company.	GHG emissions from the bank's own vehicles.
Scope 2: Indirect GHG emissions from the generation of purchased or acquired energy.	GHG emissions from the generation of purchased electricity and heating for the bank building.
Scope 3: All other indirect GHG emissions (not included in scope 2) that occur within the value chain of the reporting company, including both upstream and downstream GHG emissions.	GHG emissions from business travel, employee commuting, waste disposal or the production of promotional materials[79]; also recommended: capturing GHG emissions associated with investments and financing ("financed emissions").

5.6.4 ASSESSING THE EFFECTIVENESS OF SUSTAINABILITY INVESTMENT STRATEGIES

Not all sustainability investment strategies underlying sustainable investment and pension products are equally suitable for improving the sustainability impact of these products. For example, a strategy that is based on only a few exclusion criteria (e.g. the exclusion of controversial weapons) has a much lower sustainability impact compared to a strategy that, in addition to numerous exclusion criteria, also incorporates ESG criteria such as carbon intensity or the water footprint of the underlying asset classes. The effectiveness of the strategies therefore differs in terms of their sustainability impact. Unfortunately, the product-related and overall portfolio-related transparency of the assessed retail banks is still not very comprehensive with regard to the specific strategies implemented. Moreover, the sustainability impact is rarely disclosed for individual products, and still not disclosed in detail for the overall product portfolio at the assessed banks. This makes it difficult for clients to check the actual quality of a product (see Savings, investments and pension provision).

For this reason, an attempt was made to also determine the effectiveness of the underlying sustainable investment strategies for the assessed retail banks, i.e. the general suitability of the respective investment strategies to actually improve the sustainability impact of financial investments.

The assessment of the investment strategy's effectiveness on the sustainability impact is rated on a scale from 1 (not effective at all) to 5 (very effective) (see Appendix 3: Assessment of effectiveness of sustainability investment strategies).

Given that a combination of different sustainable investment strategies now make up the majority of investment approaches and can take on a wide variety forms, this year's rating preferred not to specify any particular strategy combinations.[80] Instead, the banks had the option of individually compiling the combinations they applied and of specifying the associated investment and pension volume.

It was possible, for example, to specify that a combination of exclusion criteria, ESG integration and best-in-class approach would be applied for a certain investment volume. As the combination of different strategies generally leads to a better sustainability impact, it was given a better rating (+0.5 on the highest rating for an individual strategy), albeit it was not possible to exceed the maximum rating of 5.[81]

The effectiveness of the investment strategy mix for each bank was then calculated on the basis of the weighting in accordance with the respective underlying investment or pension volume of the individual investment strategies.

The table containing all details can be found in Appendix 3.

5.7 PROCEDURE FOR THE RATING AND OBJECTIVITY OF THE ASSESSMENTS

The rating was carried out in five overarching steps:

1. Rating preparation

An online questionnaire was developed based on the aforementioned set of 39 criteria. In parallel, the 15 biggest retail banks were informed in writing of the implementation and procedure of the WWF rating of the Swiss retail banking sector.

2. Pre-filling the rating

In order to reduce the effort for the retail banks surveyed, the questionnaire was pre-filled for them in some sub-areas using information that was publicly available.

3. Completion of the rating by the retail banks

The link to the online questionnaire was sent to the retail banks. A kick-off webinar was offered to all the retail banks. The aim of the kick-off webinar was to explain in detail the exact project steps, the associated objectives and rating methodology, as well as to answer any questions that might arise. The retail banks then had the opportunity to complete the questionnaire and upload supporting documentation. Confidential information was also provided; this information was used in the assessment but may not be disclosed externally.

4. Determining the company ratings

The central task of the rating was to assess the retail banks against the individual criteria on the basis of the company information and operationalisation. Once the assessment was completed, the retail banks were given the opportunity to critically review their results and provide any additional information. All the retail banks had the opportunity to discuss with representatives of WWF Switzerland and PwC Switzerland any open items and questions that arose in connection with the draft assessments. All 15 companies made use of this option.

5. Preparing the fact sheets for the retail banks

On the basis of the consolidated assessment, individual fact sheets were prepared for all retail banks (see Appendix 1: Individual fact sheets of the assessed retail banks). The fact sheets summarise the results for each rating area and present the overall result. They also display the industry average and an information as to how the bank has changed in comparison to the last rating. The fact sheets were submitted to the respective retail banks for review and approval prior to publication.

Objectivity of the assessment

Strict observance of the principle of objectivity was ensured in the design and implementation of the rating. The assessment of the retail banks is based on clearly defined and objective criteria, as well as their operationalisation and weighting, which were disclosed to all retail banks. Only information from retail banks that was verified by sources was used for the assessment. In addition, the rating methodology was extensively disclosed in this report.

The preparation of the rating methodology and all individual ratings of the retail banks were subject to stringent checks by WWF Switzerland and an independent panel of experts following each project step. The ratings were systematically cross-checked on a regular basis to ensure a consistent assessment of the retail banks. All assessed retail banks were able to provide feedback on individual rating results, information used in the ratings, fact sheets and examples of best practices using consistent processes.

6 RESULTS AND ANALYSES

6.1 OVERALL RESULT

VISIONARIES		
PIONEERS		
AMBITIOUS	Cantonal Bank of Basel ▲ Basellandschaftliche Kantonalbank ▲ Berner Kantonalbank AG ■	Credit Suisse** ▲ Raiffeisen Group* ■ UBS Switzerland AG** ▲ Cantonal Bank of Zurich ■
AVERAGE	Banque Cantonale Vaudoise ■ Graubündner Kantonalbank ○ Migros Bank AG ■	PostFinance Ltd ▲ Cantonal Bank of Saint Gall Ltd ■ Valiant Bank AG ▲
LATECOMERS	Cantonal Bank of Aargau ▼ Luzerner Kantonalbank AG ▼	

▲ Improvement ■ No change ▼ Decline ○ First-time participation

Rating result compared with the last rating in 2016/2017: ***

Table 6: Assessment categories and classification categories of the WWF rating of the Swiss retail banking sector
Source: WWF Switzerland/PwC Switzerland 2021.

* The Raiffeisen Group rating focuses on the retail banking activities of the Raiffeisen banks and Raiffeisen Switzerland.
** The UBS Switzerland AG and Credit Suisse rating focuses on the retail banking business in Switzerland.
*** None of the banks have effectively regressed. As requirements to achieve the respective categories were more challenging, however, compared with the last rating in 2016/2017 and were oriented towards the vision of a sustainable bank by 2030 (compared with a sustainable bank by 2025 in the previous rating), the banks moved down a category despite slight positive changes within their business or consistent business practices, and as a result they finished in a lower position compared with the last rating.

6.2 OVERALL RESULT PER RETAIL BANK

The following table summarises the results from the individual survey criteria.

									Overall result
Cantonal Bank of Aargau	■	▼	▼	▼	▼	■	■	■	▼
Banque Cantonale Vaudoise	■	▲	■	■	■	■	■	■	■
Cantonal Bank of Basel	■	■	▲	▲	▲	▲	■	▲	▲
Basellandschaftliche Kantonalbank	▲	▲	■	■	■	■	■	▲	▲
Berner Kantonalbank AG	■	■	▼	■	▲	▼	▼	■	■
Credit Suisse**	■	▲	■	■	▲	■	▼	▲	▲
Graubündner Kantonalbank	○	○	○	○	○	○	○	○	○
Luzerner Kantonalbank AG	■	■	▼	■	■	▲	▼	■	▼
Migros Bank AG	■	■	▼	■	▼	▼	■	■	■
PostFinance Ltd	▲	▲	■	▲	■	■	■	not rated	▲
Raiffeisen Group*	■	▲	▲	▼	▼	▲	▲	▲	■
Cantonal Bank of Saint Gall Ltd	▲	■	■	▲	▲	■	▼	■	■
UBS Switzerland AG**	■	▲	■	▲	▲	■	▲	▲	▲
Valiant Bank AG	▲	■	■	▲	▲	▲	■	▲	▲
Cantonal Bank of Zurich	■	▼	▼	■	■	■	■	▲	■

Rating result compared with the last rating in 2016/2017:***

▲ Improvement ■ No change ▼ Decline ○ First-time participation

* The rating of Raiffeisen Group focuses on the retail banking activities of the Raiffeisen banks and Raiffeisen Switzerland.
** The UBS Switzerland AG and Credit Suisse rating focuses on the retail banking business in Switzerland.
*** None of the banks have effectively regressed. As requirements to achieve the respective categories were more challenging compared with the last rating in 2016/2017 and were oriented towards the vision of a sustainable bank by 2030 (compared with a sustainable bank by 2025 in the previous rating), the banks moved down a category despite slight positive changes within their business or consistent business practices, and as a result they finished in a lower position compared with the last rating.

Corporate governance

Social commitment and representation of interests

Governance, Monitoring and Reporting

Operational management

Savings, investments and pension provision

Savings and Investments

Pension provision

Loans and Financing

Loans

Mortgages

Management of environmental credit and mortgage risks

Table 7: Rating results of retail banks by topic and overall

Source: WWF Switzerland/PwC Switzerland 2021.

Colour coding	Assessment categories	Classification categories
	Visionary – the bank of 2030	Visionaries
	Trend-setting	Pioneers
	Appropriate	Ambitious
	Average	Average
	Inadequate/non-disclosing	Latecomers/non-disclosers

Table 8: Assessment categories and classification categories of the WWF rating of the Swiss retail banking sector

Source: WWF Switzerland.

6.3 RESULT ANALYSIS

6.3.1 GENERAL OVERVIEW

In the overall result of the present sustainability rating, 6 (2016/2017: 10) of the 15 retail banks were 'Average' in the financial year 2020 under review.[82] As in the last rating, only 2 were classified as 'Inadequate'. Positive developments were seen in the category of institutions classified as 'Ambitious', with 7 banks included in this category in this year's rating and therefore assessed as 'Above average': Cantonal Bank of Basel, Basellandschaftliche Kantonalbank, Berner Kantonalbank AG, Credit Suisse, Raiffeisen Group[83], UBS Switzerland AG and Cantonal Bank of Zurich.[84] As in the 2016/2017 rating, no banks were assigned to the 'Pioneers' or 'Visionaries' group.

The first steps towards a comprehensive sustainable business management strategy and its implementation typically consist of aligning corporate governance (e.g. corporate governance structures, goals and reporting) with sustainability and taking operational ecology measures (e.g. reducing energy consumption in one's own company). Only when the institutions have gained some experience here do many of them begin to systematically incorporate sustainability impacts into their core business – in the case of retail banks, this means investment, savings, lending and mortgage products. The biggest impact lever is in the area of investments and loans, where retail banks act as capital managers for the economy and society, indirectly achieving far-reaching sustainability-related impacts as a result.

The figure below shows the rating results of the banks for each rating area. It confirms the process explained in the section above and demonstrates that the assessed banks [85] were 'Appropriate' in the area of corporate governance on average for industry and thus somewhat better than in the core business. By contrast, the banks performed somewhat worse, i.e. 'Average', in the core business areas of savings, investments and pension provision and loans and financing.

If we then look at the two core business areas of savings, investments and pension provision and loans and financing, it is evident that, although progress has been made in both areas compared with the last rating, the area of loans and financing still offers a great deal of potential for more effective management of opportunities and risks in the field of sustainability and hence for improving the sustainability impact on the real economy.

Bank	Corporate governance	Savings, investments and pension provision	Loans and financing
Cantonal Bank of Aargau	●●○○○	●○○○○	●○○○○
Banque Cantonale Vaudoise	●●○○○	●●○○○	●●○○○
Cantonal Bank of Basel	●●●○○	●●●○○	●●○○○
Basellandschaftliche Kantonalbank	●●●○○	●●●○○	●●○○○
Berner Kantonalbank AG	●●●○○	●●●○○	●●○○○
Credit Suisse	●●●●○	●●○○○	●●○○○
Graubündner Kantonalbank	●●●○○	●●○○○	●●○○○
Luzerner Kantonalbank AG	●●○○○	●○○○○	●○○○○
Migros Bank AG	●●○○○	●●○○○	●●○○○
PostFinance Ltd	●●●○○	●●○○○	●○○○○
Raiffeisen Group	●●●●○	●●●○○	●●●○○
Cantonal Bank of Saint Gall Ltd	●●○○○	●●○○○	●○○○○
UBS Switzerland AG	●●●●○	●●●○○	●●●○○
Valiant Bank AG	●●○○○	●●○○○	●○○○○
Cantonal Bank of Zurich	●●●○○	●●●○○	●●○○○
Industry average	●●●○○	●●○○○	●●○○○

Figure 14: Rating results per rating area
Source: WWF Switzerland/PwC Switzerland 2021.

6.3.2 CORPORATE GOVERNANCE

In the area of corporate governance, 6 of the banks scored 'Average', and 6 were rated 'Appropriate'. 3 institutions – Credit Suisse, Raiffeisen Group and UBS Switzerland AG – were rated 'Trend-setting' (see Figure 14: Rating results per rating area).

The area of corporate governance is divided into three topic areas: "Social commitment and representation of interests", "Governance, monitoring and reporting" and "Operational management". Viewed as an industry average, the rating for the topic areas "Social commitment and representation of interests", "Governance, monitoring and reporting" and "Operational management" was 'Appropriate', with the latter two topic areas just barely achieving this rating (see Figure 15: Rating results in the area of corporate governance).

	Corporate governance		
Bank	**Social commitment and representation of interests**	**Governance, monitoring and reporting**	**Operational management**
Cantonal Bank of Aargau	●●●○○	●●○○○	●○○○○
Banque Cantonale Vaudoise	●●○○○	●●●○○	●●○○○
Cantonal Bank of Basel	●●●○○	●●●○○	●●●●○
Basellandschaftliche Kantonalbank	●●●●○	●●●●○	●●○○○
Berner Kantonalbank AG	●●●●○	●●●○○	●●●○○
Credit Suisse	●●●●○	●●●●●	●●●○○
Graubündner Kantonalbank	●●●○○	●●●○○	●●●○○
Luzerner Kantonalbank AG	●●●○○	●●○○○	●○○○○
Migros Bank AG	●●●○○	●●○○○	●●○○○
PostFinance Ltd	●●●○○	●●●○○	●●●○○
Raiffeisen Group	●●●●○	●●●●○	●●●●○
Cantonal Bank of Saint Gall Ltd	●●●○○	●●○○○	●●○○○
UBS Switzerland AG	●●●●○	●●●●●	●●●○○
Valiant Bank AG	●●●○○	●●○○○	●●○○○
Cantonal Bank of Zurich	●●●●○	●●●○○	●●●○○
Industry average	●●●○○	●●●○○	●●●○○

Figure 15: Rating results in the area of corporate governance
Source: WWF Switzerland/PwC Switzerland 2021.

The reviewed Swiss retail banks were 'Appropriate' in many aspects of corporate governance: integrating environmental protection and sustainability into their own corporate governance structures, as well as strategic decision-making and goal-setting processes; establishing (ideally independently certified) environmental management systems; reducing energy consumption and greenhouse gas emissions in their own companies using dedicated measures and corresponding monitoring; and actively engaging in industry initiatives and associations where sustainability or environmental protection is an explicit (sub-)goal.

Compared to the last rating, there was an improvement in the identification of topic areas that are relevant to the banks from a sustainability viewpoint and the resulting concrete, preferably measurable targets derived therefrom. On a positive note, 14 of the 15 institutions now record greenhouse gas emissions at least to the extent of scopes 1 and 2.[86] However, only 11 banks have also set concrete emissions reduction targets. 12 of the assessed institutions specified that they also record scope 3 emissions.[87] 8 banks have so far set specific emissions targets for themselves in this area, however, which means that a key lever for reducing CO_2 emissions still remains largely unused. 7 institutions now use science-based methods to set targets for all or parts of their business – for example, in the form of a concrete CO_2 reduction pathway in line with the Paris Climate Agreement.[88] For more information on scopes 1 to 3 emissions, see "The GHG Protocol: direct and indirect GHG emissions" text box.

Provided that banks have defined targets, they generally manage and control target achievement professionally, review them regularly and initiate appropriate measures for missed targets.

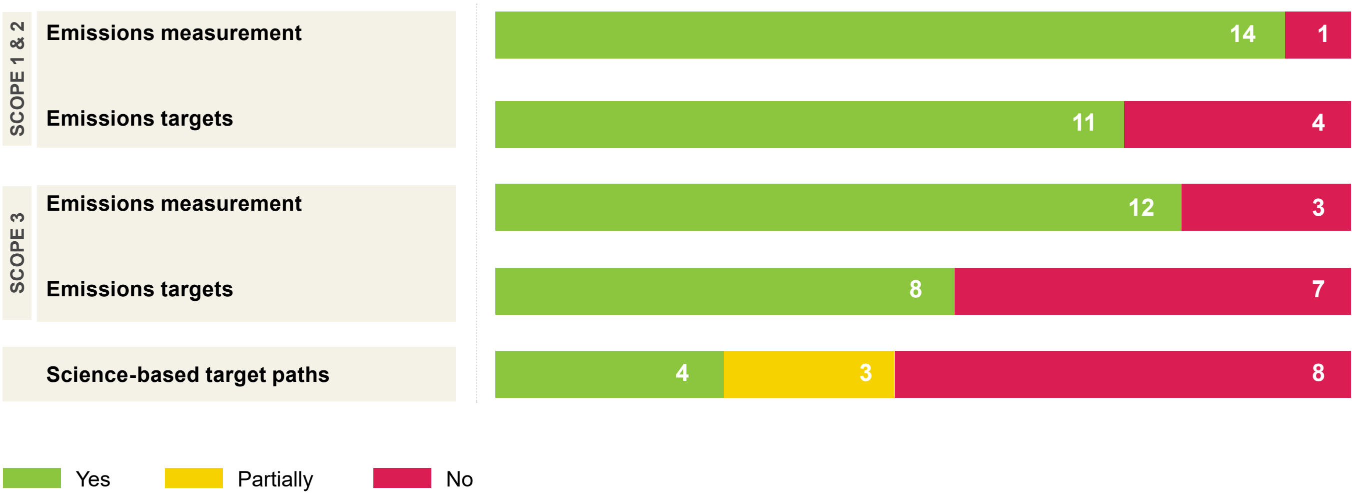


Figure 16: Overview of emissions measurement/targeting at company level
Source: WWF Switzerland/PwC Switzerland 2021. For more detailed explanations of the scopes 1 to 3 emissions, see Textbox 8: The GHG Protocol: direct and indirect GHG emissions.

In summary, carbon footprint measuring is not yet a given for some Swiss banks. It is certainly reassuring that 14 out of the 15 banks measure their scopes 1 and 2 emissions, with most also measuring scope 3 emissions to a limited extent. However, banks have yet to include in their scope 3 emissions calculation the emissions that they financed in the form of loans or capital investments.

There is also still considerable room for improvement in measuring the impact of the financial products offered. Most of the participating banks are already measuring this impact in the area of investments and pension products, albeit the scope of emissions measurement is also still insufficient here while being partly limited to individual products and not calculated for the entire portfolio. There is an even greater information gap in the area of corporate loans and mortgages.

Even four years after the first WWF rating, many banks are still not in a position to provide conclusive information regarding their carbon footprint. Additional efforts are certainly still needed here, including in cooperation with the real economy. Also the introduction of a common standard could ensure greater transparency.

TEXTBOX 9: SCOPE 3: ALSO A QUESTION OF WHICH STANDARD IS USED

The analysis of the banks' responses to the question of whether they measure their scope 3 emissions shows that 12 of them do. In their responses, however, the retail banks refer to scope 3 emissions from their operating business, and even this to a limited extent only. Financed emissions are not recorded and disclosed in most cases.
However, retail banks need to make it their medium-term goal to know, manage and reduce their financed emissions. In fact, measuring financed emissions is the starting point for climate-related risk management, opportunity identification and climate-related goal setting.

One possible standard for addressing this gap is the Global GHG Accounting Standard, which was launched by the Partnership for Carbon Accounting Financials (PCAF)[89] and is an extension of the well-known GHG Protocol. This standard was developed by banks and investors and equips financial institutions with harmonised, robust methods to measure financed emissions. It allows them to

- assess climate-related risks and opportunities in line with the TCFD recommendations;
- set science-based goals; and
- devise informed climate strategies and measures for developing innovative finance products to support the transition to a net-zero economy.

Since its launch, more than 100 financial institutions have already applied this standard, including Alternative Bank Switzerland, Berner Kantonalbank AG, Raiffeisen Group and Cantonal Bank of Basel.

The banks were likewise ‘Above average’ with regards to their political commitment to furthering sustainability-promoting and environmentally friendly framework conditions in Switzerland. The rating shows that the banks’ political commitment is generally indirect via memberships in industry associations and interest groups and that they rarely take a direct public position. Within the industry associations and interest groups, however, individual retail banks are already taking a more active role in promoting sustainability. It is to be hoped that the industry’s participation in the political dialogue in support of environmental and sustainability-related issues will continue to grow in future, both indirectly and directly.

It is interesting to note that the banks were still only assigned a rating of just ‘Average’ in connection with the investment of their own pension fund assets and equity capital. This may be due to the fact that these issues are generally not made visible externally to stakeholder groups and are therefore viewed within the respective banks as less relevant than the “traditional” issues relating to operational ecology mentioned above or environmentally friendly/sustainable investment products (see Savings, investments & pension provision), which are particularly relevant to client perception. Depending on the size of the bank, relatively large amounts of assets may be involved here.

TEXTBOX 10: BEST PRACTICES IN CORPORATE GOVERNANCE

- In its annual sustainability report, **Raiffeisen Group** publishes various key figures on the sustainability of products and services, as well as additional material information on other relevant environmental topics relating to its own business operations. The information in its sustainability report is directly related to the overall climate target or the reduction of its carbon footprint. Internal sustainability reporting is directly provided to the Executive Board and Board of Directors on a regular basis.
- **Berner Kantonalbank AG, Credit Suisse, UBS Switzerland AG** and **Cantonal Bank of Zurich** have an ISO 14001-certified environmental management system for all locations.
- **Cantonal Bank of Aargau, Cantonal Bank of Basel, Basellandschaftliche Kantonalbank, Berner Kantonalbank AG, Graubündner Kantonalbank, PostFinance Ltd, Raiffeisen Group, Cantonal Bank of Saint Gall Ltd, UBS Switzerland AG, Valiant Bank AG** and **Cantonal Bank of Zuric**h are committed via memberships in respective national and/or international industry associations and initiatives where sustainability, environmental protection or social commitment is an explicit (sub-)goal. For example, the President of the Bank Council of Basellandschaftliche Kantonalbank joined the Board of Swisscleantech in March 2020 and, together with the Head of Sustainability at Basellandschaftliche Kantonalbank, is active in the Swisscleantech “Sustainable Finance” working group or a management board member sits on the Board of Swiss Sustainable Finance.
- The Federation of Migros Cooperatives [Migros-Genossenschafts-Bund (MGB)], which also includes **Migros Bank AG**, and **Credit Suisse**, have officially committed to science-based targets aligned with the internationally recognised Science-Based Targets initiative (SBTi).

In the area of sustainability risk management at company level, the banks scored ‘Average’. The majority of the banks consider sustainability risks largely based on qualitative analyses, with only few institutions already conducting quantitative analyses to determine risk. Moreover, clearly defined sustainability risk indicators are still lacking for the most part, while transparency on this topic in the form of public reporting is still very limited.

Although the vast majority of institutions now use established international reporting standards for sustainability reporting – such as those of the Global Reporting Initiative (GRI) or, in some cases, the Task Force on Climate-related Financial Disclosures (TCFD) – the scope of this reporting is still limited in some cases. There is also a lack of transparency in some cases, e.g. with regard to the sustainability impact of the investment and pension product portfolio, as well as financing activities.

6.3.3 SAVINGS, INVESTMENTS AND PENSION PROVISION

In the area of savings, investments & pension provision, which includes the topic areas of "Savings and investments" and "Pension provision", the 15 Swiss retail banks performed relatively differently. 7 banks were rated 'Average', and 2 'Inadequate'. By contrast, 6 institutions were 'Appropriate': Cantonal Bank of Basel, Basellandschaftliche Kantonalbank, Berner Kantonalbank AG, Raiffeisen Group, UBS Switzerland AG and Cantonal Bank of Zurich (see Figure 14: Rating results per rating area). Although more banks were rated 'Appropriate' this year in the two areas of savings and investments and pension provision (see Figure 17: Rating results in the area of savings, investments and pension provision), the industry average for both topic areas was 'Average' in each case, similar to the previous rating.

	Savings, investments and pension provision	
Bank	**Savings and investments**	**Pension provision**
Cantonal Bank of Aargau	●○○○○	●○○○○
Banque Cantonale Vaudoise	●●○○○	●●○○○
Cantonal Bank of Basel	●●●○○	●●●○○
Basellandschaftliche Kantonalbank	●●●○○	●●●○○
Berner Kantonalbank AG	●●○○○	●●●○○
Credit Suisse	●●○○○	●●○○○
Graubündner Kantonalbank	●●○○○	●●●○○
Luzerner Kantonalbank AG	●○○○○	●○○○○
Migros Bank AG	●●○○○	●●○○○
PostFinance Ltd	●●○○○	●○○○○
Raiffeisen Group	●●○○○	●●●○○
Cantonal Bank of Saint Gall Ltd	●●○○○	●●○○○
UBS Switzerland AG	●●●○○	●●●○○
Valiant Bank AG	●●○○○	●●○○○
Cantonal Bank of Zurich	●●●○○	●●●○○
Industry average	●●○○○	●●○○○

Figure 17: Rating results in the area of savings, investments and pension provision
Source: WWF Switzerland/PwC Switzerland 2021.

It can be seen that the sustainability concept is still hardly applied in a systematic fashion in **savings accounts** as a field of action. As in the last rating, most banks came in the category 'Below average' since they did not have sustainability guidelines in place in the area of savings accounts and thus did not take account of sustainability aspects.[90] There is also a widespread lack of transparency in informing clients on the specific use of their savings, with only a few savings account solutions allowing clients a certain degree of choice in the use of their funds. Only Cantonal Bank of Zurich and Basellandschaftliche Kantonalbank were 'Above average' here (see Textbox 11: Best practices in savings accounts).

TEXTBOX 11: BEST PRACTICES IN SAVINGS ACCOUNTS

- **Basellandschaftliche Kantonalbank** offers the Future Account [Zukunftskonto]. With the Future Account, private individuals can support sustainable and regional projects. The project contribution is currently 0.025% of deposits per year. The product website lists information on the "Forests of Tomorrow" ["Wald von morgen"], which it currently supports. Clients use the deposits primarily to support the refinancing of the energy mortgage.
- With the Environment Savings Account of **Cantonal Bank of Zurich**, clients waive a portion of the interest rate to benefit loans for environmental projects. Clients are informed annually about the use of the funds. This ensures a certain level of transparent reporting on the sustainability impact achieved.
- With Micro-Donations from **Credit Suisse**, clients can donate the interest earned on their savings account to a non-profit organisation. They can specify at any time what percentage of the annual net interest income from their savings account they wish to donate to the charitable organisation of their choice. They choose from 10%, 25%, 50%, 75 %or 100%, and the corresponding share of their net interest income is transferred to the charitable organisation on their behalf.

In the case of **investment products** as a field of action, sustainability aspects are considerably better integrated than in the case of savings products. In the period under review, each bank offered at least one sustainable investment product, whereby a standard uniform definition for what constitutes a sustainable product is lacking and can vary widely as a result. This means that a bank can declare as "sustainable" a product that only applies standard exclusion criteria. By contrast, for example, another bank describes a product as "sustainable" only if it strictly meets minimum ESG rating criteria, does not exceed a specific carbon footprint and also excludes certain climate-damaging industries. The problem of a lack of standards is a well-known difficulty, for which solutions are being sought at the international level (see Obstacles). Within the scope of this report, it was possible to perform only approximate corrections for these different definitions (see sub-section "Transparency of investment and pension products" on the following page).

Except for 3 retail banks, all of the assessed institutions also have sustainability-related investment guidelines, which in many cases apply not only to investment products advertised explicitly as "sustainable" but also equally to standard products. For example, many banks apply general exclusion criteria for industries that are particularly harmful to the climate and environment (e.g. the coal industry) or enforce ESG minimum ratings that apply to all investment business. The industry showed an improvement in this area compared to the last rating. There are also isolated cases of quantified emission reduction targets for the investment business as a whole, but this is still the exception. This further indicates that most Swiss retail banks tend to act defensively and still prefer not to be measured against their targets by external stakeholder groups.

A major influence on the dissemination of sustainable products is undoubtedly the importance that sustainability-related topics have in advisory discussions with clients. Client advisers should at the very least receive regular training on sustainability issues and have access to an internal specialist unit for addressing any specific questions they might have. Clients should also be actively and systematically asked about their specific sustainability preferences, which should be taken into account accordingly in investment recommendations and decisions.[91]

Of the 15 reviewed banks, 14 now have a Sustainability Office that client advisers can turn to if they have any questions. 11 institutions also offer regular employee training on the topic of sustainability, and the majority of banks at least ask about their clients' stance towards the topic. The strongest leverage is present, however, when sustainable investment products are offered practically as standard or default – or when there are no longer any non-sustainable product options to choose from. The latter is the case at Basellandschaftliche Kantonalbank and Graubündner Kantonalbank. A survey on this topic shows that this is also in the interest of the client: 75% of the respondents stated that they would welcome banks offering sustainable products as standard, and 48% are still of the opinion that only sustainable investment products should be offered.[92]

TEXTBOX 12: BEST PRACTICES IN INVESTMENT PRODUCTS

- **Basellandschaftliche Kantonalbank** has strict exclusion criteria for its own investment products, including the general promotion of fossil fuels, air travel and genetically modified seeds. It also has its own investment offering comprised solely of products that take sustainability aspects into account. For brokered third-party funds, Basellandschaftliche Kantonalbank conducts systematic analyses of ESG aspects and evaluates whether the fund is supported by an adequate sustainability approach.
- **Graubündner Kantonalbank** also only offers products that incorporate sustainability aspects while pursuing the goal of achieving net-zero CO_2 emissions for its investment business by 2030.
- **Cantonal Bank of Zurich**'s active traditional collective investment business is subject to a decarbonisation target. In addition, the carbon-equivalent intensity of the corresponding Swisscanto funds is publicly visible through a quarterly "Swisscanto Sustainability Reporting". Also, the sustainability approaches used in each case are transparently disclosed in its reports.
- In autumn 2020, **Berner Kantonalbank AG** opted for a "sustainability first" principle for its investment advisory process, primarily offering sustainable products. This partly builds on its previously launched online portal "*hüt für morn*", which serves as an information platform on sustainability topics for investment advisers and clients.

In the case of **pillar 3a/b pension products**, sustainability aspects are integrated to a similarly extensive degree as in the case of investment products, the difference being that 6 banks now offer exclusively sustainable pension products in the area of pension funds. The difference (identified in the last rating) between investment and pension assets in terms of the existence of sustainability-related guidelines and the integration of sustainability aspects into the advisory process was not evidenced in this year's rating. It can be deduced from this that the banks have taken measures to address the deficiencies on the pension side and to align them with the standard on the investment side – or even to exceed it in some cases, such as with the example of institutions that now only offer sustainable pension products.

TEXTBOX 13: BEST PRACTICES IN PILLAR 3A/B PENSION PRODUCTS

- **Basellandschaftliche Kantonalbank, Berner Kantonalbank AG, Graubündner Kantonalbank, Raiffeisen Group, and UBS Switzerland AG** only offer pillar 3a/b pension products that systematically take sustainability aspects into account.
- **Cantonal Bank of Zurich** exclusively offers active pillar 3a/b pension products that systematically incorporate sustainability aspects.
- In the pension consulting process at **Basellandschaftliche Kantonalbank**, advisers are trained in product differentiation with regard to specific sustainability aspects of the products to ensure that client preferences are reflected.

Transparency of investment and pension products

A fundamental aspect of sustainable investment and pension products is their transparency in terms of their sustainability impact. Most retail banks typically communicate the underlying sustainability strategies to their clients in their respective product fact sheets, brochures and leaflets. This is essential if clients want their investments to go towards supporting specific sustainability-related issues. In most cases, however, this information is limited to a very brief, purely qualitative description of the underlying investment strategy. In some cases, ESG scores obtained from external providers are additionally disclosed for the products.

This information is usually not sufficient, however, for clients to assess the **effectiveness of sustainable products**, i.e. the extent to which the underlying sustainability strategies are actually able to improve the sustainability impacts of investments.[93] The fact that there can be considerable differences here depending on the strategy is shown in Appendix 3: Assessment of effectiveness of sustainability investment strategies.

Accordingly, an attempt was made to assess the effectiveness of the sustainable investment and pillar 3a/b pension products of the 15 retail banks. The assessment presupposed that banks were able to specify which sustainability strategies were used for which (pension and investment) assets under management. All of the assessed banks were able to more or less provide this information in this year's rating, a considerable improvement on the previous one (more than half of the banks in the 2016/2017 rating were unable to provide this information).

The figure below shows that, for most banks, the effectiveness of the investment strategy mix ranged between 'rather effective' and 'very effective' for both investment and pillar 3 a/b pension fund assets. This shows that the banks apply strategies for their sustainable products that tend to be suitable for improving the sustainability impact of the products. This does not automatically ensure, however, that these investment products have a positive impact on the climate or on biodiversity. Possible concepts to achieve this goal would include science-based emission reduction pathways, for example, which are currently very rarely applied, however.

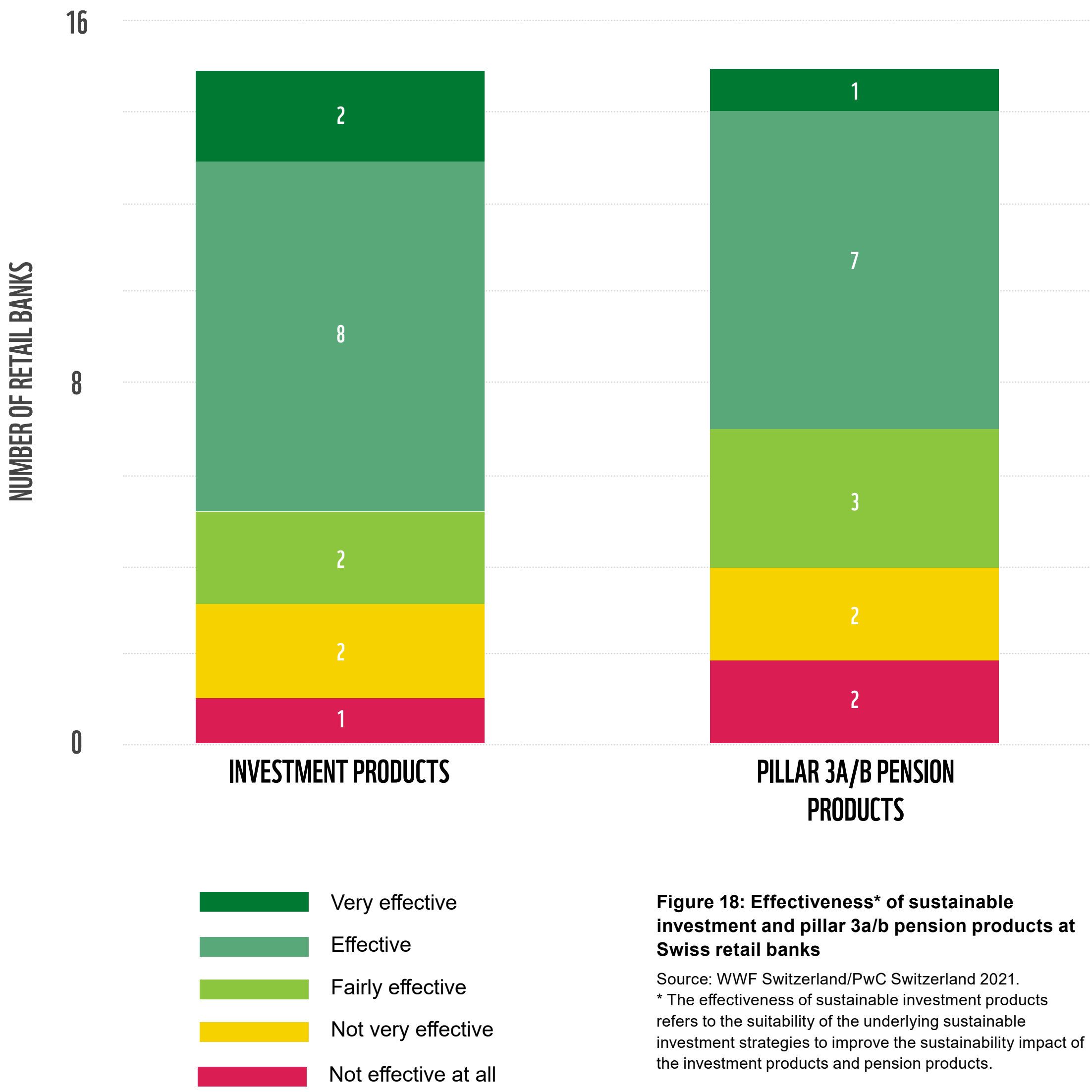


Figure 18: Effectiveness* of sustainable investment and pillar 3a/b pension products at Swiss retail banks

Source: WWF Switzerland/PwC Switzerland 2021.
* The effectiveness of sustainable investment products refers to the suitability of the underlying sustainable investment strategies to improve the sustainability impact of the investment products and pension products.

The following figure illustrates the five most common **sustainable investment strategies** and combinations of strategies that retail banks currently use for their investment and pillar 3a/b pension products. The percentages reflect the proportional share of the respective strategy and/or strategy combination relative to all of the strategies applied. The five most common combinations account for 86% of all strategies.[94]

Strategy and/or strategy combination applied	Number of combined strategies	Share in %	Effectiveness
Standard exclusion criteria ESG integration	2	19%	3.5
Standard exclusion criteria ESG integration ESG voting escalation strategy: no direct consequence	3	19%	3.5
Standard exclusion criteria	1	16%	1
In addition to standard exclusion criteria: >3 exclusion criteria ESG integration ESG voting escalation strategy: no direct consequence ESG engagement escalation strategy: no direct consequence Impact investment financial first approach	5	16%	4.5
ESG voting escalation strategy: no direct consequence	1	16%	2

Table 9: The 5 most common sustainable investment strategies and strategy combinations
Source: WWF Switzerland/PwC Switzerland 2021.

There is also a striking preference for a combination of different strategies – accounting for the vast majority, at 86% – versus stand-alone strategies (see Figure 19 below). The fact that a combination of different strategies is generally able to achieve a higher sustainability impact is a positive result for the industry and corroborates findings from other studies.[95]

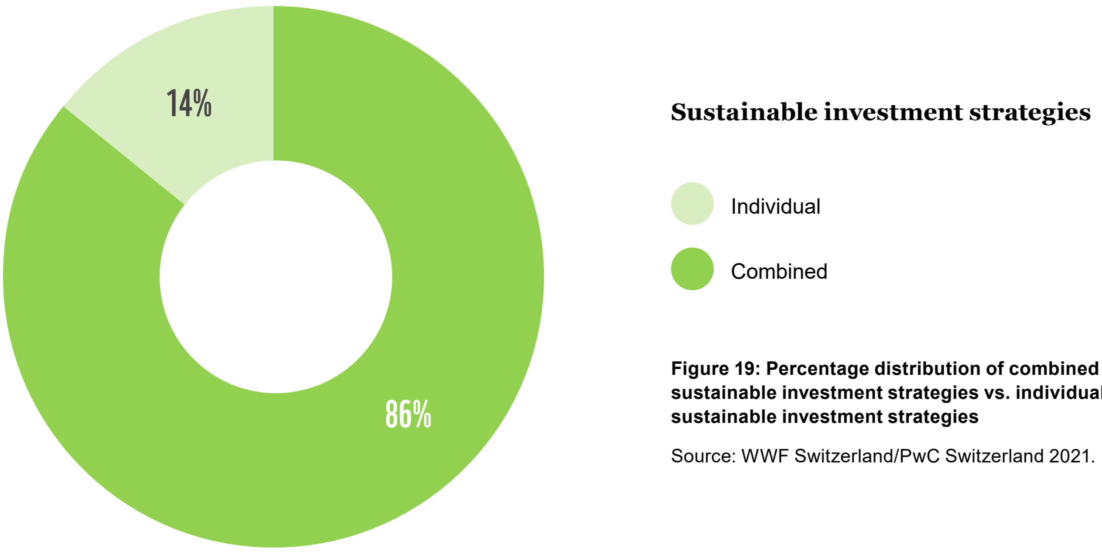


Figure 19: Percentage distribution of combined sustainable investment strategies vs. individual sustainable investment strategies

Source: WWF Switzerland/PwC Switzerland 2021.

It is encouraging to see that a strategy combination that includes the impact investing approach, and therefore has a high positive sustainability-related impact, is among the top five most used sustainable investment approaches. Equally as widespread, however, is the least effective strategy of standard exclusion criteria. The fact that products with very different sustainability impacts are often marketed as "sustainable" again shows how important it is that the effective sustainability impact of investment products is transparently disclosed to clients. Within the scope of this study, we did not assess individual investment funds for their environmental impact.

In principle, it would be important for the sustainability impact to be assessed and reported not only for sustainable investment and pension products but also for those products not classified as "sustainable". The sustainability impact can be either positive or negative. The impact is positive, for example, if the companies or activities that are invested in make a positive contribution to sustainable development such that products and services are not only produced in a socially responsible manner but are also both environmentally efficient and energy-efficient on a comparative basis. A "comprehensive" sustainability impact is taken to include all sustainability impacts that are caused by a company, its products and services along entire value chains: in addition to the direct impact, effects not only from upstream chains but also during the use phase of products are also included. This corresponds to a coverage of sustainability impacts in their entirety to the extent of scopes 1, 2 and 3.[96] Only then will clients be in a position to make informed, direct comparisons between different products; and only then will banks be able to manage, control and improve the sustainability impacts of their products in a targeted manner.

There are currently only a few retail banks that produce such far-reaching product-related transparency or perform a comprehensive impact assessment. Among the reviewed retail banks, only Cantonal Bank of Basel and Cantonal Bank of Zurich stand out in terms of product transparency in asset management for retail clients (see Textbox 14: Best practice product-related transparency in investment and pension products). There are no other corresponding positive examples of high product transparency, neither for standardised investment products nor for pension products. Even with this positive example, however, the extensive transparency on the sustainability impact still focuses primarily on the range of sustainable products. Basellandschaftliche Kantonalbank and Raiffeisen Group also disclose the sustainability impact of their sustainable products, albeit to a much lesser extent.

Contrary to the expectation expressed in the last rating that greater progress would likely be achieved in this area, based on claims by the reviewed banks at the time, only very little progress has unfortunately been observed.

TEXTBOX 14: BEST PRACTICE PRODUCT-RELATED TRANSPARENCY IN INVESTMENT AND PENSION PRODUCTS

- **UBS Switzerland AG** discloses several sustainability KPIs in its pension fund fact sheets, e.g. a comparison of CO_2 emissions between the fund and its benchmark index. It also discloses revenues that contribute to the aggregated Sustainable Development Goals of the United Nations (SDGs). This reporting can be accessed directly via online tools on a monthly basis.
- **Basellandschaftliche Kantonalbank** discloses details on its website of the climate rating for its investment and pillar 3a/b pension products. In other words, investors can see how well-prepared companies and borrowers participating in the fund are, on average, for climate change compared to competing products.
- **Cantonal Bank of Basel** prepares a carbon footprint profile and ESG reporting for client portfolios. These documents are not generally accessible; they can be accessed only by the respective clients. Cantonal Bank of Basel prepares a carbon footprint profile and ESG reporting for its own investment funds as well.
- **Cantonal Bank of Zurich** provides comprehensive investment reporting on its investment solutions for private clients (asset management and investment advice). This includes, among other things, a "sustainability indicator", which evaluates individual sustainability aspects of the investment funds, including CO_2 emissions per revenue (scopes 1 and 2). These aspects are aggregated into an overall score from A (very good) to G (very poor). This enables clients to compare different investment products from a sustainability perspective. The underlying investment strategy is also disclosed in a transparent and easily accessible way.

TEXTBOX 15: GLOBALANCE WORLD – NEW PERSPECTIVES FOR ASSETS

At www.globalanceworld.com, investors and other finance enthusiasts have free access to analyse and assess the future orientation and sustainability of over 8,000 listed companies and selected stock indices, as well as their own portfolio.

Using interactive infographics, Globalance World helps the user to better understand the complex interrelationships of investments and their effects. This enables users to make responsible investment decisions. All users can create or import their own portfolios. The innovative platform is targeted at a broad audience, from private to institutional investors.

The pioneering information platform builds on and simultaneously extends the “Globalance Footprint®” impact and sustainability assessment methodology: users can discover the climate path that their investments follow, the megatrends that their assets are invested in and in which countries their investments have a positive or negative footprint.

The platform, which is available in German and English, is a compelling implementation of Big Data, providing users with an individualised view of their assets. Globalance, the owner-managed Swiss private bank for future-related issues, describes its latest development as “Google Earth for investors”.

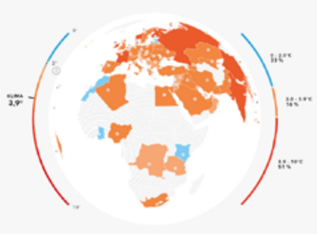
Globalance is seeing an increasing need among many investor groups for greater transparency on the impact of their investments. These groups include, in particular, women, millennials, investors receiving a gift or an inheritance and also foundations. Particularly younger generations do not want their investing to contribute irreparable damage to society and the environment. In addition to financial returns, they also seek positive change through their investments, as well as contributing to solutions that address the current challenges of our time.

Globalance: pioneer of sustainable investing for the future

The Globalance Bank team is considered a pioneer of sustainable investing. Reto Ringger founded asset manager SAM Sustainable Asset Management in 1995 and was also the initiator of the Dow Jones Sustainability Index. Globalance advises private clients, families and foundations on how to invest their assets to benefit from future trends. The bank is managed by its founders. Globalance Bank was awarded the title of best Swiss bank in private banking in 2019 by business magazine “Bilanz”.

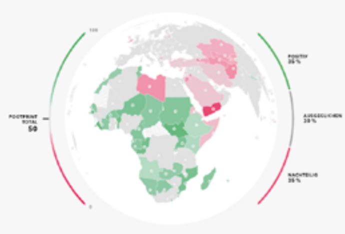
Peter Zollinger, Head of Impact Research, Globalance Bank AG

A KIND OF GOOGLE EARTH FOR INVESTMENTS



CLIMATE

The warming potential is based on a methodology developed by MSCI Carbon Delta to analyze the alignment to a long-term 2°C climate stabilization scenario.



FOOTPRINT

The Globalance Footprint shows what an index or portfolio does around the world - individually and at a glance.

FOOTPRINT

The Globalance Megatrend analysis shows the revenue share of companies which is generated in one or more megatrends.

In this year's rating, it was decided not to calculate the carbon footprint of the banks' investment and pension assets as it is expected that banks will now calculate this themselves. Accordingly, banks were only asked whether and to what extent this calculation is performed. 9 institutions stated that they calculate this metric for investment and pension assets, with 4 of them capturing scopes 1 to 3 in their entirety. However, this information is still very rarely disclosed at the product level: only Basellandschaftliche Kantonalbank and Cantonal Bank of Zurich explicitly disclose this information for individual products.

By contrast, the comprehensive environmental impact of all pension and investment assets under management were again also calculated in this year's rating. The environmental impacts comprehensively assess external environmental costs, i.e. along entire product life cycles (scopes 1 to 3). Environmental costs are translated into a scale of 1 to 5. A 1 represents very high, comprehensive environmental impacts (high level of environmental pollution); a 5 denotes very low environmental impacts (low level of environmental pollution).

The prerequisite for a calculation was that the assessed retail banks were able to provide information on the allocation of their investment and pension volumes (in CHF or %) to sectors and sub-sectors[97] that are of particular environmental relevance (sector allocation). As in the last rating, for most of the banks it was a challenge to provide the necessary information for the calculation; nevertheless, for investment products 8 and for pension assets 9 out of the 15 analysed retail banks provided information in this year's rating. The remaining banks that were unable to provide information were classified as 'non-disclosers' in this area. Although the calculation of the environmental impacts within the scope of this rating can only be an indication and may exhibit a certain degree of imprecision,[98] the environmental impacts determined were very high to rather high in all cases, as shown in the figure below. This makes particularly clear that, to date, only a small investment and/or pension volume can be explicitly allocated to companies and/or industries that have a low environmental impact (see Appendix 2: Environmental impact of different sectors and sub-sectors).

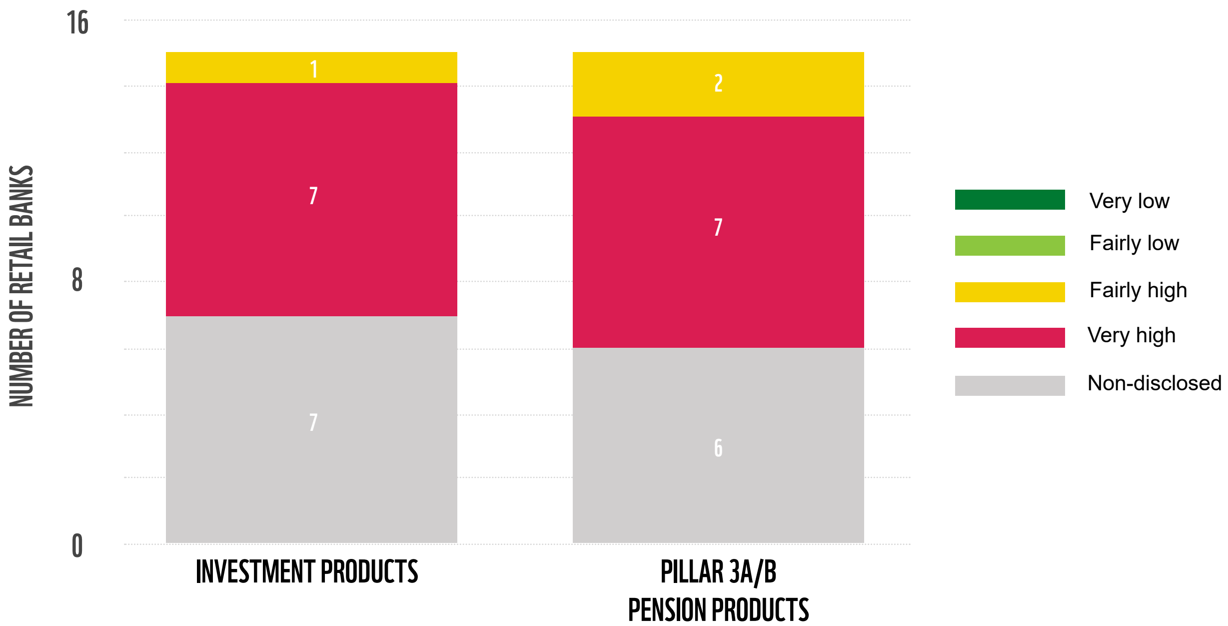


Figure 20: Environmental impact of the investment and pillar 3a/b pension products at Swiss retail banks

Source: WWF Switzerland/PwC 2021.

As was also the case four years ago, a major reason for the extensive lack of transparency in the calculation of environmental impacts was that banks are barely in a position to allocate the individual securities invested to the sectors and sub-sectors (sector allocation) that are relevant from an environmental perspective (see Appendix 2: Environmental impact of different sectors and sub-sectors). A relevant concern, for example, is whether investments in the primary sector are used for the production of meat or for plant-based products and whether these products can be labelled as organic versus conventional agriculture. In the energy sector, for instance, it is relevant whether the energy sources are renewable, fossil or nuclear. Since in most cases the companies that are invested in still do not publish these metrics themselves, however, banks are unable to make this allocation for their investments. This is also a major hurdle to being able to identify and/or estimate the environmental impacts.

The EU Action Plan on Financing Sustainable Growth launched by the European Union provides, among other things, for the introduction of a uniform classification system for sustainable economic activities, as represented by the EU Taxonomy. It is designed to enable investors and companies to more easily identify the economic activities that have a positive environmental and climate impact in addition to aligning their investment decisions accordingly.[99] The EU Taxonomy will be implemented gradually over the next few years.

This year's rating included the new topic area of the use of **digital solutions** in relation to sustainability in the area of savings, investments and pension provision. This covered such aspects as the use of digital and data-based solutions that are available to clients and client advisers during the advisory and investment selection process, as well as the extent to which these incorporate sustainability aspects (e.g. interactive information on the sustainability profile/performance of client portfolios or investment research solutions that explicitly support portfolio managers and client advisers in selecting suitable sustainable products or in terms of sustainability-related risk management). The extent to which banks use ESG data, and in what particular framework, was also assessed.

It was found that the vast majority of the 15 retail banks scored just 'Average' or even 'Inadequate' in this area, with only one bank rated 'Appropriate'. Whereas most (but still not all) of the institutions now use externally prepared ESG data, it should be noted that the potential for innovative solutions to promote sustainable investment behaviour among clients, e.g. within online banking, remains almost entirely untapped. None of the institutions surveyed have so far managed to present, for instance, the sustainability performance of their portfolio to clients in an interactive and user-friendly fashion in online banking.

6.3.4 LOANS AND FINANCING

In the area of loans and financing, 8 of the retail banks were rated 'Average', and 5 'Inadequate' (see Figure 14: Rating results per rating area). 2 banks were 'Appropriate': Raiffeisen Group and UBS Switzerland AG. The industry average for all the reviewed topic areas – loans, mortgages and the management of environmental credit and mortgage risks – was 'Average'.

	Loans and financing		
Bank	**Loans**	**Mortgages**	**Management of environmental credit and mortgage risks**
Cantonal Bank of Aargau	●○○○○	●○○○○	●○○○○
Banque Cantonale Vaudoise	●●○○○	●●○○○	●●○○○
Cantonal Bank of Basel	●●○○○	●●○○○	●●○○○
Basellandschaftliche Kantonalbank	●●○○○	●●○○○	●●●○○
Berner Kantonalbank AG	●●○○○	●●○○○	●●●○○
Credit Suisse	●●○○○	●○○○○	●●●●●
Graubündner Kantonalbank	●●○○○	●●○○○	●●○○○
Luzerner Kantonalbank AG	●●○○○	●○○○○	●○○○○
Migros Bank AG	●○○○○	●●○○○	●○○○○
PostFinance Ltd	●○○○○	●○○○○	not rated
Raiffeisen Group	●●●○○	●●●●○	●●○○○
Cantonal Bank of Saint Gall Ltd	●○○○○	●○○○○	●●○○○
UBS Switzerland AG	●●●○○	●●●○○	●●●●●
Valiant Bank AG	●●○○○	●○○○○	●●○○○
Cantonal Bank of Zurich	●●○○○	●●●○○	●●●○○
Industry average	●●○○○	●●○○○	●●○○○

Figure 21: Rating results in the area of loans and financing

Source: WWF Switzerland/PwC Switzerland 2021.

In the area of (corporate and consumer) **loans**[100], 4 banks were 'Inadequate', 9 were 'Average' and only 2 – Raiffeisen Group and UBS Switzerland AG– were rated 'Appropriate'. It was found, as expected, that most of the banks that have sustainability-related credit guidelines for consumer and corporate loans have accordingly integrated sustainability criteria into their advisory and lending processes as well, which implies a certain level of stringency. However, in most cases the level of transparency is still insufficient with regard to these guidelines and criteria, which are often not disclosed, i.e. it is not apparent to potential clients in advance as to which sustainability criteria are incorporated into the lending process.

In the field of consumer loans, within the context of credit card business, all but one of the retail banks were rated 'Average' or 'Inadequate'. Cantonal Bank of Basel was the only institution rated 'Appropriate' in this area, partly due to its initiative to offset CO_2 emissions caused through card payments (see textbox "Best practices in credit card programmes" below).

TEXTBOX 16: BEST PRACTICES IN CREDIT CARD PROGRAMMES

- Via Viseca credit card's special rewards programme Surprize, clients of **Cantonal Bank of Aargau, Banque Cantonale Vaudoise, Cantonal Bank of Basel, Basellandschaftliche Kantonalbank, Berner Kantonalbank AG, Graubündner Kantonalbank, Luzerner Kantonalbank AG, Migros Bank AG, Raiffeisen Group, Cantonal Bank of Saint Gall Ltd** and **Cantonal Bank of Zurich** can donate the bonus points they receive to charitable organisations.
- Bank Cler, a subsidiary of **Cantonal Bank of Basel**, offsets the CO_2 emissions of purchases on the Zak Visa card – at no additional cost to the user.
- **Credit Suisse** offers the micro-donation programme for credit/Maestro cards: each time a customer makes a purchase on their credit and/or Maestro card, the purchase price is rounded up to the next whole franc or nearest 5 or 10 francs. On the last working day of the month, the monthly donation amount is debited from the customer's account and transferred to a charitable organisation of their choice.

In the area of corporate lending, the majority of retail banks now have sustainability-related guidelines stipulating that sustainability aspects be taken into account when granting corporate loans. However, the institutions differ considerably in terms of the scope and stringency of the guidelines to be followed in each case. 8 banks scored 'Above average' here – much more than in the last rating, where only 2 institutions received this rating. This also demonstrates that progress has been made in this area. It is positive to see that there are isolated product innovations that offer corporate clients incentives to improve their own sustainability performance or that specifically finance sustainable projects (see textbox "Best practices in corporate loans").

However, financial institutions are still more reluctant to set and publish sustainability-related targets for their corporate loans than they are for their investment and pension products. There are a few scattered internal targets for offering sustainable credit products, but none of the banks have yet published a concrete quantitative sustainability target (such as a measurable greenhouse gas reduction pathway) for corporate loans. It is much more often the case that general statements are made – such as the goal of mitigating the negative environmental impacts of lending activities – without specifying concrete quantitative indicators for doing so. The binding nature of such statements is somewhat limited compared to defined measurable targets and may hinder rapid progress in terms of the sustainability performance of the credit sector.

Of the 15 banks, 12 now specified (compared to 6 in the 2016/2017 rating) that they apply sector-specific sustainability-related criteria while categorically excluding specific business areas and sectors in their financing operations. The extent of specific industry exclusions owing to their negative impact on the environment, climate and society differs from bank to bank. In some cases there are maximum thresholds that apply to revenues that may be generated in a given critical industry, or else there are explicit conditions attached to the granting of loans regarding the companies' efforts to make their business operations more sustainable. In other cases, industries are generally excluded. Nonetheless, of all the banks, no fewer than 4 have established a particularly systematic and structured process for evaluating sustainability risks/opportunities of corporate loans.

TEXTBOX 17: BEST PRACTICES IN CORPORATE LOANS

- **UBS Switzerland AG's** lending policies are publicly available. It has extensive environment-related lending policies that apply to all loans. SME clients can arrange to have their energy balance audited. This enables them to learn more about possible energy savings and carbon emissions reductions. UBS Switzerland AG offers companies discounted leasing terms for eco-efficient production machinery.
- **Basellandschafliche Kantonalbank's** corporate lending process includes clear evaluation criteria in pre-defined risk sectors that systematically incorporate risks such as climate change and biodiversity loss.
- The **Raiffeisen Group's** risk policy applies to all corporate loans and explicitly takes sustainability risks into account. Applications may be rejected on ethical and environmental grounds. Existing business relationships are regularly evaluated at portfolio level with regard to sustainability aspects.

Most banks that have specific environmental guidelines have also integrated environmental aspects into their advisory processes in addition to providing regularly scheduled training to their employees and setting up a sustainability office that client advisers can turn to for any questions. However, as the industry average is rated 'Average', it is inferior to the advisory process in the investment and pension area, each with an average rating of 'Appropriate'.

The credit area is essentially beset with a similar **transparency problem** to that of investment and pension products. Within the scope of the second FOEN climate test, participating banks were also able to submit their financing portfolios. However, not all of the participating banks have published their results. It would be preferable if retail banks regularly calculated and published the environmental impact of their loan portfolios. The banking industry is still a long way from achieving this. For this reason, an attempt was made to calculate the environmental impact of corporate loans that is caused by a company, its products and services along entire value chains, analogously to investment and pension assets (see Appendix 2: Environmental impact of different sectors and sub-sectors).

To be able to perform this calculation, the surveyed banks were asked to provide information on the allocation of their corporate loans (in CHF or %) to sectors and sub-sectors of particular environmental relevance [101] (sector allocation). 3 of the 14 retail banks that grant corporate loans themselves[102] were unable to make the sector allocation in the requisite form and were consequently assessed as 'Non-disclosers'. All 11 banks that were able to provide data had a very high environmental impact from companies that they financed. This is also attributable to the fact, that in many cases, the sector allocations of these credit institutions were merely rudimentary and hence unspecific. In these cases, the calculation for e.g. mobility or nutrition was accordingly based on the industry average, which is essentially unsustainable in Switzerland.[103]

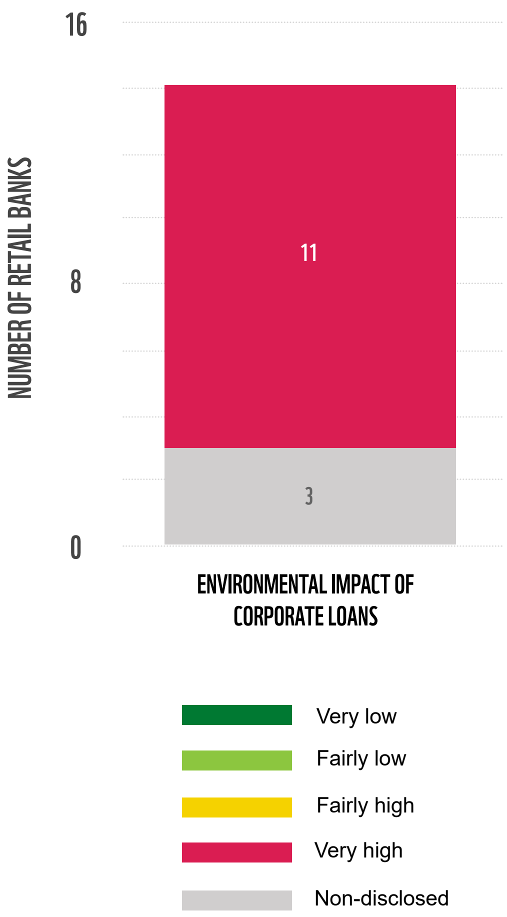


Figure 22: Environmental impact (scopes 1 to 3) of corporate loans at 14 Swiss retail banks*

Source: WWF Switzerland/PwC Switzerland 2021.
* one of the 15 analysed retail banks does not offer corporate loans.

In the topic area of **digital solutions** for the lending business, on average the 15 analysed retail banks only scored ‘Below average’ although 2 banks – Basellandschaftliche Kantonalbank and Raiffeisen Group –were rated ‘Above average’. Only a minority of institutions use externally provided ESG data in their lending business. This is a much lower prevalence than in the area of savings, investments and pension provision, where only 2 institutions did not use ESG data in either the investment or pension areas.

In the **mortgage business** (mortgages and construction loans), 13 of the 15 retail banks now also offer mortgages and/or renovation loans with favorable interest rates for sustainable construction methods and/or renovation. Nevertheless, the industry average in this area is merely ‘Average’. One of the reasons is that, overall, these mortgage products only account for a fraction of the total mortgage business and are partly limited to existing clients or are applicable for renovations only. Similarly, client advisers have not yet been trained in sustainability issues at some retail banks, and clients are not yet systematically informed about the existence of “green” mortgage products or of the benefits of sustainable construction wherever they are offered.

Only Raiffeisen Group, UBS Switzerland AG and Cantonal Bank of Zurich positively stand out, scoring an ‘Above average’ rating in the area of mortgage lending (see Figure 21: Rating results in the area of loans & financing).

In the topic area of **digital solutions** in the area of mortgage lending, 12 of the 15 analysed retail banks scored ‘Below average’, with 2 rated ‘Average’. There is a lack, for example, of consistent use (and collection) of sustainability data (e.g. forms of heating) to determine the energy and/or CO_2 emissions savings potential of sustainable forms of construction and heating. There is also a lack of applications that would helpfully process this data for clients so that the benefits of environmental construction would be clearly visible. Internally as well, data and applications are still used very rarely in this area to determine sustainability risk profiles for construction properties. Only Raiffeisen Group scored ‘Above average’ in this area (see textbox “Best practices in mortgage lending” below).

TEXTBOX 18: BEST PRACTICES IN MORTGAGE LENDING

- **Migros Bank** AG offers a low-interest eco mortgage that covers the costs of GEAK / Minergie certification. Migros Bank AG also estimates the CO_2 emissions of its mortgage portfolio.
- The **Raiffeisen Group** offers an eco-discount on mortgages for new construction and building renovations. In the case of new buildings and modernisations, the properties’ energy status is also calculated in detail using the Raiffeisen eVALO software. Furthermore, Raiffeisen Group also offers a free energy efficiency calculator to calculate a property’s energy needs online by entering only a few values.
- **Basellandschaftliche Kantonalbank** has launched the sun2050.ch digital platform together with energy suppliers Primeo Energie and Elektra Baselland (EBL). The platform aims to support property owners in the Northwest Switzerland region in the installation of photovoltaic systems.

Overall management of environmental credit and mortgage risks

For retail banks to effectively reduce environmental risks they would have to manage these holistically. This means that environmental risks

- are recorded and monitored not only when loans and mortgages are granted but also at regular intervals during their term;
- are assessed not only at the level of individual loans and mortgages but also at the higher level of the overall loan and mortgage portfolio, and are not just measured qualitatively but are also quantified;
- and, last but not least, are integrated into the institutions’ general risk management processes and risk recording tools.

For the management of environmental credit and mortgage risks the assessed 15 banks only just achieved the industry-wide rating of "average" (see Figure 21: Rating results in the area of loans & financing). There is a notable gap between the banks that are already very advanced in this area and those that have so far paid little attention to the topic. As 3 retail banks do not yet have any overall environmental risk management in the area of loans and mortgages, they scored an 'Inadequate' rating. By contrast, a total of 6 institutions were rated 'Above average' (see textbox "Best practices in the overall management of environmental credit and mortgage risks" below). One key reason for this is undoubtedly the fact that major banks with their international banking operations, e.g. through financing large projects, are also more likely to be exposed to material environmental risks and associated reputational risks than are smaller regional banks in Switzerland. Nevertheless, even if lending activities are mainly regional and take place in a retail bank's manageable catchment area, from a risk management perspective they should be considered in their entirety with due regard to environmental aspects. In fact, even Switzerland has an ecological footprint equalling to more than three Earths. In other words, if everyone in the world lived like the Swiss population, more than three times as much biocapacity would be needed than is de facto available globally.[104] This shows how important it is to reduce environmental consumption, also – or especially – in Switzerland.

Sustainability risks are still mostly viewed in qualitative terms and only in a few cases is the sustainability risk management based on quantitatively measurable indicators. Scenario analyses, i.e. risk assessment based on forecasts of future developments, are also used in only a few cases. This would be an effective tool for assessing the existing risks in the credit and mortgage business against the backdrop of manifold future scenarios and for taking appropriate measures to minimise these risks. In this context, still too little attention is generally paid to transition risk, i.e. the risk that companies are not prepared for changed framework conditions in the area of sustainability and may, for example, have an increased loan default risk as a result.

TEXTBOX 19: BEST PRACTICES IN THE OVERALL MANAGEMENT OF ENVIRONMENTAL CREDIT AND MORTGAGE RISKS

- **UBS Switzerland AG's** overall management of environmental credit and mortgage risks includes the use of scenario-based stress testing and forward-looking analyses to assess the impact of a variety of physical and transition climate change risks on the institution. The overall portfolio is regularly reviewed for sensitive sectors and activities. In addition, UBS Switzerland AG is actively engaged in industry initiatives to develop improved sustainability risk assessment applications and methods.
- At **Berner Kantonalbank AG**, environmental risks such as climate change are incorporated into the multidisciplinary company-wide risk management system. The exposure of its portfolios to climate-related risks and opportunities is assessed, among other sources, on the basis of specific studies, with a focus on regions of high relevance (e.g. tourism areas).
- **Basellandschaftliche Kantonalbank** has set itself the goal of reducing the bank's overall GHG emissions. To this end, it also measures the indirect impacts of the credit portfolio (scope 3 emissions) to better understand climate risks.

Potential sources of risks include banks not transitioning towards holistic management of environmental credit and mortgage risks, as well as environmental risks being recorded by specialists not networked with and integrated into general risk management. There is a high likelihood that material environmental risks will not be adequately assessed and managed, with no overall risk balancing as a result.

7 CONCLUSION AND RECOMMENDATIONS

7.1 CONCLUSION

WWF Switzerland's rating of the Swiss retail banking sector 2020/2021 found that some progress has been made among the analysed retail banks since the last rating four years ago. For instance, the concept of sustainability is now increasingly embedded directly in the banks' strategic orientation, while the range of sustainable products and services offered has also been expanded. Nevertheless, the financing business continues to lag behind the investment side. Although the retail banks' transparency in terms of sustainability-related information has improved, in many cases it is still a long way from providing clients with a solid basis for making sustainable investment decisions, particularly at the product level. The potential of digital solutions geared towards sustainability still remained largely untapped in 2020.

7.1.1 CORPORATE GOVERNANCE

Many of the assessed retail banks are actively engaged in initiatives addressing climate, environmental and social issues. Sustainability-related considerations are relatively solidly and systematically embedded in the overall corporate governance of most banks. What is striking, however, is that most of the institutions surveyed are still largely focussed on direct operational environmental issues, with only a few banks already integrating their entire investment and financing activities in these considerations and aligning their core business, with the help of science-based methods, with the Paris Climate Agreement goals. As already noted in the last WWF rating in 2016/2017, specific binding targets to reduce the core business's environmental impact remain isolated cases in 2020, and biodiversity aspects are still hardly integrated at all. Ambitions for the retail banks' largest impact lever remain non-committal as a result.

7.1.2 SAVINGS, INVESTMENTS AND PENSION PROVISION

Savings products offered by the surveyed banks – such as savings accounts, for example – are recognised by very few banks as potential levers for promoting sustainable development. Accordingly, the range of sustainable solutions offered in this area is also very sparse, with still no direct options for clients to choose how their funds are used. Indeed, there are various ways of making savings products sustainable, e.g. through the use of a certain share of interest for sustainable purposes or more favourable financing conditions for sustainable projects.

In contrast to savings products, the range of investment and pension products offered by the assessed banks now includes a multitude of sustainable options, which in many cases already account for a large proportion of the total product volume. The design of these products is very diverse, ranging from the widespread use of exclusion criteria, the systematic integration of ESG aspects and active ESG voting/engagement through to impact investment approaches.

Product transparency with regard to environmental impacts or sustainability aspects of investment and pension products is still poorly developed in most cases, however, and the reviewed banks do not yet provide clients with clear and easily accessible information on the actual sustainability performance of the products offered or used by them. The lack of binding minimum standards on the financial market for labelling sustainable (and also non-sustainable) products is certainly a central factor here and should be addressed in the meantime, at least at the bank level, in the interest of their clients.

Employee training on sustainability is generally being offered in nearly all retail banks now in the investment and pension area. However, this rating is unable to make any general statement on the effectiveness of these trainings. Sustainability-related client preferences are now taken into account in a rudimentary way by many banks when providing investment and pension advice. There is virtually no case, however, of a really detailed analysis that goes beyond the question of whether the issue of sustainability is important to clients or not.

In the context of savings, investments and pension products, relevant digital solutions for clients, as well as employees, with reference to sustainability are still for the most part a long time coming. Digital capabilities for presenting sustainability profiles and impacts of client portfolios are rarely offered and are not very well developed.

7.1.3 LOANS AND FINANCING

Although the assessed retail banks have made some progress in the area of credit and financing products compared to the last rating, this is still where the greatest potential exists for expanding sustainability-related product solutions and framework conditions that signals the real economy on minimum sustainability-related requirements in financing applications.

With few exceptions, almost all banks today offer eco mortgages with preferential conditions for environmentally sound construction. However, credit solutions that would specifically incentivise sustainable projects and encourage their financing are still rare. For example, there are only a few loans whose conditions are linked to sustainability indicators and hence also to borrowers' sustainability risk profile.

The dissemination of training on the topic of sustainability is still slightly less pronounced in the area of financing than in the investment and pension area although it is precisely here that there could be great opportunities for institutions with appropriately trained employees to identify financing potential among corporate clients as part of the transition towards a more sustainable economy. Potential sustainability-related risks of borrowers could also be identified better and faster in this way.

As in the area of savings, investments and pension provision, digitisation with regard to sustainability is not yet very advanced in the area of loans and financing. There are already some innovative solutions, however, that can highlight opportunities for clients (and employees) such as for sustainable construction with the assistance of online tools and thus make a corresponding contribution to sustainable decisions on the client side.

Risk management that identifies and mitigates systemic sustainability-related risks across portfolios (e.g. stranded assets) is appropriately advanced in most cases at the particularly exposed institutions surveyed. However, the vast majority of the banks still have a bigger gap to fill and do not yet fully incorporate sustainability-related risks into their existing risk management.

7.2 RECOMMENDATIONS

The text boxes below list a selection of important measures that WWF Switzerland recommends to Swiss retail banks. The recommendations listed, which are not exhaustive, correspond to a 'pioneering' or 'visionary' retail bank.

Looking to the near future, WWF Switzerland expects the assessed retail banks to establish and continually promote a permanent fair balance between primarily environmental, as well as social and economic, interests of their stakeholders. Only in this way can they develop into 'visionary' service providers in Swiss retail banking by 2030 that systematically integrate sustainability as an integral part of their business models. WWF Switzerland positions itself as both a dialogue and sparring partner for the interested retail banks and stakeholders within the context of this development process, which is necessary for sustainable future development.

TEXTBOX 20: RECOMMENDATIONS FOR CORPORATE GOVERNANCE

- The Executive Board is responsible for the sustainability strategy: Consideration of all significant environmentally relevant aspects in strategic decision-making processes and integration of all environmentally relevant externalities in internal management accounting and external reporting.
- Introduction of science-based, publicly available sustainability targets for all business areas (savings, investments, credit) that align with a 1.5° scenario or planetary boundaries. Systematic and regularly scheduled target achievement monitoring and clear measures in the event of target failure.
- Disclosure of qualitative and quantitative information covering at least sustainability risks, as well as sustainability impacts of business activities (e.g. carbon footprint, scopes 1 to 3). This follows recognised standards for sustainability reporting (e.g. TCFD).
- Systematic application of a formal, independently certified environmental management system (e.g. ISO 14000) for all locations. Minergie certification for the majority of all company-owned buildings. In the event that this is not possible in certain cases: implementation of energy consumption reduction measures, use of only renewable energies and offsetting of remaining building emissions.

TEXTBOX 21: RECOMMENDATIONS FOR SAVINGS, INVESTMENTS AND PENSION PROVISION

- Formal and publicly available sustainability guidelines in the area of savings, investments & pension provision. These concern the majority (more than 50%) of investment products, which means that they are no longer niche products.
- Definition of a quantitative, science-based decarbonisation pathway that pursues a 1.5° target for total investment assets, as well as effective incentives for sustainable investment and pension products.
- Quantification of the sustainability impact of all savings, investment and pension products. This means the reporting not only of the carbon footprint (scopes 1 to 3) but also of factors such as the water footprint and/or other biodiversity impacts.
- Regularly scheduled training for client advisers on the sustainability risks and impacts of the respective investment products, as well as the systematic explanation of these risks and impacts to clients during advisory meetings.
- Leveraging the potential of interactive digital applications that increase sustainability-related product transparency, promote sustainable investment behaviour among clients and empower employees to make better sustainability-related investment decisions.

TEXTBOX 22: RECOMMENDATIONS FOR LOANS AND FINANCING

- Formal and publicly available sustainability guidelines for corporate loans and mortgages.
- Systematic integration of qualitative and quantitative sustainability criteria into the loan and mortgage granting process. Sustainable corporate loans and mortgages account for a larger share (more than 30%) of loan volumes, which means that they are no longer niche products.
- Definition of a quantitative, science-based decarbonisation pathway that pursues a 1.5° target for all credit and mortgage lending.
- Regularly scheduled training for client advisers on the sustainability risks and impacts of the respective loans, as well as the systematic explanation of these risks and impacts to clients during advisory meetings. Establishment of a Specialist Office which client advisers can contact.
- Quantification of sustainability impacts of all credit products. This includes the reporting not only of the carbon footprint (scopes 1 to 3) but also of factors such as the water footprint and/or other biodiversity impacts.
- Leveraging the potential of interactive digital applications that highlight sustainable construction and business opportunities and empower employees to make better sustainability-related loan-granting decisions.

8 APPENDIX 1: INDIVIDUAL FACT SHEETS OF THE ASSESSED RETAIL BANKS

8.1 FACT SHEET CANTONAL BANK OF AARGAU

	Cantonal Bank of Aargau	Industry average
Social commitment and representation of interests	■ (Appropriate)	■ (Appropriate)
Governance, monitoring and reporting	▼ (Average)	■ (Appropriate)
Operational management	▼ (Inadequate)	▲ (Appropriate)
Savings and investments	▼ (Inadequate)	■ (Average)
Pension provision	▼ (Inadequate)	■ (Average)
Loans	■ (Inadequate)	■ (Average)
Mortgages	■ (Inadequate)	■ (Average)
Management of environmental credit and mortgage risks	■ (Inadequate)	■ (Average)
Overall result	▼ (Inadequate)	■ (Average)

▲ Improvement ■ No change ▼ Decline ○ First time participation

The arrows indicate how the assessment of each area has changed compared with the WWF Rating 2016/2017. None of the banks have effectively regressed. Nevertheless, as the requirements to achieve the respective categories were more challenging compared with the last rating in 2016/2017 and were oriented towards the vision of a sustainable bank by 2030 (compared with a sustainable bank by 2025 in the previous rating), the banks moved down a category despite slight positive changes within their business or consistent business practices, and as a result they finished in a lower position compared with the last rating..

- Visionary – the bank of 2030
- Trend-setting
- Appropriate
- Average
- Inadequate

Corporate governance	
Social commitment and representation of interests **Appropriate**	**Strengths** • Cantonal Bank of Aargau is committed to environmentally friendly framework conditions through its membership of öbu and PRI, which advocate sustainable economies. • Active commitment in the Aargau-based Fair Recycling foundation. • Participated in the climate test of the Federal Office of the Environment (FOEN) in 2020.
Governance, monitoring and Reporting **Average**	**Strengths** • Formal and effective corporate governance structure with systematic consideration of some sustainability aspects in strategic decision-making. • Annual systematic public sustainability report with quantitative reporting on the most important environmental targets. **Challenges** • Sustainability risks are not taken into account in risk management, no risk/scenario analyses and no GHG emissions targets that are oriented towards science-based reduction paths. • No impact assessment of product portfolios.
Operational management **Inadequate**	**Strengths** • Recording of energy consumption and GHG emissions of all buildings. • Effective measures to reduce energy consumption and CO_2 offsetting of remaining emissions. **Challenges** • Sustainability aspects are not systematically taken into account with the investing of own funds or pension fund capital. • No operational environmental management system is used.

Savings, investments and pension provision

Savings and investments **Inadequate**	**Strengths** • Launch of a Green Bond with volume of CHF 100 million. **Challenges** • No sustainability or environmental guidelines in the area of savings accounts are currently available. • There is very little transparency when it comes to sustainable investment solutions in the area of savings and investments. The few sustainable investment products only apply standard exclusion criteria. • Sustainability risks at product or portfolio level are not taken into consideration.
Pension provision **Inadequate**	**Strengths** • Sustainable pension products are offered and clients are generally asked what their preferences are in relation to sustainability. **Challenges** • No sustainability or environmental guidelines in the area of pension products are currently available. • No regular training for client advisers on the environmental and sustainability impacts of the pension products.

Loans and financing

Loans **Inadequate**	**Strengths** • – **Challenges** • No sustainability or environmental guidelines in the area of corporate loans are currently available. • Environmental criteria are not systematically integrated in the credit issuing process.
Mortgages **Inadequate**	**Strengths** • An eco mortgage with better conditions is offered. **Challenges** • There are not yet any sustainability targets in the area of mortgages and building loans. • The sustainability impact of mortgages is not yet quantified. • Customers are not systematically informed of the availability of eco mortgages.
Management of environmental credit and mortgage risks **Inadequate**	**Strengths** • – **Challenges** • No overall management of environmental credit and mortgage risks at the company.

8.2 FACT SHEET BANQUE CANTONALE VAUDOISE

	Banque Cantonale Vaudoise	Industry average
Social commitment and representation of interests	■ (Average)	■ (Appropriate)
Governance, monitoring and reporting	▲ (Appropriate)	■ (Appropriate)
Operational management	■ (Average)	▲ (Appropriate)
Savings and investments	■ (Average)	■ (Average)
Pension provision	■ (Average)	■ (Average)
Loans	■ (Average)	■ (Average)
Mortgages	■ (Average)	■ (Average)
Management of environmental credit and mortgage risks	■ (Average)	■ (Average)
Overall result	■ (Average)	■ (Average)

▲ Improvement ■ No change ▼ Decline ○ First time participation

The arrows indicate how the assessment of each area has changed compared with the WWF Rating 2016/2017. None of the banks have effectively regressed. Nevertheless, as the requirements to achieve the respective categories were more challenging compared with the last rating in 2016/2017 and were oriented towards the vision of a sustainable bank by 2030 (compared with a sustainable bank by 2025 in the previous rating), the banks moved down a category despite slight positive changes within their business or consistent business practices, and as a result they finished in a lower position compared with the last rating

- Visionary - the bank of 2030
- Trend-setting
- Appropriate
- Average
- Inadequate

Corporate Governance	
Social commitment and representation of interests **Average**	**Strengths** • Banque Cantonale Vaudoise has supported environmental sustainability through its membership in six relevant organizations and initiatives, that promote sustainability in the economy. • Set up a partnership with the University of Lausanne to conduct research on sustainable investments • Participation in the climate test of the Federal Office for the Environment (FOEN)
Governance, monitoring and reporting **Appropriate**	**Strengths** • Governance structure foresees the integration of the different products under the umbrella of responsible investments to which the CEO is ultimately accountable. • The sustainability report is published annually and follows the GRI standard. **Challenges** • The sustainability report is not externally validated.
Operational management **Average**	**Strengths** • An environmental resource management system is in use, in line with ISO 14064. • Systematic recording and effective measures to reduce energy consumption and greenhouse gas emissions of all buildings. Greenhouse gas emissions arising from Banque Cantonale Vaudoise's operations are offset by financing myclimate projects. **Challenges** • Policy on responsible investment of in-house pension fund assets is not public.

Savings, investments and pension provision	
Savings and investments **Average**	**Strengths** • Client advisors are trained on sustainability aspects of investments. • Sustainability risks are quantitatively analysed and are disclosed to clients. • A variety of sustainable investment products is offered. • Different ESG offering is available for investments products. **Challenges** • No formal and public sustainability guidelines for the investment of savings accounts. • There are no incentives for advisors to promote sustainable products. • No digital solutions that actively promote / incentivise sustainable investing decisions.
Pension provision **Average**	**Strengths** • Client advisors are trained on sustainability aspects of investment and other products in general. **Challenges** • The clients are not systematically and actively informed on ESG, there are no incentives for advisors to promote sustainable products. • No labels are supporting the strategy of sustainable investment products. • Sustainability risks and impacts in investment advice or pension assets and loans do not seem yet concretely quantified.

Loans and financing	
Loans **Average**	**Strengths** • There are strict general exclusion rules for corporate loans. • Sustainable loans are offered as part of the 'Bonus vert' offering. **Challenges** • No digital solutions that actively promote / incentivise sustainable behaviour.
Mortgages **Average**	**Strengths** • A sustainable mortgage with favourable conditions is offered. **Challenges** • (Still) no concrete environment-related goals in the area of mortgages.
Management of environmental credit and mortgage risks **Average**	**Strengths** • Sustainability risks are partially integrated into the overall risk management approach. **Challenges** • Sustainability risks are primarily considered on a qualitative level rather than a quantitative level.

8.3 FACT SHEET CANTONAL BANK OF BASEL

	Cantonal Bank of Basel	Industry average
Social commitment and representation of interests	■ (Appropriate)	■ (Appropriate)
Governance, monitoring and reporting	■ (Appropriate)	■ (Appropriate)
Operational management	▲ (Trend-setting)	▲ (Appropriate)
Savings and investments	▲ (Appropriate)	■ (Average)
Pension provision	▲ (Appropriate)	■ (Average)
Loans	▲ (Average)	■ (Average)
Mortgages	■ (Average)	■ (Average)
Management of environmental credit and mortgage risks	▲ (Average)	■ (Average)
Overall result	▲ (Appropriate)	■ (Average)

▲ Improvement ■ No change ▼ Decline ○ First time participation

The arrows indicate how the assessment of each area has changed compared with the WWF Rating 2016/2017. None of the banks have effectively regressed. Nevertheless, as the requirements to achieve the respective categories were more challenging compared with the last rating in 2016/2017 and were oriented towards the vision of a sustainable bank by 2030 (compared with a sustainable bank by 2025 in the previous rating), the banks moved down a category despite slight positive changes within their business or consistent business practices, and as a result they finished in a lower position compared with the last rating.

- Visionary - the bank of 2030
- Trend-setting
- Appropriate
- Average
- Inadequate

Corporate Governance

Social commitment and representation of interests **Appropriate**	**Strengths** • Cantonal Bank of Basel is committed to environmentally friendly framework conditions through its membership of eight relevant associations and initiatives that promote sustainable business practices. • Active commitment with the climate platform for the Basel business region (Klimaplattform der Wirtschaft Region Basel). • Participation in the climate test of the Federal Office for the Environment (FOEN).
Governance, monitoring and reporting **Appropriate**	**Strengths** • Formal and effective corporate governance structure with sustainability aspects systematically considered in strategic decision-making processes, with partial quantitative target setting for sustainability issues. • The sustainability report is published annually and has been prepared for Cantonal Bank of Basel in accordance with the GRI standard since 2020. **Challenges** • Sustainability risks are currently still primarily considered qualitatively rather than quantitatively, with certain sustainability risks (e.g. biodiversity risks) not yet taken into account. • ESG risks are not yet specifically disclosed in the sustainability report and the GRI standard only applies to Cantonal Bank of Basel and not yet to Bank Cler. • No science-based emission reduction pathways have been defined yet.
Operational management **Trend-setting**	**Strengths** • An environmental management system based on the ISO 14001 standard is in place. • The emissions (scope 1 to 3) from all buildings are recorded and effective measures are taken to reduce energy consumption. • Pension and own funds are invested in accordance with a policy of responsible investment. **Challenges** • -

Savings, investments and pension provision	
Savings and investments **Appropriate**	**Strengths** • Relatively demanding quantitative sustainability guidelines valid for the entire investment volume with stricter guidelines for sustainable investment products. • The sustainability-related impact of the investment products is quantified and disclosed. • In the investment advisory process, sustainable products are presented as a standard recommendation. **Challenges** • No sustainability guidelines in the area of savings accounts or transparency regarding the use of funds (e.g. sectors funded).
Pension provision **Appropriate**	**Strengths** • Cantonal Bank of Basel compiles a carbon footprint and conducts ESG reporting for client portfolios. These documents are not generally accessible; they can only be accessed by the respective clients. **Challenges** • There are no digital solutions that explicitly promote (more) sustainable investment decisions or transparency in this regard.

Loans and financing	
Loans **Average**	**Strengths** • In the lending process for companies, there are general exclusion criteria based on sustainability considerations. • Bank Cler, a subsidiary bank of Cantonal Bank of Basel, offsets the CO_2 emissions of purchases made using the Zak Visa card through a lump sum – without any additional costs for the users. **Challenges** • The sustainability impact of corporate loans is not yet quantified and disclosed to clients.
Mortgages **Average**	**Strengths** • There are sustainability-related targets and sustainability mortgages with a reduced interest rate in the area of mortgages. **Challenges** • The sustainability impact of mortgages is not yet quantified.
Management of environmental credit and mortgage risks **Average**	**Strengths** • The sustainability-related credit and mortgage risks are qualitatively recorded using the general risk management tools. **Challenges** • Sustainability-related risks at loan and mortgage portfolio level are not regularly and systematically recorded during the terms of the loan.

8.4 FACT SHEET BASELLANDSCHAFTLICHE KANTONALBANK

	Basellandschaftliche Kantonalbank	Industry average
Social commitment and representation of interests	▲	■
Governance, monitoring and reporting	▲	■
Operational management	■	▲
Savings and investments	■	■
Pension provision	■	■
Loans	■	■
Mortgages	■	■
Management of environmental credit and mortgage risks	▲	■
Overall result	▲	■

▲ Improvement ■ No change ▼ Decline ○ First time participation

The arrows indicate how the assessment of each area has changed compared with the WWF Rating 2016/2017. None of the banks have effectively regressed. Nevertheless, as the requirements to achieve the respective categories were more challenging compared with the last rating in 2016/2017 and were oriented towards the vision of a sustainable bank by 2030 (compared with a sustainable bank by 2025 in the previous rating), the banks moved down a category despite slight positive changes within their business or consistent business practices, and as a result they finished in a lower position compared with the last rating.

- Visionary - the bank of 2030
- Trend-setting
- Appropriate
- Average
- Inadequate

Corporate Governance

Social commitment and representation of interests

Trend-setting

Strengths

- Basellandschaftliche Kantonalbank is committed to environmentally friendly framework conditions through its membership of more than ten relevant associations and initiatives that promote sustainable business practices.
- Basellandschaftliche Kantonalbank participated in the climate test of the Federal Office of the Environment (FOEN) in 2020.
- Active commitment with swisscleantech and SSF.

Governance, monitoring and reporting

Trend-setting

Strengths

- Formal and effective corporate governance structure with systematic consideration of all relevant sustainability aspects in strategic decision-making.
- The sustainability issue is represented and introduced by ‘forward-looking champions’ in their field of work.
- Annual systematic public sustainability report (based on GRI standard) with quantitative reporting on the most important environmental targets.

Challenges

- The published sustainability report is not validated by an external body.

Operational management

Average

Strengths

- Basellandschaftliche Kantonalbank is taking systematic and effective measures to reduce energy consumption in its own operational business and is climate-neutral through CO_2 offsetting.

Challenges

- Its published investment guidelines are rather vague about how it invests its own funds and the pension funds.
- The environmental management system is not externally certified.

Savings, investments and pension provision

Area	Assessment
Savings and investments **Appropriate**	**Strengths** • Basellandschaftliche Kantonalbank has strict exclusion criteria for its own investment products, including the general promotion of fossil fuels, air travel and genetically modified seeds for example. It also has its own investment offering comprised solely of products that take sustainability aspects into account. For brokered funds, Basellandschaftliche Kantonalbank performs systematic analyses of ESG aspects and evaluates whether the fund is supported by an adequate sustainability approach. • Among its savings accounts, a 'Future Account' is offered which supports sustainable projects in the region; the charity debit card is used to promote social projects and the sectors funded with the savings deposits are communicated transparently. **Challenges** • In investment advisory, rough details on sustainability risks and impacts are provided through MSCI badges for simplicity (more in-depth information is given on the website). • There are no digital solutions that explicitly promote sustainable investment decisions or transparency in this regard.
Pension provision **Appropriate**	**Strengths** • Basellandschaftliche Kantonalbank exclusively offers pillar 3a/b pension products that systematically take sustainability aspects into account. • The sustainability-related impact of the pillar 3a/b pension products is quantified and communicated to the clients. **Challenges** • There are no digital solutions that explicitly promote (more) sustainable investment decisions or transparency in this regard.

Loans and financing

Area	Assessment
Loans **Average**	**Strengths** • The credit appraisal process for corporate loans is exemplary. An ESG questionnaire developed in-house with a focus on sustainability is used to assess the business when it comes into contact with defined risk sectors. In addition, some innovative credit pricing mechanisms are used. • Customer advisers are trained in the sustainability aspects of lending to companies as part of the in-depth ESG assessment of risk sectors. **Challenges** • In lending to companies, there are no general exclusion criteria based on sustainability considerations. • The sustainability impact of corporate loans is not quantified.
Mortgages **Average**	**Strengths** • Basellandschaftliche Kantonalbank co-developed the sun2050 tool to help building owners install photovoltaic systems. • The sustainability-related impact of the mortgages is not yet quantified. **Challenges** • A sustainable mortgage is offered, but only to existing mortgage debtors. • There are not yet any sustainability targets in the area of mortgages and building loans.
Management of environmental credit and mortgage risks **Appropriate**	**Strengths** • Climate risks and certain environmental risks are systematically recorded during the mortgage origination process. **Challenges** • Sustainability-related credit and mortgage risks are not yet systematically quantified and captured by general risk management tools.

8.5 FACT SHEET BERNER KANTONALBANK AG

	Berner Kantonalbank AG	Industry average
Social commitment and representation of interests	Trend-setting ■	Appropriate ■
Governance, monitoring and reporting	Appropriate ■	Appropriate ■
Operational management	Appropriate ▼	Appropriate ▲
Savings and investments	Average ■	Average ■
Pension provision	Appropriate ▲	Average ■
Loans	Average ▼	Average ■
Mortgages	Average ▼	Average ■
Management of environmental credit and mortgage risks	Appropriate ■	Average ■
Overall result	Appropriate ■	Average ■

▲ Improvement ■ No change ▼ Decline ○ First time participation

The arrows indicate how the assessment of each area has changed compared with the WWF Rating 2016/2017. None of the banks have effectively regressed. Nevertheless, as the requirements to achieve the respective categories were more challenging compared with the last rating in 2016/2017 and were oriented towards the vision of a sustainable bank by 2030 (compared with a sustainable bank by 2025 in the previous rating), the banks moved down a category despite slight positive changes within their business or consistent business practices, and as a result they finished in a lower position compared with the last rating.

- Visionary - the bank of 2030
- Trend-setting
- Appropriate
- Average
- Inadequate

Corporate Governance

Social commitment and representation of interests **Trend-setting**	**Strengths** • Berner Kantonalbank AG is committed to environmentally friendly framework conditions through its membership of five relevant associations and initiatives that promote sustainable business practices. • Active commitment through participation in workshops, webinars, events and sponsorship. • Participation in the Federal Office for the Environment (FOEN) climate test, with planned changes to the business.
Governance, monitoring and reporting **Appropriate**	**Strengths** • Formal corporate governance structure with consideration of all relevant sustainability aspects in strategic decision-making. • Annual published sustainability report (based on GRI standard) with quantitative reporting on the most important environmental targets. • Explicit relevance analyses and target setting (e.g. for scope 1 to 3 emissions) and inclusion of science-based methods for target path definition. **Challenges** • No comprehensive reporting on the sustainability impact of the products or product portfolios. • The published sustainability report is not validated by an external body.
Operational management **Appropriate**	**Strengths** • An ISO 14001-certified environmental management system is in place for all locations. • Berner Kantonalbank AG is taking systematic and effective measures to reduce energy consumption in its own operational business and purchases electricity from renewable energy sources. **Challenges** • Its published investment guidelines are rather vague about how it invests its own funds and the pension funds.

Savings, investments and pension provision	
Savings and investments **Average**	**Strengths** • Fairly high proportion of sustainable investment assets with demanding investment guidelines for them. Impact analysis at product level. • In autumn 2020, Berner Kantonalbank AG adopted a 'sustainability first' principle for its investment advisory process, which primarily offers sustainable products. **Challenges** • There could be a more comprehensive disclosure to clients of the sustainability impact on the product side – the information is available internally, but is not yet comprehensively and proactively disclosed to clients in detail. • No general sustainability guidelines or sustainability targets apply to 'traditional' investments (however, they are planned to be introduced in 2021).
Pension provision **Appropriate**	**Strengths** • Only pillar 3a/b pension products that systematically take sustainability aspects into account are offered. • The sustainability-related impact is quantified and communicated to the clients. **Challenges** • ESG data and information are not yet made available to clients in online banking in a way that would promote sustainable investments.

Loans and financing	
Loans **Average**	**Strengths** • General exclusion of critical industries and projects (e.g. nuclear energy, promotion of fossil fuels) in the case of all loans. **Challenges** • There are no specific corporate loan products that would incentivise the transition to sustainable business models, for example.
Mortgages **Average**	**Strengths** • There are two ecological mortgage products open to private and corporate clients. • The sustainability-related impact of the mortgages is quantified. **Challenges** • The sustainability-related impact of the mortgages is currently not actively communicated, except on request.
Management of environmental credit and mortgage risks **Appropriate**	**Strengths** • At Berner Kantonalbank AG, sustainability risks like climate change are incorporated in the multidisciplinary company-wide risk management. The portfolio's exposure to climate-related risks and opportunities is assessed through various means, including specific studies where the focus is on regions that are particularly relevant (e.g. tourism areas). **Challenges** • The sustainability-related risks are not disclosed in the annual report.

8.6 FACT SHEET CREDIT SUISSE

	Credit Suisse	Industry average
Social commitment and representation of interests	■ (Trend-setting)	■ (Appropriate)
Governance, monitoring and reporting	▲ (Visionary)	■ (Appropriate)
Operational management	■ (Appropriate)	▲ (Appropriate)
Savings and investments	■ (Average)	■ (Average)
Pension provision	▲ (Average)	■ (Average)
Loans	■ (Average)	■ (Average)
Mortgages	▼ (Inadequate)	■ (Average)
Management of environmental credit and mortgage risks	▲ (Visionary)	■ (Average)
Overall result	▲ (Appropriate)	■ (Average)

▲ Improvement ■ No change ▼ Decline ○ First time participation

The arrows indicate how the assessment of each area has changed compared with the WWF Rating 2016/2017. None of the banks have effectively regressed. Nevertheless, as the requirements to achieve the respective categories were more challenging compared with the last rating in 2016/2017 and were oriented towards the vision of a sustainable bank by 2030 (compared with a sustainable bank by 2025 in the previous rating), the banks moved down a category despite slight positive changes within their business or consistent business practices, and as a result they finished in a lower position compared with the last rating.

- Visionary - the bank of 2030
- Trend-setting
- Appropriate
- Average
- Inadequate

Corporate Governance

Social commitment and representation of interests **Trend-setting**	**Strengths** • Credit Suisse is committed to environmentally friendly framework conditions through its membership of more than ten relevant associations and initiatives that promote sustainable business practices. • Participation in the 2020 climate test of the Federal Office for the Environment (FOEN) and publication of the results. Participation in the PACTA Pilot for corporate loan portfolios. • Active commitment to TNFD, TCFD, CBI, SSF, Ocean Panel and Global Compact Network Switzerland.
Governance, monitoring and reporting **Visionary**	**Strengths** • Formal and effective corporate governance structure with consideration of all relevant sustainability aspects and externalities in strategic decision-making. • Credit Suisse has officially committed itself to science-based sustainability targets in accordance with the internationally recognised Science-Based Targets Initiative (SBTi). • The sustainability report is, inter alia, prepared in accordance with GRI and SASB standards, is published annually and selected indicators are audited by an external body in accordance with ISAE 3000.
Operational management **Appropriate**	**Strengths** • An external ISO 14001-certified environmental management system is in place for all locations. • The emissions (scope 1 to 3) from the buildings are recorded and effective measures are taken to reduce energy consumption and offset GHGs. **Challenges** • Its published investment guidelines are rather vague about how it invests its own funds and the pension funds and only modest exclusion criteria apply.

Savings, investments and pension provision

Savings and investments **Average**	**Strengths** • With micro-donations, clients can donate the interest earnings of their savings account to a non-profit organisation. • The sustainability-related impact of the investment products is quantified and disclosed in the statement of assets. There is a regular ESG report for sustainable investment solutions. **Challenges** • There are currently no sustainability guidelines in the area of savings accounts or a specific decarbonisation target in the investment business yet. • In the case of savings accounts, clients are not explicitly told how their funds are (sustainably) invested/used and there are no options for making a choice available. • Detailed ESG reporting still limited to sustainable products/services and institutional and high net worth clients.
Pension provision **Average**	**Strengths** • In the case of pillar 3a/b pension products, there is a high level of transparency regarding sustainability-related ESG investment guidelines. **Challenges** • There are no digital solutions that explicitly promote (more) sustainable investment decisions or transparency in this regard. • There is no specific decarbonisation target in the pensions business yet.

Loans and financing

Loans **Average**	**Strengths** • Formal and publicly available environmental credit targets apply to corporate loans, with an explicit decarbonisation target (1.5 to 2.0°C-compliant). • Sustainable credit products (e.g. sustainability-linked loans, small donations with a credit card) are offered. **Challenges** • Sustainability criteria are not systematically integrated in the credit issuing process for private clients.
Mortgages **Inadequate**	**Strengths** • - **Challenges** • There are not yet any sustainability targets in the area of mortgages and building loans. • There is no mortgage with preferential conditions for sustainable construction/housing.
Management of environmental credit and mortgage risks **Visionary**	**Strengths** • Sustainability risks are also regularly recorded and monitored during the term of loans and mortgages. • Quantitative methods are used for the management of sustainability-related credit and mortgage risks • The sustainability-related credit and mortgage risks are recorded using the general risk management tools.

8.7 FACT SHEET GRAUBÜNDNER KANTONALBANK

	Graubündner Kantonalbank	Industry average
Social commitment and representation of interests	○	■
Governance, monitoring and reporting	○	■
Operational management	○	▲
Savings and investments	○	■
Pension provision	○	■
Loans	○	■
Mortgages	○	■
Management of environmental credit and mortgage risks	○	■
Overall result	○	■

▲ Improvement ■ No change ▼ Decline ○ First time participation

The arrows indicate how the assessment of each area has changed compared with the WWF Rating 2016/2017. None of the banks have effectively regressed. Nevertheless, as the requirements to achieve the respective categories were more challenging compared with the last rating in 2016/2017 and were oriented towards the vision of a sustainable bank by 2030 (compared with a sustainable bank by 2025 in the previous rating), the banks moved down a category despite slight positive changes within their business or consistent business practices, and as a result they finished in a lower position compared with the last rating.

- Visionary - the bank of 2030
- Trend-setting
- Appropriate
- Average
- Inadequate

Corporate Governance

Social commitment and representation of interests **Appropriate**	**Strengths** • Graubündner Kantonalbank is committed to environmentally friendly framework conditions through its membership of two relevant associations and initiatives that promote sustainable business practices. • Participation in the climate test of the Federal Office for the Environment (FOEN), with planned changes to the business.
Governance, monitoring and reporting **Appropriate**	**Strengths** • Formal corporate governance structure with consideration of all relevant sustainability aspects in strategic decision-making and clear and transparent objectives regarding sustainability issues. • The sustainability report is published annually and is based on the GRI standard. **Challenges** • The sustainability report does not contain any reporting on the sustainability impact of the products and product portfolios. • At the corporate level, there are currently no key risk indicators or risk appetite statements that would specifically address sustainability.
Operational management **Appropriate**	**Strengths** • The greenhouse gas emissions (scope 1 to 3) of all buildings are recorded comprehensively and transparently. • Graubündner Kantonalbank is taking systematic and effective measures to reduce energy consumption in its own operational business and is climate-neutral through CO_2 offsetting and other measures. **Challenges** • There is currently no externally certified environmental management system in place.

Savings, investments and pension provision

Savings and investments **Average**	**Strengths** • Graubündner Kantonalbank only offers products that take sustainability aspects into account and aims to achieve the CO_2 net-zero target for the investment business by 2030. • Ambitious quantitative sustainability targets (e.g. exclusion of coal, nuclear energy and ESG minimum ratings) apply to the entire investment volume and an exclusively sustainable product range is offered. **Challenges** • There are currently no sustainability guidelines in the area of savings accounts and the specific use of the funds is not made transparent to the clients. Customers have no choice on how the funds are used.
Pension provision **Appropriate**	**Strengths** • Graubündner Kantonalbank exclusively offers pillar 3a/b pension products that systematically take sustainability aspects into account. **Challenges** • There are no digital solutions that explicitly promote (more) sustainable investment decisions or transparency in this regard. • Sustainability risks and impacts are not specifically quantified and disclosed in the pension advisory process.

Loans and financing

Loans **Average**	**Strengths** • Externally provided ESG data is used for certain financing transactions in the lending business. **Challenges** • No sustainability-related credit guidelines or specific sustainability targets for loans are yet in force (however, they are planned to be introduced).
Mortgages **Average**	**Strengths** • Individual sustainable mortgage products are available (e.g. Minergie mortgage with subsidised interest rates). **Challenges** • There are not yet any sustainability-related targets in the area of mortgages. • The sustainability impact of mortgages is not currently quantified
Management of environmental credit and mortgage risks **Average**	**Strengths** • For the credit decision, the business is assessed according to various qualitative S and G risks. **Challenges** • The sustainability-related credit and mortgage risks are not recorded using the general risk management tools (however, they are planned to be introduced). • Sustainability-related risks at loan and mortgage portfolio level are not regularly and systematically recorded during the terms of the loan.

8.8 FACT SHEET LUZERNER KANTONALBANK AG

	Luzerner Kantonalbank AG	Industry average
Social commitment and representation of interests	■	■
Governance, monitoring and reporting	■	■
Operational management	▼	▲
Savings and investments	■	■
Pension provision	■	■
Loans	▲	■
Mortgages	▼	■
Management of environmental credit and mortgage risks	■	■
Overall result	▼	■

▲ Improvement ■ No change ▼ Decline ○ First time participation

The arrows indicate how the assessment of each area has changed compared with the WWF Rating 2016/2017. None of the banks have effectively regressed. Nevertheless, as the requirements to achieve the respective categories were more challenging compared with the last rating in 2016/2017 and were oriented towards the vision of a sustainable bank by 2030 (compared with a sustainable bank by 2025 in the previous rating), the banks moved down a category despite slight positive changes within their business or consistent business practices, and as a result they finished in a lower position compared with the last rating.

- Visionary - the bank of 2030
- Trend-setting
- Appropriate
- Average
- Inadequate

Corporate Governance

Social commitment and representation of interests **Appropriate**	**Strengths** • Luzerner Kantonalbank AG is committed to environmentally friendly framework conditions through its membership of two relevant associations and initiatives that promote sustainable business practices. • Participation in the climate test of the Federal Office for the Environment (FOEN).
Governance, monitoring and reporting **Average**	**Strengths** • Formal and effective corporate governance structure with systematic consideration of some sustainability aspects in strategic decision-making. **Challenges** • The sustainability report does not follow any international standard. • At the corporate level, there is only a very limited target regarding sustainability (e.g. no GHG emission targets focused on scientifically sound reduction pathways). No relevance analysis is carried out and stakeholder groups are not consulted. • In the area of risk management, sustainability risks are only taken into account in a rudimentary way; no scenario analyses are used, for example.
Operational management **Inadequate**	**Strengths** • Measures are taken to reduce energy consumption. **Challenges** • There is currently no environmental management system in place. • Greenhouse gas emissions (scope 1 and 2) are not recorded. • Sustainability aspects are not taken into account with the investment of own funds or pension fund capital.

Savings, investments and pension provision	
Savings and investments **Inadequate**	**Strengths** • There are some sustainable products in the investment portfolio with effective sustainable investment strategies. **Challenges** • There is currently no training for client advisers on sustainability. • Product transparency in the area of savings and investments could be improved. • The sustainability-related impact of the investment products is not yet quantified.
Pension provision **Inadequate**	**Strengths** • Sustainable pension solutions are offered. **Challenges** • There are not yet any sustainability targets in the area of pillar 3a/b pension products. • No sustainability risks are taken into account when investment decisions are made regarding pillar 3a/b pension products

Loans and financing	
Loans **Average**	**Strengths** • A general exclusion is in place for financing for commodity traders and fossil energy projects. **Challenges** • There are not yet any specific sustainability targets in the area of corporate loans and no sustainability-related credit products. • The sustainability-related impact of the corporate loans is not quantified.
Mortgages **Inadequate**	**Strengths** • An eco-mortgage and a renovation mortgage with better conditions are offered. During the consultation process, clients are informed about the availability and options for government subsidies. **Challenges** • There are not yet any sustainability targets in the area of mortgages and building loans. • The sustainability-related impact of the mortgages is not quantified. • There are no digital solutions that explicitly promote (more) sustainable decisions or transparency in this regard (the introduction of a CO_2 calculator is planned for 2021).
Management of environmental credit and mortgage risks **Inadequate**	**Strengths** • – **Challenges** • No overall management of environmental credit and mortgage risks.

8.9 FACT SHEET MIGROS BANK AG

	Migros Bank AG	Industry average
Social commitment and representation of interests	■	■
Governance, monitoring and reporting	■	■
Operational management	▼	▲
Savings and investments	■	■
Pension provision	▼	■
Loans	▼	■
Mortgages	■	■
Management of environmental credit and mortgage risks	■	■
Overall result	■	■

▲ Improvement ■ No change ▼ Decline ○ First time participation

The arrows indicate how the assessment of each area has changed compared with the WWF Rating 2016/2017. None of the banks have effectively regressed. Nevertheless, as the requirements to achieve the respective categories were more challenging compared with the last rating in 2016/2017 and were oriented towards the vision of a sustainable bank by 2030 (compared with a sustainable bank by 2025 in the previous rating), the banks moved down a category despite slight positive changes within their business or consistent business practices, and as a result they finished in a lower position compared with the last rating.

- Visionary - the bank of 2030
- Trend-setting
- Appropriate
- Average
- Inadequate

Corporate Governance	
Social commitment and representation of interests **Appropriate**	**Strengths** • Migros Bank AG is committed to environmentally friendly framework conditions through its membership of two relevant associations and initiatives that promote sustainable business practices.
Governance, monitoring and reporting **Average**	**Strengths** • Formal corporate governance structure with consideration of all relevant sustainability aspects in strategic decision-making. • As part of Migros, Migros Bank AG has officially committed itself to science-based targets in accordance with the internationally recognised Science-Based Targets Initiative (SBTi). **Challenges** • No sustainability risks are currently taken into account in general risk management, either qualitatively or quantitatively. • Sustainability reporting is rather limited and does not consider formal ESG reporting standards such as GRI and TCFD.
Operational management **Average**	**Strengths** • The investment guidelines for the pension fund and own funds follow a policy of responsible investment with a focus on climate risks. With the pension fund, CO_2 intensity is measured for almost half of the total investment (scope 1 to 3). **Challenges** • There is currently no environmental management system in place. • The greenhouse gas emissions of its own operational business have not yet been recorded.

Savings, investments and pension provision	
Savings and investments **Average**	**Strengths** • Sustainable investment products with a high degree of effectiveness are offered and the underlying criteria are made transparent to clients. **Challenges** • There are currently no sustainability guidelines in the area of savings accounts and the specific use of the funds is not made transparent to the clients. Customers have no choice on how the funds are used. • There is currently no training for client advisers on the sustainability of investment products. • Sustainability risks and impacts are not specifically quantified and disclosed in investment advisory. • Price premiums are in place for sustainable investment solutions.
Pension provision **Average**	**Strengths** • In the area of pensions, relatively demanding quantitative sustainability-related investment targets have been set. **Challenges** • There is currently no training for client advisers on the sustainability of pension products. • Price premiums are in place for sustainable investment solutions. • The sustainability-related impact of pension products is surveyed, but not communicated to the clients.

Loans and financing	
Loans **Inadequate**	**Strengths** • Certain sustainability criteria are integrated into the corporate lending process. **Challenges** • No sustainability targets or guidelines in the area of private or corporate lending are currently available. • In lending to companies, there are no general exclusion criteria based on sustainability considerations. • The sustainability-related impact of corporate loans is not quantified.
Mortgages **Average**	**Strengths** • Migros Bank AG offers a subsidised eco-mortgage that bears the costs for GEAK or Minergie certification. • The CO_2 emissions of the mortgage portfolio are estimated. **Challenges** • There are not yet any sustainability targets in the area of mortgages and building loans. • There are no digital solutions that explicitly promote (more) sustainable decisions or transparency in this regard.
Management of environmental credit and mortgage risks **Inadequate**	**Strengths** • – **Challenges** • Sustainability-related credit and mortgage risks are not recorded using general risk management tools. • Sustainability-related risks in corporate loans are not quantified.

8.10 FACT SHEET POSTFINANCE LTD

	PostFinance Ltd	Industry average
Social commitment and representation of interests	▲ (Appropriate)	■ (Appropriate)
Governance, monitoring and reporting	▲ (Appropriate)	■ (Appropriate)
Operational management	■ (Appropriate)	▲ (Appropriate)
Savings and investments	▲ (Average)	■ (Average)
Pension provision	■ (Inadequate)	■ (Average)
Loans	■ (Inadequate)	■ (Average)
Mortgages	■ (Inadequate)	■ (Average)
Management of environmental credit and mortgage risks	Not assessed	■ (Average)
Overall result	▲ (Average)	■ (Average)

▲ Improvement ■ No change ▼ Decline ○ First time participation

The arrows indicate how the assessment of each area has changed compared with the WWF Rating 2016/2017. None of the banks have effectively regressed. Nevertheless, as the requirements to achieve the respective categories were more challenging compared with the last rating in 2016/2017 and were oriented towards the vision of a sustainable bank by 2030 (compared with a sustainable bank by 2025 in the previous rating), the banks moved down a category despite slight positive changes within their business or consistent business practices, and as a result they finished in a lower position compared with the last rating.

- Visionary - the bank of 2030
- Trend-setting
- Appropriate
- Average
- Inadequate

Corporate Governance

Social commitment and representation of interests **Appropriate**	**Strengths** • PostFinance Ltd is committed to environmentally friendly framework conditions through its membership of three relevant associations and initiatives that promote sustainable business practices. • Participation in the climate test of the Federal Office for the Environment (FOEN).
Governance, monitoring and reporting **Appropriate**	**Strengths** • Formal and effective corporate governance structure with consideration of all relevant sustainability aspects and externalities in strategic decision-making. • Clear objectives on sustainability issues, taking into account an emissions reduction path. **Challenges** • The sustainability report (in accordance with the GRI standard) is published annually, but does not include reporting on the sustainability impact of the products and product portfolios.
Operational management **Appropriate**	**Strengths** • PostFinance Ltd has an ISO 14001-certified environmental management system in place for all locations. • The emissions (scope 1, 2 and partly scope 3) from the buildings are recorded and effective measures are taken to reduce energy consumption. **Challenges** • At the time of the assessment, no scope 1 to 3 emissions were yet being recorded for the core business.

Savings, investments and pension provision	
Savings and investments **Average**	**Strengths** • The sustainable investment solutions are highly effective. • At a minimum, the exclusion criteria according to the Norwegian sovereign wealth fund's exclusion list apply to 85% of the investment volume, plus a best-in-class approach to the oil and gas sector. **Challenges** • In the case of savings accounts, clients are not explicitly informed how their funds are (sustainably) invested/used and there are no options for making a choice available. • The sustainability-related impact of the investment products is not quantified.
Pension provision **Inadequate**	**Strengths** • The sustainable pension products are based on effective investment strategies. **Challenges** • There are no specific sustainability targets or sustainability guidelines in the area of pillar 3a/b pension products. • Customers are only partially actively asked and consulted on their sustainability preferences. • Sustainability risks are not taken into account in investment decisions.

Loans and financing	
Loans **Inadequate**	**Strengths** • – **Challenges** • No incentivisation of clients in the area of credit cards for sustainable consumption.
Mortgages **Inadequate**	**Strengths** • – **Challenges** • There are no eco-mortgages on offer or advice on relevant topics in the area of sustainability (in the role of mortgage broker).
Management of environmental credit and mortgage risks **Not assessed**	**Strengths** • Not assessed **Challenges** • Not assessed

* PostFinance Ltd is responsible for the following areas in the mortgage business, in which it acts as a broker: sales, consulting, auditing, settlement, customer support and collection. The partner banks handle refinancing and are risk owners for defaults.

8.11 FACT SHEET RAIFFEISEN GROUP

	Raiffeisen Group	Industry average
Social commitment and representation of interests	■	■
Governance, monitoring and reporting	▲	■
Operational management	▲	▲
Savings and investments	▼	■
Pension provision	▼	■
Loans	▲	■
Mortgages	▲	■
Management of environmental credit and mortgage risks	▲	■
Overall result	■	■

▲ Improvement ■ No change ▼ Decline ○ First time participation

The arrows indicate how the assessment of each area has changed compared with the WWF Rating 2016/2017. None of the banks have effectively regressed. Nevertheless, as the requirements to achieve the respective categories were more challenging compared with the last rating in 2016/2017 and were oriented towards the vision of a sustainable bank by 2030 (compared with a sustainable bank by 2025 in the previous rating), the banks moved down a category despite slight positive changes within their business or consistent business practices, and as a result they finished in a lower position compared with the last rating.

- Visionary - the bank of 2030
- Trend-setting
- Appropriate
- Average
- Inadequate

Corporate Governance

Social commitment and representation of interests

Trend-setting

Strengths
- The Raiffeisen Group is committed to environmentally friendly framework conditions through its membership of more than ten relevant associations and initiatives that promote sustainable business practices.
- Active commitment in more than ten associations and initiatives, and a founding member or opinion leader in at least three.

Governance, monitoring and reporting

Trend-setting

Strengths
- Formal corporate governance structure with all relevant sustainability aspects systematically considered and senior management and the board of directors are regularly involved in strategic decision-making.
- Explicit targets (including for scope 1 to 3 emissions) and relevance analyses.
- In its annual sustainability report, Raiffeisen published various key figures on the sustainability of products and service as well as important information on other relevant environmental topics in relation to its own business. The information in the status report is directly associated with the overarching climate goal and the reduction of the ecological footprint.

Challenges
- Sustainability risks at company and product portfolio level are currently still primarily considered qualitatively and not quantitatively.
- Biodiversity risks are not yet actively considered.

Operational management

Trend-setting

Strengths
- An environmental management system pursuant to ISO 14001 is being developed.
- The emissions (scope 1 and 2, parts of scope 3) from all buildings are recorded and effective measures are taken to reduce energy consumption.
- Pension funds are invested in accordance with a policy of responsible investment.

Challenges
- The environmental management system is not (yet) externally certified.

Savings, investments and pension provision

Savings and investments **Average**	**Strengths** • A fairly high proportion of the investment assets is invested sustainably in accordance with exacting investment guidelines. The sustainability impact is quantified and disclosed to clients for sustainable Raiffeisen bonds. • In the investment advisory process, clients are advised according to their respective sustainability preferences and the assets are managed on this basis. **Challenges** • No general sustainability guidelines or sustainability targets apply (yet) to 'traditional' investments (however, they are planned to be introduced in 2021). • Disclosure of the sustainability impact to clients is (still) limited to a few products, and there is no disclosure of the sustainability impact of the overall product portfolio.
Pension provision **Appropriate**	**Strengths** • The Raiffeisen Group exclusively offers pillar 3a/b pension products that systematically take sustainability aspects into account. • The sustainability-related impact of the pillar 3a/b pension products is quantified in a sustainability analysis. **Challenges** • ESG data and information are not yet made available to clients in online banking in a way that would promote sustainable investments.

Loans and financing

Loans **Appropriate**	**Strengths** • In the case of corporate loans, sustainability risks are explicitly considered and a risk-based and systematic exclusion of critical industries applies. Existing business relationships are regularly evaluated at portfolio level with regard to sustainability aspects. • Loans are available for which the conditions are dependent on sustainability aspects. • External ESG information is systematically included in individual transactions and at portfolio level when assessing sustainability risks in the lending business. **Challenges** • Credit guidelines related to sustainability are not (yet) extensively disclosed to clients, and the application of exclusions in the Raiffeisen Group still needs to be expanded.
Mortgages **Trend-setting**	**Strengths** • Raiffeisen offers an eco-subsidy within the context of mortgages for new buildings and the renovation of buildings. Additionally, in the case of new buildings and modernisations, the energy condition of the property is calculated in detail using the software Raiffeisen eVALO. • Customers' sustainability awareness is addressed through apps and tools: Raiffeisen provides a free energy efficiency calculator. It can be used to calculate the energy requirements of a property online with just a few details. **Challenges** • There are no environment-related targets in the area of mortgages yet.
Management of environmental credit and mortgage risks **Average**	**Strengths** • Sustainability risks are also assessed and reported at portfolio level during the term of loans and mortgages. **Challenges** • Sustainability-related credit and mortgage risks are not (yet) recorded using general risk management tools. • Sustainability risks are still primarily considered qualitatively and more sporadically quantitatively.

8.12 FACT SHEET CANTONAL BANK OF SAINT GALL LTD

	Cantonal Bank of Saint Gall Ltd	Industry average
Social commitment and representation of interests	▲	■
Governance, monitoring and reporting	■	■
Operational management	■	▲
Savings and investments	▲	■
Pension provision	▲	■
Loans	■	■
Mortgages	▼	■
Management of environmental credit and mortgage risks	■	■
Overall result	■	■

▲ Improvement ■ No change ▼ Decline ○ First time participation

The arrows indicate how the assessment of each area has changed compared with the WWF Rating 2016/2017. None of the banks have effectively regressed. Nevertheless, as the requirements to achieve the respective categories were more challenging compared with the last rating in 2016/2017 and were oriented towards the vision of a sustainable bank by 2030 (compared with a sustainable bank by 2025 in the previous rating), the banks moved down a category despite slight positive changes within their business or consistent business practices, and as a result they finished in a lower position compared with the last rating.

- Visionary - the bank of 2030
- Trend-setting
- Appropriate
- Average
- Inadequate

Corporate Governance

Social commitment and representation of interests **Appropriate**	**Strengths** • Cantonal Bank of Saint Gall Ltd is committed to environmentally friendly framework conditions through its membership of two relevant associations that promote sustainable framework conditions. • Participated in the climate test of the Federal Office of the Environment (FOEN) in 2020 and plans changes to the business.
Governance, monitoring and reporting **Average**	**Strengths** • Formal corporate governance structure with consideration of any relevant sustainability aspects in strategic decision-making. • Regular monitoring and reporting of sustainability targets and sustainability risks based on the GRI standard. **Challenges** • In risk management, sustainability risks are currently viewed primarily qualitatively rather than quantitatively.
Operational management **Average**	**Strengths** • An environmental management system based on ISO 14001 is applied. • The emissions (scope 1 and 2) from all buildings are recorded and effective measures are taken to reduce energy consumption. **Challenges** • Sustainability aspects are not systematically taken into account with the investing of own funds or pension fund capital.

Savings, investments and pension provision

Savings and investments **Average**	**Strengths** • The sustainable investment solutions are highly effective. **Challenges** • In the area of savings accounts, no sustainability guidelines are currently available. • There are no general sustainability targets or guidelines in the area of investment products and sustainability risks are not systematically considered.
Pension provision **Average**	**Strengths** • The sustainable pillar 3a/b pension products are highly effective. **Challenges** • There are currently no sustainability guidelines in the area of pillar 3a/b pension products. • Sustainability risks are not systematically considered in investment decisions on pension assets.

Loans and financing

Loans **Inadequate**	**Strengths** • – **Challenges** • No sustainability guidelines or targets in the area of loans are currently available. • Environmental criteria are not systematically integrated in the credit issuing process.
Mortgages **Inadequate**	**Strengths** • Individual environment-related mortgage products are available (e.g. Minergie mortgage with subsidised interest rates). The sustainability-related impact of the mortgages was quantified on one occasion via the FOEN climate test. **Challenges** • There are not yet any sustainability targets in the area of mortgages and building loans. • There are currently no binding environmental credit guidelines for mortgages and building loans or specific environmental targets for mortgages.
Management of environmental credit and mortgage risks **Average**	**Strengths** • As part of the business model analysis, the future viability of the business model is assessed for larger corporate clients. • Ecological risks and contamination relating to real estate are systematically analysed and recorded. **Challenges** • Sustainability-related credit and mortgage risks are not recorded using general risk management tools and are not yet quantified across portfolios.

8.13 FACT SHEET UBS SWITZERLAND AG

	UBS Switzerland AG	Industry average
Social commitment and representation of interests	■	■
Governance, monitoring and reporting	▲	■
Operational management	■	▲
Savings and investments	▲	■
Pension provision	▲	■
Loans	■	■
Mortgages	▲	■
Management of environmental credit and mortgage risks	▲	■
Overall result	▲	■

▲ Improvement ■ No change ▼ Decline ○ First time participation

The arrows indicate how the assessment of each area has changed compared with the WWF Rating 2016/2017. None of the banks have effectively regressed. Nevertheless, as the requirements to achieve the respective categories were more challenging compared with the last rating in 2016/2017 and were oriented towards the vision of a sustainable bank by 2030 (compared with a sustainable bank by 2025 in the previous rating), the banks moved down a category despite slight positive changes within their business or consistent business practices, and as a result they finished in a lower position compared with the last rating.

- Visionary - the bank of 2030
- Trend-setting
- Appropriate
- Average
- Inadequate

Corporate Governance	
Social commitment and representation of interests **Trend-setting**	**Strengths** • UBS Switzerland AG is committed to environmentally friendly framework conditions through its membership of more than ten relevant associations and initiatives that promote sustainable business practices. • Participated in the climate test of the Federal Office of the Environment (FOEN) in 2020 and its pilot. • Active commitment in several associations, for example within working groups.
Governance, monitoring and reporting **Visionary**	**Strengths** • Formal corporate governance structure with systematic consideration of all relevant sustainability aspects in strategic decision-making. Sustainability-relevant externalities are integrated into the income statement. • Explicit target setting (e.g. for scope 1 to 3 emissions) and relevance analyses, with the inclusion of science-based methods for target path definition. • The sustainability report (based on recognised standards such as GRI, TCFD and UNPRI) is published annually and audited by an external body pursuant to the GRI standard. **Challenges** • There was no net zero commitment at the overall company level in 2020 (Group-wide net zero statement published in April 2021)
Operational management **Appropriate**	**Strengths** • UBS Switzerland AG has an ISO 14001-certified environmental management system in place for all locations. • The emissions (scope 1 to 3) from the buildings are recorded and effective measures are taken to reduce energy consumption. **Challenges** • Its published investment guidelines are rather vague about how it invests its own funds and the pension funds (improvements are, however, planned for 2021). • The sustainability-related impact of the investment of own funds is not assessed.

Savings, investments and pension provision	
Savings and investments **Appropriate**	**Strengths** • UBS Switzerland AG has exacting quantitative investment guidelines and pursues a decarbonisation goal with general, publicly available exclusion criteria that apply to the entire investment volume. • An extensive sustainable product range is offered. **Challenges** • The disclosure of the sustainability impact has so far been limited to sustainable products. • Customer preferences regarding sustainability are not yet systematically recorded and documented.
Pension provision **Appropriate**	**Strengths** • UBS Switzerland AG exclusively offers pillar 3a/b pension products that systematically take sustainability aspects into account. • In the fact sheets of the pension funds, UBS Switzerland AG discloses several sustainability key figures, e.g. a comparison of CO_2 emissions between the fund and its reference index. In addition, the revenues that contribute towards the aggregated Sustainable Development Goals of the United Nations (UN SDG) are also disclosed. Customers can access these reports directly via online tools on a monthly basis. **Challenges** • The effectiveness of the sustainable products could be increased.

Loans and financing	
Loans **Appropriate**	**Strengths** • The credit policy at UBS Switzerland AG is publicly available. It incorporates extensive environment-related credit guidelines that apply to all loans. • Innovative financing solutions for companies are offered which create incentives for more efficient systems and processes: SME clients can arrange for their energy balance to be reviewed. This allows them to find out any potential energy savings and possibilities to reduce their CO_2 emissions. In addition, UBS Switzerland AG offers companies favourable leasing conditions for eco-efficient production machinery. **Challenges** • The financing criteria are relatively strict, but there is still room for improvement. For example the thresholds for turnover from energy production from coal or coal mining are still quite high, but slight improvements were implemented in 2021. • The Optimus Foundation Credit Card Eco, in which 0.75% of the card turnover is transferred annually to a sustainability foundation, offers discounts on car rentals and airport parking.
Mortgages **Appropriate**	**Strengths** • The issue of sustainability is actively addressed in the mortgage advisory process. • The sustainability-related impact of the mortgages is quantified. **Challenges** • For now, the eco-mortgage is only available for renovations and not for new buildings.
Management of environmental credit and mortgage risks **Visionary**	**Strengths** • In the overall management of environmental credit and mortgage risks at UBS Switzerland AG, scenario-based stress tests and future-oriented analyses, among other instruments, are used to assess the influence of a variety of physical and transitory risks of climate change on the institution. • The overall portfolio is regularly checked for sensitive sectors and activities. UBS Switzerland AG is also actively involved in the industrial initiatives to develop improved applications and methods for the assessment of sustainability risks.

8.14 FACT SHEET VALIANT BANK AG

	Valiant Bank AG	Industry average
Social commitment and representation of interests	▲ (Appropriate)	■ (Appropriate)
Governance, monitoring and reporting	■ (Average)	■ (Appropriate)
Operational management	■ (Average)	▲ (Appropriate)
Savings and investments	▲ (Average)	■ (Average)
Pension provision	▲ (Average)	■ (Average)
Loans	▲ (Average)	■ (Average)
Mortgages	■ (Inadequate)	■ (Average)
Management of environmental credit and mortgage risks	▲ (Average)	■ (Average)
Overall result	▲ (Average)	■ (Average)

▲ Improvement ■ No change ▼ Decline ○ First time participation

The arrows indicate how the assessment of each area has changed compared with the WWF Rating 2016/2017. None of the banks have effectively regressed. Nevertheless, as the requirements to achieve the respective categories were more challenging compared with the last rating in 2016/2017 and were oriented towards the vision of a sustainable bank by 2030 (compared with a sustainable bank by 2025 in the previous rating), the banks moved down a category despite slight positive changes within their business or consistent business practices, and as a result they finished in a lower position compared with the last rating.

- Visionary - the bank of 2030
- Trend-setting
- Appropriate
- Average
- Inadequate

Corporate Governance

Social commitment and representation of interests **Appropriate**	**Strengths** • Valiant Bank AG is committed to environmentally friendly framework conditions through its membership of three relevant associations and initiatives that promote sustainable business practices. • Participated in the climate test of the Federal Office of the Environment (FOEN) in 2020.
Governance, monitoring and reporting **Average**	**Strengths** • Formal corporate governance structure with consideration of some relevant sustainability aspects in strategic decision-making. • A sustainability report is published annually in the annual report and in accordance with the GRI standard. **Challenges** • Sustainability risks have so far only been taken into account in risk management through qualitative exclusion criteria for financing, no risk/scenario analyses and no GHG emissions targets that are oriented towards science-based reduction paths.
Operational management **Average**	**Strengths** • An external ISO 14064-1-certified environmental management system is in place. • The emissions (scope 1 to 3) from the most relevant buildings are recorded and effective measures are taken to reduce energy consumption. **Challenges** • Only partial consideration of sustainability aspects in the investment of own funds and pension funds (not yet in force in 2020).

Savings, investments and pension provision	
Savings and investments **Average**	**Strengths** • The sustainable investment solutions demonstrate high effectiveness. **Challenges** • The sustainability-related investment guidelines or specific sustainability targets had not yet been implemented in 2020. • In the case of sustainable investment products, the exclusion criteria are rather modest and no labels are used. Their sustainability-related impact is not quantified.
Pension provision **Average**	**Strengths** • The sustainable pillar 3a/b pension products are highly effective. **Challenges** • Sustainability risks at product level are not taken into consideration. • There are no digital solutions that explicitly promote (more) sustainable investment decisions or transparency in this regard.

Loans and financing	
Loans **Average**	**Strengths** • The financing guidelines, which apply to the entire loan portfolio, generally exclude some critical industries and projects with a negative impact on sustainability. • In corporate lending, the transition to sustainable business models is supported. **Challenges** • There are no incentives for sustainable business loans. • Sustainability risks for loans are only managed through exclusions and there is no quantitative management.
Mortgages **Inadequate**	**Strengths** • In the mortgage business, the ecological efficiency of buildings is taken into account in the property value and therefore also in the mortgage-granting process. **Challenges** • There are not yet any sustainability targets in the area of mortgages and building loans. • No specific eco-mortgage is offered.
Management of environmental credit and mortgage risks **Average**	**Strengths** • Sustainability risk is indirectly managed through the general exclusion of critical financing. **Challenges** • The sustainability-related credit and mortgage risks are not recorded using the general risk management tools. • Sustainability-related credit and mortgage risks are currently still primarily considered qualitatively and not quantitatively.

8.15 FACT SHEET CANTONAL BANK OF ZURICH

	Cantonal Bank of Zurich	Industry average
Social commitment and representation of interests	■	■
Governance, monitoring and reporting	▼	■
Operational management	▼	▲
Savings and investments	■	■
Pension provision	■	■
Loans	■	■
Mortgages	■	■
Management of environmental credit and mortgage risks	▲	■
Overall result	■	■

▲ Improvement ■ No change ▼ Decline ○ First time participation

The arrows indicate how the assessment of each area has changed compared with the WWF Rating 2016/2017. None of the banks have effectively regressed. Nevertheless, as the requirements to achieve the respective categories were more challenging compared with the last rating in 2016/2017 and were oriented towards the vision of a sustainable bank by 2030 (compared with a sustainable bank by 2025 in the previous rating), the banks moved down a category despite slight positive changes within their business or consistent business practices, and as a result they finished in a lower position compared with the last rating.

- Visionary - the bank of 2030
- Trend-setting
- Appropriate
- Average
- Inadequate

Corporate Governance

Social commitment and representation of interests

Trend-setting

Strengths
- Cantonal Bank of Zurich is committed to environmentally friendly framework conditions through its membership of more than ten relevant associations and initiatives that promote sustainable business practices.
- Participated in the climate test of the Federal Office of the Environment (FOEN) in 2020 and plans changes to the business.
- Active commitment by participating in working groups and supporting initiatives.

Governance, monitoring and reporting

Appropriate

Strengths
- Formal corporate governance structure with systematic consideration of all relevant sustainability aspects in strategic decision-making. Quantitative target setting regarding relevant sustainability issues.
- A sustainability report is published annually and a GRI report every two years.

Challenges
- At the corporate level, there are currently no key risk indicators or risk appetite statements that specifically address sustainability; sustainability risks are still managed on a primarily qualitative basis.
- Reporting on special targets and target achievement is not made public.

Operational management

Appropriate

Strengths
- Cantonal Bank of Zurich has an ISO 14001-certified environmental management system in place for all locations.
- The emissions (scope 1 to 3) from all buildings are recorded and effective measures are taken to reduce energy consumption.

Challenges
- Its published investment guidelines are rather vague about how it invests its own funds and the pension funds.*

* The pension fund is a separate legal entity that is not under the bank's direct control.

Savings, investments and pension provision	
Savings and investments **Appropriate**	**Strengths** • With the environment savings account of Cantonal Bank of Zurich, clients waive some of the interest in order to support loans for ecological projects. Every year the clients are informed of how their money is used. This ensures a certain level of reporting on the targeted sustainability impact. • Cantonal Bank of Zurich's active, traditional collective investment business is subject to a science-based quantitative decarbonisation target (2-degree target), which is followed by the independent and external sustainability advisory board. In addition, the CO_2-equivalent intensity and the reduction path of the corresponding Swisscanto funds can be publicly viewed through quarterly Swisscanto sustainability reporting. The sustainability approaches used in each case are disclosed transparently in the report. • Cantonal Bank of Zurich makes extensive investment reporting available for its investment solutions for private clients (asset management and investment advice). This includes, among other things, a 'sustainability indicator', which evaluates individual sustainability aspects of the investment fund, including CO_2 emissions per revenue (scope 1 and 2). These aspects are aggregated into one overall score of A (very good) to G (very poor). This allows clients to compare different investment products with regard to sustainability factors. In addition, the underlying investment strategy is disclosed in a transparent and easily accessible manner. **Challenges** • There are no digital solutions that explicitly promote (more) sustainable investment decisions or transparency in this regard.
Pension provision **Appropriate**	**Strengths** • Cantonal Bank of Zurich exclusively offers active pillar 3a/b pension products that systematically take sustainability aspects into account. **Challenges** • -

Loans and financing	
Loans **Average**	**Strengths** • In the credit sector, sustainability-linked loans are offered and transition risks are taken into account when granting loans. • There are incentives for sustainable business loans. **Challenges** • Environmental guidelines for corporate loans were not very ambitious until the end of 2020 (were adjusted as of 1 January 2021) and are not yet public.
Mortgages **Appropriate**	**Strengths** • Ecological mortgage products are offered that are open to private and corporate clients. There are also specific environmental targets in the area of mortgages (not public) and their sustainability impact is determined (not made public). • Cantonal Bank of Zurich pays the certificate fees for Minergie and GEAK and offers heating replacement consultation in partnership with EKZ. **Challenges** • The sustainability impact of mortgages is quantified but not yet published.
Management of environmental credit and mortgage risks **Appropriate**	**Strengths** • The sustainability-related credit and mortgage risks are recorded using the general risk management tools. • Sustainability risks are also regularly recorded and monitored during the term of loans and mortgages. **Challenges** • The sustainability-related risks are not disclosed in the annual report.

9 APPENDIX 2: ENVIRONMENTAL IMPACT OF DIFFERENT SECTORS AND SUB-SECTORS

Financed sectors and industries	Environmental impact*	Reason
Energy (mining/extraction)		
Coal	1	High external costs.
Crude oil and natural gas	1	High external costs.
Renewable energy plants	4	Low external costs, substitute fossil energy and nuclear energy.
Utility companies		
Coal	1	High external costs.
Crude oil and natural gas	1	High external costs.
Nuclear	2	Lower CO_2 footprint, but very high external costs.
Hydro power, conventional (not naturmade start certified)	3	Lower CO_2 footprint, but negative impact on biodiversity.
Renewable energies (including hydro power, naturmade star certified)	5	Very low external costs, substitute fossil fuel energy and nuclear energy.
Energy source unspecified/unknown	2	Impact is assumed to be quite high.
Transport		
Transport: motorised private transport (incl. infrastructure)	1	Very high climate and environmental impacts.
Transportation: air traffic (incl. infrastructure)	1	Very high climate and environmental impacts.
Transport: road transport (incl. infrastructure)	2	High climate and environmental impacts, but better than air travel and private motorized transport.
Transportation: shipping (incl. infrastructure)	3	Lower climate and environmental impact than motorized private transport and air traffic.
Transport: rail and bus transport (incl. infrastructure but excluding road construction)	5	Significantly lower climate and environmental impact than motorized private transport and air traffic.
Construction material (specific to transport infrastructure)	1	Very high climate and environmental impacts.
Transport (unspecified), incl. transport infrastructure	2	Impact on climate and environment is assumed to be quite high.

Financed sectors and industries	Environmental impact*	Reason
Food/agriculture and forestry		
Food (animal products), certified organic	2	High environmental and climate impact compared to plant-based diets. But more ecological than conventional animal husbandry.
Food (animal products), conventional or unspecified/unknown	1	Very high environmental and climate impact.
Food (plant-based products), forestry and wood products from certified sustainable or organic cultivation	5	Plant-based diets are more climate efficient compared to animal-based diets. Wood products are renewable resources and can also be used to generate renewable energy. Additional organic/sustainable certification also guarantees high environmental standards.
Food (plant-based products), forestry and wood products, conventional or cultivation method unspecified/unknown	3	Plant-based diets are more climate efficient compared to meat diets. Wood products are renewable resources and can also be used to generate renewable energy.
Afforestation, reforestation, rehabilitation	5	Serves for CO_2 storage. Positive impact on the environment.
Agriculture and forestry (unspecified/unknown)	1	Impact is assumed to be above average, plus “deduction” for lack of transparency.
Other sectors		
Communication services	3	Can replace transport. However, can be very energy-intensive (e.g. streaming or blockchain applications require high computing power).
Metal and precious metal extraction	1	Very energy-intensive and typically high environmental impact.
Water supply, sewage and waste disposal	4	Wastewater treatment and waste disposal reduce environmental impact.
Textile industry, sustainable or bio-certified	3	Moderate resource consumption at sustainable textile companies on average. Recycling and circular economy business models should be promoted.
Textile industry, conventional or unspecified/unknown	2	Very resource-intensive and typically high environmental impact. High water and energy consumption in the production of materials and products.
Construction material (Manufacturers of building materials, including sand, clay, gypsum, lime, aggregates, cement, concrete and bricks and manufacturers of construction elements)	1	Very resource-intensive and typically high environmental impact.
Construction industry (specifically for buildings)	2	Majority of construction activities still involve new buildings, which are very resource-intensive and typically have a high environmental impact; only a small proportion is spent on refurbishing existing buildings.
Other (sectors unspecified or unknown)	2	Average impact of business is unsustainable or has high environmental impact. Also “deduction” for lack of transparency.
Housing (buildings)		
Energy-efficient housing (Minergie or other internationally recognised standard): Replacement/renovation of existing buildings	5	Very important lever for reducing climate impact.
Energy-efficient housing (Minergie or other internationally recognised standard): New construction on green area	3	Important lever for reducing climate impact.
Conventional housing	1	Impacts are assumed to be quite high (climate inefficient real estate portfolio).

Table 10: Environmental impact of different sectors and sub-sectors
Source: Inrate 2016. This sector matrix is based on the Inrate Impact Matrix (as at November 2016) and summarises parts of it.
* Environmental impact rates external environmental costs on a scale of 1 to 5. A rating of 1 represents a very high negative environmental impact, while a rating of 5 represents a very low negative environmental impact.

10 APPENDIX 3: ASSESSMENT OF EFFECTIVENESS OF SUSTAINABILITY INVESTMENT STRATEGIES

Main investment strategy	Sub-investment strategy	Valuation	Explanation*
No systematic investment strategy in place and/or no information on investment strategy provided		1	No relevant steering effect with regard to improving sustainability impact and/or no transparency
Exclusion criteria	Only “standard exclusion criteria”: arms, weapons, tobacco, alcohol, pornography, gambling, disregard for human rights, disregard for labour rights and standards, animal testing and norms-based screening in accordance with the UN Guiding Principles on Business and Human Rights / UN Global Compact / OECD Guidelines for Multinational Enterprises.	1	Use of standard exclusion criteria does not cover many environmental topics. Exclusion criteria are purely risk-oriented and to that extent are unable to identify ESG-related opportunities.
	In addition to “standard exclusion criteria”: 1 to 3 exclusion criteria in the following environmental areas: • Coal producers • Coal suppliers • Oil and gas producers • Nuclear power • Chemical mass-market products • Chemical pest control • Industrial agriculture and fishing • Non-sustainable construction and land speculation • Harmful environmental behaviour • Commodity trading	2	Applying a broader set of exclusion criteria also covers some important environmental risks and may somewhat improve the sustainability impact. Exclusion criteria are purely risk-oriented and to that extent are unable to identify ESG-related opportunities.
	In addition to “standard exclusion criteria”: > 3 exclusion criteria in the following environmental areas: • Coal producers • Coal suppliers • Oil and gas producers • Nuclear power • Bulk chemical products • Chemical pest control • Industrial agriculture and fishing • Non-sustainable construction and land speculation • Harmful environmental behaviour • Commodity trading	3	Applying a comprehensive set of exclusion criteria that covers important environmental risks can have a positive influence on the sustainability impact of an investment. Exclusion criteria are purely risk-oriented and to that extent are unable to identify ESG-related opportunities.

Main investment strategy	Sub-investment strategy	Valuation	Explanation*
ESG integration	Explicit incorporation of ESG factors into traditional financial analyses and investment decisions on the basis of a systematic process and appropriate research sources in addition to respect for client preferences.	3	ESG factors influence investment decisions in favour of sustainability. It can therefore be assumed that the sustainability impact of investments will improve. However, ESG factors are clearly subordinated to financial factors, so the sustainability impact is likely to remain limited.
Best-in-class	Traditional best-in-class approach: selection of the best companies within industries from a sustainability perspective.	3	As best-in-class strategies are based on systematic sustainability assessments, they cover the most important sustainability issues. However, traditional best-in-class strategies select the best companies within industries such as oil and gas. Consequently, these investment products are still mostly invested in companies that are harmful to the climate/environment. Pure best-in-class strategies do not apply any minimum standards that would guarantee the exclusion of certain controversial ethical or environmental impacts.
ESG voting based on a broad set of ESG criteria	Escalation strategy in the event of unsuccessful voting: no direct consequence (e.g. inclusion in a watch list)	2	ESG-related voting strategies are used in attempts to directly influence corporate decisions. Accordingly, the influence on companies' sustainability impact is relatively direct. However, the actual influence also depends on the consequence of the voting results: if no consequence is drawn, the sustainability impact is very limited.
	Escalation strategy in the event of unsuccessful voting: rebalancing	3	ESG-related voting strategies are used in attempts to directly influence corporate decisions. Accordingly, the influence on companies' sustainability impact is relatively direct. However, the actual influence also depends on the consequence of the voting results: if rebalanced, the sustainability impact is slightly better.
	Escalation strategy in the event of unsuccessful voting: disinvestment	4	ESG-related voting strategies are used in attempts to directly influence corporate decisions. Accordingly, the influence on companies' sustainability impact is relatively direct. However, the actual influence also depends on the consequence of the voting results: if the investment is disposed of, the sustainability impact is greatest compared to other voting strategies.

Main investment strategy	Sub-investment strategy	Valuation	Explanation*
ESG engagement based on a broad set of ESG criteria	Escalation strategy in the event of unsuccessful voting: no direct consequence (e.g. inclusion in a watch list)	2	ESG-related engagement strategies seek to directly influence corporate decisions. Accordingly, the influence on companies' sustainability impact is relatively direct. However, the actual influence also depends on the consequence of the engagement results: if no consequence is drawn, the sustainability impact is very limited.
	Escalation strategy in the event of unsuccessful voting: rebalancing	3	ESG-related engagement strategies seek to directly influence corporate decisions. Accordingly, the influence on companies' sustainability impact is relatively direct. However, the actual influence also depends on the consequence of the engagement results: if rebalanced, the sustainability impact is slightly better.
	Escalation strategy in the event of unsuccessful voting: disinvestment	4	ESG-related engagement strategies seek to directly influence corporate decisions. Accordingly, the influence on companies' sustainability impact is relatively direct. However, the actual influence also depends on the consequence of the engagement results: if the investment is disposed of, the sustainability impact is greatest compared to other voting strategies.
Impact investing (incl. topic-specific ESG investment strategies)	Investments designed to generate a measurable positive social and environmental impact in addition to a financial return. Financial-first approach: optimisation of financial returns while generating a social or environmental impacts.	4	A high sustainability impact can be created through the specific intent to achieve measurable positive environment or social impacts in addition to a positive financial return. However, the focus is on financial returns.
	Investments designed to generate a measurable positive social and environmental impact in addition to a financial return. Impact-first approach: social or environmental returns take precedence over monetary returns.	5	A high sustainability impact can be created through the specific intent to achieve measurable positive environment or social impacts in addition to a positive financial return. The sustainability impact is paramount, is weighted more heavily than pure financial returns and has the greatest sustainability impact as a result.

Table 11: Effectiveness of sustainability investment strategies

Source: PwC/WWF

* Rating on a scale of 1 (not effective at all) to 5 (very effective).

ENDNOTES

1 See https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement

2 See https://sdgs.un.org/goals

3 See https://unfccc.int/news/private-investments-are-crucial-to-achieve-paris-goals

4 See https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/overview-sustainable-finance_de

5 See https://www.fsb-tcfd.org

6 See https://www.ngfs.net/en

7 See https://www.finma.ch/en/news/2019/04/20190417-mm-beitritt-ngfs/

8 See https://www.snb.ch/en/iabout/internat/multilateral/id/internat_multilateral_ngfs

9 See https://www.unepfi.org/banking/bankingprinciples/

10 See https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/international-platform-sustainable-finance_en

11 See https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-78343.html

12 See https://tnfd.info

13 See https://sciencebasedtargets.org/sectors/financial-institutions

14 See https://ec.europa.eu/commission/presscorner/detail/en/IP_18_1404

15 See https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_de

16 See https://www.bafu.admin.ch/bafu/en/home/topic areas/climate/info-specialists/climate-and-financial-markets.html

17 See https://www.swissbanking.org/de/themen/business-themen/sustainable-finance

18 See https://www.sustainablefinance.ch/upload/cms/user/EN_2020_06_16_SFAMA_SSF_key_messages_and_recommendations_final.pdf

19 See https://www.gfsbern.ch/wp-content/uploads/2020/09/202034_schlussbericht_nachhaltigkeit_banken-5.pdf

20 See https://www.unepfi.org/net-zero-alliance/

21 See https://www.netzeroassetmanagers.org/

22 “Climate neutrality” is achieved when there is a balance between greenhouse gases released into the atmosphere (emissions caused) and the total amount of greenhouse gases sequestered from the atmosphere (emissions compensated for). This is also referred to as a net-zero target, among other designations.

23 See https://www.one-planet-lab.ch/post/die-planetaren-grenzen-und-ihre-bedeutung

24 The term “external costs” is also used to refer to this: a product or a service may have negative impacts on the environment and society. These impacts are also referred to as external costs. The true price of a product or a service should always take these external costs into account.

25 See https://www.one-planet-lab.ch/post/die-planetaren-grenzen-und-ihre-bedeutung

26 See https://sciencebasedtargets.org/

27 See State Secretariat for International Financial Matters SIF 2021: Swiss financial centre, key figures April 2021 (https://www.sif.admin.ch/sif/en/home/dokumentation/publikationen/kennzahlen-finanzstandort-schweiz.html)

28 See BAK Economics 2020: Economic importance of the Swiss financial centre.

29 SECO 2021: number and volume of Covid-19 bridge loans.

30 See BAK Economics 2020: Economic importance of the Swiss financial centre.

31 In December 2020, the Basel Committee on Banking Supervision at the Bank for International Settlements (BIS) in Basel issued new recommendations on capital adequacy and liquidity rules for credit institutions as endorsed by the G20 in November 2020. These recommendations are known as Basel III and have been further developed and supplemented since 2010. The Basel Committee finally concluded its work on Basel III on 7 December 2017.

32 See Gemini’s 2021 State of US Crypto Report (https://www.gemini.com/state-of-us-crypto).

33 See Statista 2020: Neo-banks (https://de.statista.com/themen/7057/neo-banken/).

34 So-called ESG aspects (E = environmental, S = social and G = governance).

35 These are often referred to as physical and transitory risks. See https://www.oliverwyman.com/our-expertise/insights/2019/feb/climate-risk-and-the-financial-impact.html, https://www.cepweb.org/wp-content/uploads/2019/11/CEP-DN-Climate-Risks-in-Financial-Assets.pdf and https://www.bis.org/bcbs/publ/d517.htm

36 See fact sheet – Adaptation to climate change, Swiss Federal Office for the Environment (FOEN) [Anpassung an den Klimawandel, BAFU], 2013 (https://www.bafu.admin.ch/dam/bafu/de/dokumente/klima/fachinfo-daten/anpassung_an_denklimawandelimsektorumgangmitnaturgefahren.pdf.download.pdf/anpassung_an_denklimawandelimsektorumgangmitnaturgefahren.pdf)

37 Gross domestic product comprises the total annual value of all finished goods, products and services within national borders, after deduction of all intermediate consumption.

38 See SwissRe, 2020 https://www.swissre.com/media/news-releases/nr-20200923-biodiversity-and-ecosystems-services.html

39 See PwC Switzerland/WWF Switzerland 2020: Nature is too big too fail (https://www.pwc.ch/en/publications/2020/nature-is-too-big-to-fail.pdf)

40 See https://www.auto-motor-und-sport.de/verkehr/verbrenner-aus-immer-mehr-verbote-zukunft-elektroauto/; https://www.autozeitung.de/zev-benziner-diesel-verbot-bis-2050-116894.html#geplante_verbote_von_benzin-_und_dieselautos_im_ausland_tabelle_

41 Stranded assets are assets (e.g. company shares, plant and machinery or (raw material) inventory) whose earning power or market value unexpectedly drops dramatically, to the point where they become almost or completely worthless.

42 See https://www.clientearth.org/latest/latest-updates/news/why-clientearth-is-suing-the-central-bank-of-belgium-for-climate-failings/

43 See https://www.swissinfo.ch/ger/klimapolitik_klimakrise--bedrohung-fuer-die-menschenrechte-/46187408#:~:text=Sie%20hatte%20die%20niederl%C3%A4ndische%20Regierung,Obersten%20Gerichtshof%20der%20Niederlande%20best%C3%A4tigt%20.

44 See United Nations Environment Programme 2020: Global Climate Litigation Report: 2020 Status Review (https://wedocs.unep.org/bitstream/handle/20.500.11822/34818/GCLR.pdf)

45 See https://www.bafu.admin.ch/bafu/en/home/topics/climate/news-releases.msg-id-81571.html

46 See https://www.wri.org/insights/3-things-know-about-esg-fund-behavior-during-pandemic; https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/esg-funds-beat-out-s-p-500-in-1st-year-of-covid-19-how-1-fund-shot-to-the-top-63224550 , https://www.ubs.com/global/en/asset-management/insights/panorama/mid-year/2020/covid-19-impacted-esg-investing.html

47 See UNDP, 2019 https://www.undp.org/content/undp/en/home/blog/2019/funding-to-achieve-the-global-goals-existsheres-how-governments-.html, UNFCC, 2017 https://unfccc.int/news/private-investments-are-crucial-to-achieve-paris-goals

48 See BFE, 2020 (p. 2) https://www.bfe.admin.ch/bfe/de/home/politik/energieperspektiven-2050-plus.exturl.html/aHR0cHM6Ly9wdWJkYi5iZmUuY-WRtaW4uY2gvZGUvcHVibGljYX/Rpb24vZG93bmxvYWQvMTAzMjA=.html

49 See https://www.swissbanking.ch/en/topics/regulation-and-compliance/mortgage-market-regulation

50 See https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-81571.html

51 See https://blog.hslu.ch/retailbanking/2021/01/11/nachhaltige-anlagen-banken-sind-mit-umsetzungsschwierigkeiten-konfrontiert/#respond

52 See https://blog.hslu.ch/retailbanking/2021/01/11/nachhaltige-anlagen-banken-sind-mit-umsetzungsschwierigkeiten-konfrontiert/#respond

53 See e.g. https://www.unpri.org/download?ac=5889

54 See https://www.unglobalcompact.org/take-action/action/long-term

55 See CEP, 2019.

56 See PwC Switzerland/WWF Switzerland 2020: Leading the way to a green and resilient economy (https://www.pwc.ch/en/insights/sustainability/the-way-to-a-green-and-resilient-economy.html)

57 See Swiss Sustainable Finance 2020: Swiss Sustainable Investment Market Study (https://www.sustainablefinance.ch/upload/cms/user/2020_06_08_SSF_Swiss_Sustainable_Investment_Market_Study_2020_E_final_Screen.pdf)

58 See IFZ Lucerne 2020: Sustainable Investments Study 2020 (https://www.hslu.ch/-/media/campus/common/files/dokumente/w/ifz/studien/ifz-sustainable-investments-studie-2020.pdf?la=de-ch)

59 See PwC 2021: PwC's March 2021 Global Consumer Insights Pulse Survey (https://www.pwc.com/gx/en/industries/consumer-markets/consumer-insights-survey.html)

60 See Statista 2021: Growing importance of sustainability in purchase decisions in Switzerland (https://de.statista.com/statistik/daten/studie/1010418/umfrage/bedeutung-von-nachhaltigkeit-bei-kaufentscheidungen-in-der-schweiz/)

61 See PwC Switzerland/WWF Switzerland 2020: Leading the way to a green and resilient economy (https://www.wwf.ch/sites/default/files/doc-2020-08/Leading%20the%20way%20to%20a%20green%20and%20resilient%20economy_EN-web_0.pdf)

62 See PwC Switzerland/WWF Switzerland 2020: Leading the way to a green and resilient economy (https://www.wwf.ch/sites/default/files/doc-2020-08/Leading%20the%20way%20to%20a%20green%20and%20resilient%20economy_EN-web_0.pdf)

63 2019_CSP Report Sustainable Investing Capabilities of Private Banks_spreads_30122019.pdf (2019)

64 See Swiss Sustainable Finance: Swiss Sustainable Finance Market Study 2020 (https://www.sustainablefinance.ch/upload/cms/user/2020_06_08_SSF_Swiss_Sustainable_Investment_Market_Study_2020_E_final_Screen.pdf)

65 2019_CSP Report Sustainable Investing Capabilities of Private Banks_spreads_30122019.pdf (2019)

66 See PwC Switzerland/WWF Switzerland 2020: Nature is too big too fail (https://www.pwc.ch/en/publications/2020/nature-is-too-big-to-fail.pdf)

67 https://www.sustainablefinance.ch/upload/cms/user/2020_06_08_SSF_Swiss_Sustainable_Investment_Market_Study_2020_E_final_Screen.pdf

68 See press release of the Federal Council in 2020 (https://www.admin.ch/gov/de/start/dokumentation/medienmitteilungen.msg-id-81571.html)

69 See press release of the Federal Council in 2020 (https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-79606.html)

70 PwC Switzerland/WWF Switzerland 2020: Leading the way to a green resilient economy (https://www.wwf.ch/sites/default/files/doc-2020-08/Leading%20the%20way%20to%20a%20green%20and%20resilient%20economy_EN-web_0.pdf)

71 https://www.sustainablefinance.ch/upload/rm/2020-green-fintech-survey-de-1.pdf?_=1612260832000

72 https://www.sif.admin.ch/sif/en/home/dokumentation/fokus/green-fintech-action-plan.html

73 https://blog.hslu.ch/retailbanking/files/2021/03/IFZ-FinTech-Study-2021-1.pdf

74 For the derivation of the rating categories and criteria, see the WWF rating of the Swiss retail banking sector 2016/2017.

75 The data on volume shares is based on confidential information provided by the retail banks as of 31 December 2019.

76 This was already announced by the authors in the WWF rating of the Swiss retail banking sector 2016/2017.

77 The Federal Office for the Environment (FOEN) regularly conducts climate alignment tests for the Swiss financial market. For more information see FOEN: Climate and financial markets.

78 See WWF rating of the Swiss retail banking sector 2016/2017, Appendix 2, for further information on Inrate's methodology.

79 See https://ghgprotocol.org/scope-3-technical-calculation-guidance

80 See SSF 2020: Swiss Sustainable Investment Market Study 2020.

81 Example: The combination of ESG integration (score of 3) with an impact-first strategy (score of 5) is still rated 5.

82 Information on financial volumes was recorded as of the reporting date December 31, 2019. Policies and processes were taken into account up to and including the reporting date of December 31, 2020.

83 The rating of the Raiffeisen Group focuses on the retail banking activities of the Raiffeisen banks and of Raiffeisen Switzerland.

84 The order in which the specific banks are listed in the evaluation chapters is purely thematic or random and can on no account be interpreted as a ranking.

85 The industry average refers to the average of the 15 reviewed retail banks.

86 For more detailed explanations of scopes 1 to 3 emissions, see Textbox 8: The GHG Protocol: direct and indirect GHG emissions.

87 For more detailed explanations of scopes 1 to 3 emissions, see Textbox 8: The GHG Protocol: direct and indirect GHG emissions

88 The aim of the Paris Climate Agreement is to hold the increase in global global average temperature to well below 2° Celsius above pre-industrial levels and pursue efforts to limit the maximum temperature increase of 1.5° Celsius above pre-industrial levels.

89 See https://carbonaccountingfinancials.com/

90 The WWF rating of the Swiss retail banking sector has included not only environmental but also sustainability aspects among its criteria in the area of savings, investments & pension provision. For the sake of simplicity, both aspects are grouped together under "sustainability" in the following sections.

91 See also SBA 2020: Guidelines for the inclusion of ESG criteria in the advisory process for private clients.

92 See gfs.bern 2020: Ökologische Nachhaltigkeit im Bankensektor: Hausaufgaben gemacht, bessere Rahmenbedingungen gefordert (https://www.gfsbern.ch/wp-content/uploads/2020/09/202034_schlussbericht_nachhaltigkeit_banken-5.pdf).

93 This situation has also has come under fire from financial experts in Switzerland, see e.g. Federal Office for the Environment 2016: Proposals for a Roadmap towards a Sustainable Financial System in Switzerland.

94 The percentages do not indicate whether an investment strategy is used for a large or a small volume share of sustainable investment and pension assets but only show the frequency distribution.

95 See Swiss Sustainable Finance: Swiss Sustainable Investment Market Study 2020.

96 See Textbox 8: The GHG Protocol: direct and indirect GHG emissions

97 For the calculation of the comprehensive environmental impacts, see Assessment of the environmental impact.

98 The classification into industry sectors entails a certain degree of imprecision as companies can be active in different sectors. Moreover, it does not take into account company-specific differences in the area of sustainability performance. A more detailed calculation of the environmental impacts would, however, require very extensive information on investment portfolios, which is not (or cannot be) collected in this way within the scope of this rating.

99 See Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852&-qid=1621589841890).

100 Consumer lending was assessed only at Migros Bank AG and Credit Suisse as none of the other analysed institutions directly offer consumer loans.

101 For the calculation of comprehensive environmental impacts, see Assessment of the environmental impact.

102 Since one of the 15 analysed retail banks does not offer corporate loans, only 14 banks were rated in this area.

103 If everyone in the world lived like the Swiss population, more than three times as much biocapacity would be needed than is de facto available globally. See Swiss Federal Statistical Office 2020: Switzerland's ecological footprint, URL: https://www.bfs.admin.ch/bfs/en/home/statistics/sustainable-development/more-sustainable-development-indicators/ecological-footprint.html

104 See Swiss Federal Statistical Office 2020: Switzerland's ecological footprint, URL: https://www.bfs.admin.ch/bfs/en/home/statistics/sustainable-development/more-sustainable-development-indicators/ecological-footprint.html

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