



INFRAS



# WWF RATING OF SWISS RETAIL BANKS 2024

METHODOLOGY PAPER

#### Authors

- **Regula Hess** | WWF Switzerland
- **Michel Johner** | WWF Switzerland
- **Dominik Rothmund** | WWF Switzerland
- **Rebeka Furrer** | INFRAS AG
- **Anik Kohli** | INFRAS AG
- **Moritz Reisser** | INFRAS AG

#### Contributors

- **Amandine Favier** | WWF Switzerland
- **Stephan Kellenberger** | WWF Switzerland
- **Carolyn Carella** | WWF Switzerland
- **Lene Petersen** | WWF Switzerland
- **Dina Spörri** | WWF Switzerland
- **Judith Reutimann** | INFRAS AG
- **Bettina Rügge** | INFRAS AG
- **Jürg Füssler** | INFRAS AG & Inrate AG
- **Christoph Müller** | Inrate AG

#### Production and Design

The Corner Shop Creative

#### Cover Image

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#### External Advisory Group

- **Prof. Dr. Beat Affolter** | Head Center Corporate Performance and Sustainable Financing | ZHAW School of Management and Law
- **Marilen Schwald** | Entrepreneur und co-founder womenmatter/s | former Head Sustainability, BLKB
- **Jonathan Middleton** | Senior Research Officer | ShareAction
- **Niklas Senner** | Senior Advisor Sustainable Finance & Policy | WWF Deutschland
- **Matthias Kopp** | Head Sustainable Finance | WWF Deutschland
- **Nicolas Poolen** | Senior Manager | Nature Positive Finance | WWF International

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**01:**  
**FOCUS OF THE  
RATING AND SYSTEM  
BOUNDARIES**

# 1. FOCUS OF THE RATING AND SYSTEM BOUNDARIES

Similarly to the last WWF rating of the Swiss retail banking sector (2020/21), the current rating assessed the 15 biggest retail banks of Switzerland, based on their balance sheet total for the year 2023. This time, Alternative Bank Schweiz (ABS) was assessed as well, as an example of a retail bank which exclusively focuses on providing sustainable financial services (see Table 1).

**TABLE 1: OVERVIEW OF THE 15 BIGGEST SWISS RETAIL BANKING INSTITUTIONS ACCORDING TO BALANCE SHEET TOTAL FOR FINANCIAL YEAR 2023 AND ABS.**

Bank	Total assets in million CHF (as of 31/12/2023)
UBS Schweiz (UBS)	314'231*
Raiffeisen Schweiz (Raiffeisen)	297'135
Zürcher Kantonalbank (ZKB)	201'259
PostFinance (PostFinance)	102'257
Banque Cantonale Vaudoise (BCV)	58'870
Migros Bank (Migros Bank)	58'706
Luzerner Kantonalbank (LUKB)	57'397
Basler Kantonalbank (BKB)	52'677
St. Galler Kantonalbank (SGKB)	41'337
Berner Kantonalbank (BEKB)	40'054
Valiant Bank (Valiant)	36'080
Aargauische Kantonalbank (AKB)	35'987
Basellandschaftliche Kantonalbank (BLKB)	34'146
Thurgauer Kantonalbank (TKB)	32'803
Graubündner Kantonalbank (GKB)	32'796
Alternative Bank Schweiz (ABS)	2'480

Source: Annual reports of the above entities.  
\*Without Credit Suisse.

## 1.1. RATING CONCEPT

The rating methodology is based on WWF's vision of an ecologically sustainable retail bank (see Chapter 1.2 of the main report 'Ökologische Nachhaltigkeit im Schweizer Retailbanking, WWF-Rating der Schweizer Retailbanken 2024' (Ecological sustainability in Swiss retail banking, WWF rating of Swiss retail banks 2024)). It identifies and evaluates:

- whether the assessed banks are moving in the 'right direction', i.e. towards better achieving the requirements formulated in the vision; and
- how the retail banks are positioned in relation to one another and compared to the previous rating (2020/2021).

The content of the WWF rating of the Swiss retail banking sector 2024 focuses on the environmental impacts of the retail banks' investment and financing products and on their operational management. Activities related to climate change as well as biodiversity and ecosystem services are important factors.

The methodology of the retail banking rating for 2024 is based on the methodology of the retail banking rating from 2016/17 developed by WWF Switzerland, in collaboration with Inrate, and on the revised version from 2020/2021, in collaboration with PwC Switzerland. WWF Switzerland, INFRAS, with support from Inrate, and the external expert committee revised this rating methodology for the current exercise to reflect developments over the last three years (which are also highlighted in Chapters 2 and 3 of the main report 'Ökologische Nachhaltigkeit im Schweizer Retailbanking, WWF-Rating der Schweizer Retailbanken 2024').

## 1.2. SYSTEM BOUNDARIES

The institutions' retail business segments are considered as part of the rating. This means that the focus of the rating is: saving and investment offerings for retail clients, corporate lending and mortgages. Importantly, it does not include capital market transactions, such as bond issuances and underwriting, and structured products, trade finance or crypto assets.

All the assessed retail banks are rated primarily on their business in Switzerland. Subsidiaries with their own banking licenses were excluded from their parent company's assessment. At the largest and most universal Swiss bank, UBS Switzerland (UBS), the rating focuses on activities in Switzerland and the guidelines that (also) apply to the Swiss business. The analysis of financial volumes in investment products and volumes of loans and investments provided to certain subsectors are an exception (see 3.2).

A specific case is the criterion 'environmental impact of investment products' in the topic areas 'investment solutions' and 'pension provision'. The volumes attributed to the different sustainability-related investment approaches include investment funds and discretionary mandates for retail as well as professional and institutional clients, as important volumes are held in such mandates and retail clients can easily opt-in to be treated as a professional client. The same applies to the analysis of the volumes of financial flows from investment products to specific sub-sectors.

The assessment period ended on 30 April 2024. This means that any activities and measures that were planned but not yet implemented as of 30 April 2024 were not included in the rating. Data from the 2023 financial year, ending 31 December 2023, was used to analyse financial volumes in investment products and volumes of loans and investments provided to certain sub-sectors (see Chapter 2.4), as this data was already available at the time of the survey.

# 02: ASSESSMENT METHODS AND CLASSIFICATION CATEGORIES



The retail banks were assessed using individual criteria, based on a weighted sum model. The weighted sum model method was selected as it is a well-known and simple multi-criteria decision analysis method that permits the aggregation of scores obtained for many criteria across different areas.

The rating is based on three strategic areas, seven topic areas and 32 criteria. For each of the 32 criteria, five performance levels were defined, corresponding to the classification categories, to assess the measures implemented by the retail banks. Each criterion had a minimum score of 1 and a maximum score of 5.<sup>i</sup> These scores are based on the five classification categories described below (see Chapter 2.1). The maximum score 5 indicates a situation that WWF Switzerland views as desirable and achievable for a retail bank based on environmental criteria. Overall, the higher three classification categories – ‘Visionary’ (5 points), ‘Pioneer’ (4 points) and ‘Ambitious’ (3 points) – all represent ‘above average’ scores.

Each of the 32 criteria was operationalised in detail based on the five classification categories. The operationalisation<sup>ii</sup> 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 reproducibility of the assessment.

The assessment of the retail banks was performed by multiplying the score obtained per criterion by the weighting of the relevant criterion (cf. Figure 3). The sum of these scores provided the overall rating used to assign each retail bank to one of the classification categories.<sup>iii</sup>






Not all of the reviewed retail banks offer financial services in all product and/or service areas. To reflect this, the methodology for PostFinance was adapted as described in Chapter 2.3.

To obtain the evaluated data and information, a questionnaire with one or several questions per criterion was sent to the participating banks. The retail banks were asked to provide source details and supplementary comments to support their responses. If the responses provided were unclear or inconsistent in any way, additional information was requested from the banks.

## 2.1. CLASSIFICATION CATEGORIES

Each bank was given a classification – ‘Visionary’, ‘Pioneer’, ‘Ambitious’, ‘Mediocre’ or ‘Latecomers’ – based on the distance between its practices and the vision.<sup>iv</sup> Below is a description of the classification categories:

**TABLE 2: CLASSIFICATION CATEGORIES OF THE WWF RATING OF THE SWISS RETAIL BANKING SECTOR.**

Colour coding	Classification categories
	Visionary
	Pioneer
	Ambitious
	Mediocre
	Latecomer / non-disclosure

Source: WWF Switzerland.

### VISIONARY

Visionary retail banks pursue a holistic sustainable corporate strategy with clearly defined sustainability goals. Their stated goal is to align their financial flows and all business activities with a net zero 2040 target and biodiversity goals, and they proactively take their clients on this journey. To reach these goals, the bank is constantly pursuing innovative approaches and produces new products, collaborations, or processes. The bank systematically considers the impact on ecological sustainability aspects – including biodiversity – in all its business activities. The bank additionally uses all its societal resources and roles, including political advocacy and investor and client relations, to help achieve these goals. The bank’s approach to making an impact is reflected in its financial flows towards ecological sustainable companies and sectors, entities that are willing to transform, and energy modernisation in real estate. Its product range only includes impact-aligned or impact-generating products. Therefore, it provides its clients with the opportunity to have a positive effect on the actual economy.

### PIONEER

Pioneers recognise the importance both of economic goals and of environmental and social goals. They work actively and transparently to improve their impact on the climate and biodiversity across all business areas. They advance boldly and develop innovative solutions in some areas. They offer their clients a relatively broad range of impact-aligned and impact-generating products, which they actively promote. The banks strategically and proactively support the transformation of the most relevant corporate and private clients as well as investees. However, the banks have not yet integrated impact-related environmental aspects fully and holistically into their business activities.

i. The two criteria on cash accounts B1 ‘Savings Account’ and B8 ‘Cash Account’ (pillar 3a) received a minimum score of 2.

ii. The full operationalisation is published in a separate document (‘WWF Rating of Swiss Retail Banks 2024, Operationalisation of the Methodology’) and can be found here.

iii. To calculate the final classification per bank, as well as the results per strategic area and topic area for each bank, scores were rounded up to the next natural number if they were x.6 or higher. That means a score of 1.5 resulted in an overall grade 1 (‘Latecomer’) and a score of 1.6 resulted in a grade 2 (‘Mediocre’). This approach was chosen to avoid double rounding up, because for some criteria rounding was already applied on the criterion level.

iv. For more details, consult Chapter 1.2 in the main report ‘Ökologische Nachhaltigkeit im Schweizer Retailbanking, WWF-Rating der Schweizer Retailbanken 2024’.

## AMBITIOUS

Banks classified as ‘ambitious’ consider environmental sustainability an important component of their corporate strategy but almost only focus on climate. They have recognised that integrating ecological sustainability not only provides the opportunity to minimise risks within the scope of their business activities, but also presents economic opportunities. They offer their clients predominantly sustainability-related products as well as some impact-aligned products. Moreover, their range of ecologically sustainable products covers investment, pension provisions, loans and mortgages and constitutes a small but relevant part of their products sold. They provide their clients with informed advice to help them make more sustainable choices, in terms of their savings, real estate, or company. In their stewardship strategy, the banks follow environmental criteria mainly focused on climate, including only limited impact-related expectations. The banks’ partial approach to making an impact is reflected in their financial flows that provide slightly above-average support for green sectors and real estate.

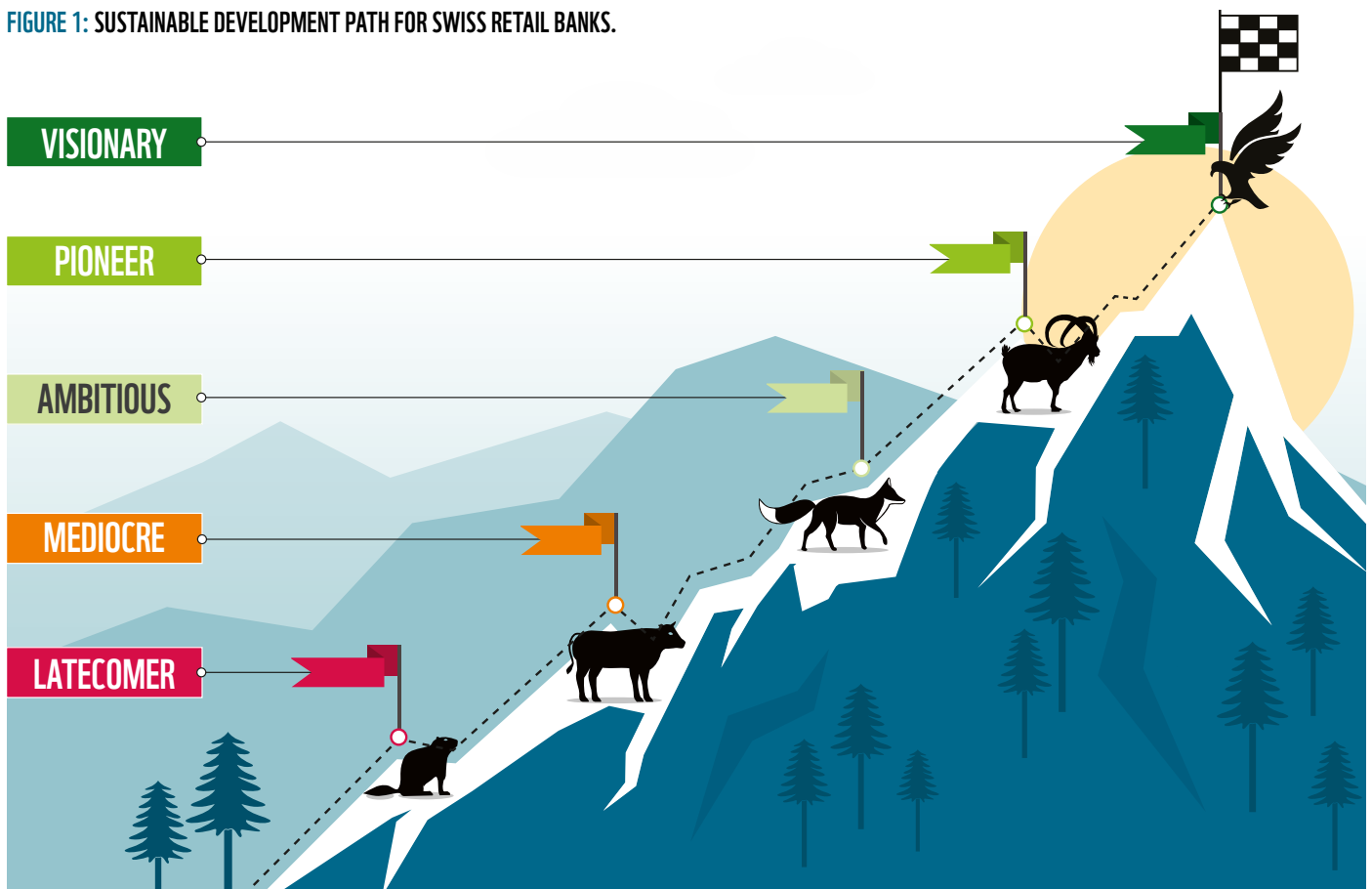
## MEDIOCRE

Retail banks that are assessed as ‘mediocre’ take ecological sustainability into account in their corporate strategy, but they still have significant deficiencies, particularly regarding their impact and biodiversity. They have integrated ecological sustainability aspects into their decision-making process, but they have predominantly done so if the aspects are economically relevant in the short term and therefore also relevant to maximising shareholder value. They offer their clients financial products with sustainability aspects, but they mostly constitute a small or very small part of the products they sell. They have not systematically implemented engaging with and supporting their clients and investees in the transition.

## LATECOMER/NON-DISCLOSING

For ‘Latecomers’, ecological sustainability does not play a relevant role in many decisions, products and processes, unless it is linked to short-term financial risks. They respond to sustainability issues mostly if they are prompted to do so by regulation, stakeholder groups such as NGOs or sustainability-conscious clients.

FIGURE 1: SUSTAINABLE DEVELOPMENT PATH FOR SWISS RETAIL BANKS.





## 2.2. RATED TOPICS AND AREAS AND THEIR WEIGHTING

For WWF Switzerland, an environmentally conscious retail bank stands out for its responsible and goal-oriented actions in three strategic areas:

- **Corporate governance:** Strategies and management systems geared towards environmental sustainability to promote environmentally sustainable frameworks and the accomplishment of environmental goals.
- **Savings, investments and pension provision:** Ecologically sustainable and transparent product offering with environmental and sustainability objectives, as well as allocation of capital to specific subsectors, away from environmentally harmful sectors and towards sectors

with positive impacts on nature. An active ownership approach towards assets under management and advice given to clients is also important.

- **Loans and financing:** There is an equal focus here on ecologically sustainable and transparent products with environmental and sustainability objectives, as well as financing specific subsectors, away from environmentally harmful sectors and towards sectors with positive impacts on nature. Assessments are also made about their engagement with and advisory services provided to support credit and mortgage clients in the transition.

The three strategic areas were weighted 20%, 33% and 47% (see also Figure 3). The weighting is based on an approximation of the importance of these areas by taking into account the financed emissions of these areas, their business importance and how direct influence can be exerted on the environmental impact.<sup>v</sup>

FIGURE 2: AREAS COVERED BY THE WWF RATING OF THE SWISS RETAIL BANKING SECTOR

Strategic Area	Topic Area	Criterion	Weighting				
			Criterion	Subject Area	Strategic Area		
CORPORATE GOVERNANCE	Societal Engagement & Advocacy	Political Engagement	3.8%	5%	20%		
		Engagement in Industry Initiatives	1.3%				
	Governance, Monitoring & Reporting	Bank-Wide Incentives: Internal Pricing, Remuneration & Finance Beyond	2.5%	10%			
		Commitments & Transition Plan	3.8%				
		Risk Management	1.9%				
		Reporting & Disclosure	1.9%				
		Operational Management	GHG Emissions (Operational)	1.9%		5%	
			Approach to On-Balance Sheet Investments	3.1%			
	SAVING, INVESTMENTS & PENSION PROVISION	Saving & Investment Solutions	Savings Account	2.8%		22%	33%
			Guidelines & Targets	2.8%			
Sustainable Investment Offering			2.8%				
Sustainability KPIs & Transparency			1.7%				
Active Ownership			2.8%				
Advisory Process for Investments			2.2%				
Environmental Impact of Investment Products			7.2%				
Pension Provision		Cash Account (Pillar 3a)	1.4%	11%			
		Guidelines & Targets (Pillar 3a)	1.4%				
		Sustainable Investment Offering (Pillar 3a)	1.4%				
		Sustainability KPIs & Transparency (Pillar 3a)	0.8%				
		Active Ownership (Pillar 3a)	1.4%				
		Advisory Process for Pension Provision (3a)	1.1%				
		Environmental Impact of Investment Products (Pillar 3a)	3.6%				
LOANS & FINANCING	Corporate Loans	Guidelines for Corporate Loans	4.4%	23.5%	47%		
		Advisory Process & Engagement for Corporate Clients	2.9%				
		Loan Offering For Corporate Clients	2.9%				
		Data Collection & Impact Measurement	1.5%				
		Environmental Impact of Corporate Loans	11.7%				
	Mortgages	Guidelines for Mortgages	4.4%	23.5%			
		Advisory Process for Mortgage Clients	2.9%				
		Sustainable Mortgage Offering	2.9%				
		Data Collection & Impact Measurement	1.5%				
		Environmental Impact of Mortgages	11.7%				

Source: WWF Switzerland/INFRAS 2024

v. The data on volume shares is based on confidential information from the retail banks as of 31 December 2023.

## 2.3. SPECIAL CASES IN THE ASSESSMENT

Because of their characteristics, for ABS and PostFinance, certain points must be assessed in a different way to the other retail banks.<sup>vi</sup>

### POSTFINANCE

At PostFinance, the strategic area 'Loans and Financing' is the main area affected. As PostFinance itself does not grant any loans, but instead invests the clients' savings itself, the topic area 'Corporate loans' was replaced with an in-depth evaluation of PostFinance's own investments. The criteria and weightings defined were 'Guidelines and targets' (5.8%), 'Active ownership' (3.9%), 'Data collection and impact' (1.9%) and 'Environmental impact of own investments' (11.7%). The overall weighting remained the same as for the topic area 'Corporate loans'. The approach and operationalisation within these criteria

were aligned with the criteria of the other topic areas with the relevant names ('saving and investment solutions' and 'corporate loans').

The topic area 'Mortgages' remained unchanged, as PostFinance controls the entire customer interaction and only processes these (i.e., the refinancing) via third-party providers. Therefore, it can be included in the assessment.

### ABS

ABS was generally assessed using the same criteria as the other retail banks. However, in some cases, particularly in the strategic area of 'Loans and Financing', the operationalisation took into account the special promotion approach, according to which only specifically sustainable activities may be financed. In this case, exclusions for certain environmentally harmful activities were not necessary for a high score. In addition, the requirements for all mortgages are so demanding from an environmental perspective that all mortgages are considered green mortgages.



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vi. See also Chapter 4.4 in the main report 'Ökologische Nachhaltigkeit im Schweizer Retailbanking, WWF-Rating der Schweizer Retailbanken 2024'.



# 03: SPECIFIC CONCEPTUAL FOUNDATIONS

## 3.1. 'POLITICAL ADVOCACY' SUB-RATING

As with the first two iterations of the retail banking report, political advocacy was evaluated as part of the banks' efforts to foster sustainability beyond their own operations. The Swiss financial sector plays an important role in the drafting and consultation of relevant legislation and has the power to influence the public's perception of sustainable finance. The political engagement advocacy rating serves to analyse and illustrate how banks made use of this capacity, both in accelerating and in obstructing efforts to promote ecological considerations in finance and the economy at large.

The methodology behind this political advocacy assessment aims to make the assessment transparent, intuitive and reproducible. It differentiates between direct and indirect political engagement. The former refers to actions that were undertaken by the banks themselves. The latter refers to work done by associations of which the banks are members. Both kinds of influence were quantified by assessing the direct and indirect political engagement with regards to a selected set of political processes on a national level between 2020 to 2024. The political processes selected include both parliamentary proceedings and national public votes covering the topics of sustainable finance or environmental legislation affecting the economy at large. The following table shows all items that met these criteria and were considered particularly important:

### PARLIAMENTARY ITEMS OF BUSINESS

#### Parliamentary proceedings regarding the financial sector (in German):

- 19.4512 Po. Finanzmittelflüsse so ausrichten, dass das 1.5 Grad-Ziel eingehalten werden kann
- 19.3766 Mo. Finanzsystem und Klima. Explizite Aufnahme der Klimarisiken in die treuhänderische Pflicht
- 22.3469 Mo. Swiss Green Investment Bank
- 22.4474 Po. Resilienz des Schweizer Finanzplatzes gegenüber klima- und umweltbedingten Finanzrisiken stärken
- 23.410 Pa Iv. Schweizerische Nationalbank. Stabile Geldpolitik dank Berücksichtigung von Klimarisiken

#### Parliamentary proceedings regarding environmental matters (in German):

- 21.501 Indirekter Gegenvorschlag zur Gletscher-Initiative. Verbindliche Fahr-/Transitionspläne. Art.9, Abs. 2 (Minderheit Broggini-Klopfenstein)
- 21.501 Indirekter Gegenvorschlag zur Gletscher-Initiative. Schlussabstimmung

- 22.025 Indirekter Gegenvorschlag zur Biodiversitätsinitiative. Eintreten
- 21.047 Sichere Stromversorgung mit erneuerbaren Energien. Bundesgesetz. Schlussabstimmung.

#### National initiatives and referenda (in German):

- CO<sub>2</sub>-Gesetz (13/06/2021)
- Klima- und Innovationsgesetz (18/06/2023)

Any involvement in consultation procedures ('Vernehmlassungen'), lobbying or similar efforts to influence the outcome of an item of business was considered direct or indirect political advocacy.

The final grade (ranging from 1 to 5) for this criterion was determined through several steps. Initially, each bank's advocacy was assessed for each political proceeding, with scores ranging from -1 (anti-environmental advocacy) to +1 (pro-environmental advocacy). When a bank reported direct engagement on a specific topic, it received a score of +1 or -1, regardless of any indirect involvement through associations. Although association advocacy carries a lot of political weight, this methodological choice acknowledges the efforts of banks which oppose the political stance of associations of which they are members, but do not have the means to significantly influence the association's position. If no direct engagement occurred regarding a given item of business, the relevant score from -1 to +1 was calculated as the average of all indirect advocacy on this topic, and the bank's direct inactivity was represented as a 0. Indirect advocacy was rated analogous to direct advocacy, where an association's pro-environmental stance was counted as +1 and an anti-environmental stance counted as -1.

Secondly, the scores were averaged across all political proceedings. A weighted average was then applied, with double weighting for items with national public voting (to counterbalance the discrepancy in the number of selected opportunities for engagement in national voting vs. parliamentary proceedings). In a last step, this final score (from -1 to 1) was transformed into the 1 to 5 scale of the rating according to the following table.

TABLE 3: TRANSFORMATION OF POLITICAL ADVOCACY SCORES TO RATING SCORE

Political advocacy score [-1 to 1]	Rating Score [1 to 5]
Lower than or equal to 0	1
Greater than 0	2
Greater than 0.33	3
Greater than 0.66	4
Greater than 0.825	5

Source: WWF Switzerland 2024

## 3.2. ASSESSING THE ENVIRONMENTAL IMPACT

Every Swiss 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 use their clients' savings to finance a gas power plant, for example, to the detriment of climate and nature. Alternatively, banks can lend the funds to renewable energy companies or organic farmers, thereby creating a positive impact on the climate and environment.

The assessment of the environmental impact is slightly different for the following topic areas:

### Investment and pension provision:

- 50% of the score was calculated based on the sectoral financial flow analysis described below.
- The other 50% of the score comprises what percentage of volumes of own offered funds and discretionary mandates are allocated to which sustainability-related investment approach, as described in Chapter 3.3.

### Corporate Loans:

- 75% of the score was calculated based on the sectoral financial flow analysis described below.
- 25% of the score was determined by the share of green/sustainable loans in the portfolio.

### Mortgages

- 75% of the score was determined by the GHG emissions per year per square metre.
- 25% of the score was determined by the share of green mortgages in the portfolio.

### SECTORAL FINANCIAL FLOW ANALYSIS:

The majority of the banks still do not quantify and publish the environmental impacts of their investment, pension products and corporate loans and mortgages in a comparable way. Therefore, the WWF Retailbanking Rating 2024 again made an effort to approximate the environmental impact in each case. For a calculation to be made, the assessed retail banks had to be able to provide information on the asset allocation of their

investment solutions, pension products and corporate loans (in CHF) to sectors and industries of particular environmental relevance (sector allocation).

The sectors and industries were conceptually differentiated into four categories, based on the sectoral investment approaches described by INFRAS<sup>1</sup> and ZHAW<sup>2</sup> and the definitions and concepts from the WWF always harmful taxonomy<sup>3</sup>, NZBA<sup>4</sup>, TNFD<sup>5</sup>, WWF Risk Filter Suite<sup>6</sup>, and WWF Owning the future<sup>7</sup>:

1. Climate and nature solutions and net-zero aligned activities (mainly renewable energies)
2. Stranded activities, not compatible with net zero (mainly fossil energies)
3. Harder-to-abate and other activities with considerable emissions, but with importance within the transition towards net zero.
4. Other activities, not particularly material in terms of emissions or enablement of the transition.

The assessed sectors and their allocation to the above four categories are provided in the Annex. Sectors and industries assigned to categories 1 and 2 received pre-defined scores of 5 and 1 respectively, based on their external environmental costs and systemic role in transitioning the economy towards net zero and nature positive. Sectors and industries assigned to category 3 received a preliminary score of 2. However, these scores could be upgraded based on the score for the criteria of the banks' active ownership efforts or the engagement with the corporate credit clients respectively. Banks receiving a score of 3 on active ownership/engagement activities increase the score by 0.5 points, those with a score of 4 by 1 point and those with a score of 5 by 1.5 points. As an example, this means that the financial flows of investments going into category 3 sectors were assigned a score of 2.5 if the bank obtained 3 points in its active ownership activities. All 'other' sectors and industries (category 4) did not receive a specific score and were not included in the overall assessment of the environmental impact.

The scores were then aggregated using a weighted sum, based on each of the total volumes per sectors or industry to calculate the overall score for the environmental impact of the investment products, pension products and corporate loans.

Retail banks that were unable to perform the sector allocation were given a rating of 1 for the overall assessment, as they were unable to provide information on what they are investing in or what they are financing.

### 3.3. ASSESSING THE ENVIRONMENTAL STRATEGY ALIGNMENT OF INVESTMENT PRODUCTS

The sustainability investment approaches that underly sustainable investment and pension products are not all equally suitable for improving the sustainability impact of these products. For example, a strategy that is only based on risk consideration or a few exclusion criteria (e.g., controversial weapons and coal) has a much lower (ecological) sustainability focus compared to a strategy that pursues targets measured by impact metrics, such as greenhouse gas or water footprints, and uses a combination of different sustainable investing approaches to achieve this. Please note that this criterion focuses on the analysis of the sustainability-related asset allocation strategy of the rated banks' offered and managed funds and investment mandates. While the presence of an active ownership approach was integrated into the evaluation of this criterion, the quality of it is analysed and evaluated in more depth in another criterion.

In contrast to previous ratings, a clearer distinction between ESG risks and impacts was introduced. The three most commonly used approaches, namely 'Exclusions', 'ESG integration' and 'Best-in-class', do not explicitly discriminate between financial and impact materiality in their purpose. In most cases, these approaches have been used under a risk-based rationale, using ESG risk ratings as a data basis. The effectiveness of a financial product does, however, depend heavily on the ESG strategy and, as a result, on whether risks or impacts are targeted.

In the last few years, important regulatory and definitional frameworks have been developed that help to better distinguish whether or not an actual impact could or should be expected by a specific approach.

Developed before April 2024, the WWF retail banking assessment methodology took into account the Swiss frameworks available at the time, namely: the self-regulation of AMAS in the version dated November 2023<sup>8</sup> and the position of the Swiss Federal Council on Greenwashing dated December 2022<sup>9</sup> (see Chapter 3.3 of the main rating report 'Ökologische Nachhaltigkeit im Schweizer Retailbanking, WWF-Rating der Schweizer Retailbanken 2024' for more information on the content of these). These frameworks were mainly used to facilitate the data input and self-assessment of the retail banks regarding the sustainability of the products they offer. The banks were tasked with self-allocating the shares of the products they offer (both in quantity of products and in volume sold) into the categories listed below.<sup>vii</sup> Based on this self-allocation, and the product documentation provided,

the rating team made a judgement call about whether this self-assessment seemed plausible and, in some instances, upgraded or downgraded specific products to achieve consistency across banks. Therefore, this final allocation of products and financial flows to specific sustainability-related categories represents not only the banks' views and the categorisation has not been done according to a regulatory requirement. The frameworks mentioned above were merely used as inspiration and a heuristic method to define more specific criteria:

- a. 'No specific sustainability approach': effectively no consideration of sustainability-related data points.
- b. 'Only exclusion or ESG integration': only limited exclusions are applied and/or ESG risk integration is focused on financial materiality.
- c. 'Sustainability-related (various approaches)': includes all sustainability-related investment approaches that are more demanding than the previous category. This is the case if certain strict requirements apply, e.g. certain ESG scores are required, following a best-in-class approach or some specific standards/certifications are required for companies in certain sectors (e.g., FSC certificate). The sustainability-related data considered includes both risk and impact indicators, but, in most cases, continues to focus more heavily on the risk side.
- d. 'Impact-aligned': includes investment approaches that inherently adopt the impact perspective with the aim of aligning with sustainability goals. This is mostly implemented through thematic investments related to specific sustainable development goals and/or alignment with the global climate goal. The credibility of the alignment with the global climate goal was assessed by taking the following indicators into account:
  - a) does the approach follow a 1.5°C pathway;
  - b) does the approach consider scope 3 emissions of companies that have been invested in or exclude all fossil-fuel-related companies;
  - c) does the approach exclude businesses with a severe negative impact on nature.

If two of the criteria were met, the alignment was considered good enough for this exercise.

- e. 'Impact generating': This category implies that the bank pursues a positive real-world impact with its investments, somewhat equating the category with the term 'impact investing'. The claim here needs to be well-founded and transparently disclosed, also including evidence for additionality. Products in that category are mostly private market products that cannot usually be bought by retail investors.

vii. WWF and INFRAS did not assess the actual compliance of the self-assessment by the banks with the regulations mentioned. Thus, the final ratings score does not serve as basis to derive information on such compliance.

The grades were then calculated by applying a weighted sum model, where scores are defined by the number of products in each category as well as the scores and weights, as shown in Table 4 below.

The score for the number of own investment funds makes up 50% of the final score for investment funds and the score for the number of offered third-party investment funds makes up the other 50%.

The same weighted sum model was applied as input for the criteria 'environmental impact of investment products' (incl. pillar 3a), but here the volumes of the bank's investment funds were used as basis, rather than the number of products offered.

**TABLE 4: SCORES AND WEIGHTING OF THE DIFFERENT APPROACHES OF ASSESSED INVESTMENT FUNDS.**

Environmental strategy alignment	Rating score	Weighting
a. 'No specific sustainability approach'	1	1
b. 'Only exclusion or ESG integration'	1	1
c. 'Sustainability-related (various approaches)'	3	1
d. 'Impact-aligned'	4	2
e. 'Impact generating'	5	3

Source: INFRAS/WWF Switzerland 2024



# 04:

## DIFFERENCES BETWEEN THE METHODOLOGY OF THE CURRENT WWF RATING AND THE SWISS RETAIL BANKING STUDY 2020/2021





Addressing key sustainability issues, such as the twin crisis of climate change and the loss of biological diversity, is time sensitive. Developments in sustainable finance, such as regulation, are also accelerating. Therefore, the requirements for the retail banks have been updated and there have been considerable structural changes made to the assessment of several criteria. The current rating differs in the following points from the WWF rating of the Swiss retail banking sector 2020/21:

## 4.1. CHANGES IN THE CLASSIFICATION CATEGORIES

As outlined in chapter 2, the banks were classified at all levels – from single criterion to company-level – in five categories: ‘Visionaries’, ‘Pioneers’, ‘Ambitious’, ‘Mediocre’ and ‘Latecomers’. The classification matches the previous rating in the areas described in the table below.

TABLE 5: CLASSIFICATION CATEGORIES OLD AND NEW

New categories on all levels	Old categories for single criteria and areas	Old categories for entire bank
VISIONARY	Visionary – the bank of 2030	Visionaries
PIONEER	Trend-setting	Pioneers
AMBITIOUS	Appropriate	Ambitious
MEDIOCRE	Average	Average
LATECOMERS/ NON-DISCLOSING	Inadequate/ non-disclosing	Latecomers/ non-disclosers

Source: WWF Switzerland 2024

## 4.2. THE CONTENT OF THE RATING

WWF Switzerland’s vision for ecologically sustainable retail banking was updated to account for progress and developments over the last few years. Critical content-related changes include better differentiation of ESG risks and impacts from sustainability within the notion of double materiality, leading to the whole questionnaire being much more focused on the impact side (impact materiality) than on the risk and opportunity side (financial materiality) of ESG. This includes changes in all aspects of the rating, such as in criteria, questions, operationalisation, and weightings (see below).

The concept of ‘fields of action’ was removed for simplicity. Criteria are now directly connected to topic areas.

## 4.3. CHANGES TO THE TOPIC AREAS

- Risk-related issues, such as the management of environmental credit and mortgage risks, are no longer a separate topic area. They were moved to the topic area ‘Governance, Monitoring and Reporting; within the strategic core area **‘Corporate governance’**’.
- The topic area **‘Private loans’** was removed, as it does not constitute material business for the banks analysed.

## 4.4. CHANGES TO THE CRITERIA

### PART A: CORPORATE GOVERNANCE PART

- Governance topics that are regulatory requirements have been removed as criteria or as specific questions within criteria. This includes the removal of the former criterion ‘Structures & standards’. Some of the aspects from this former criterion have been included in the criterion ‘Bank-wide incentives’ (see below).
- The criterion about environmental management was dropped because the assessed information lacked materiality in a bank’s overall sustainability performance.
- A new criterion on bank-wide incentives (internal carbon price, remuneration incentives, finance beyond<sup>10</sup>) has been introduced to enable differentiation between the banks based on operational efforts.
- The criterion ‘Relevance analysis & target setting’ has been changed to ‘Commitments and transition plans’, dropping the relevance analysis for more requirements on concrete transition plans (which will need to be reported on a comply or explain basis in the following reporting period).<sup>11</sup>
- The criterion ‘pension fund and own funds’ has been changed to on-balance sheet investments, essentially removing the pension fund aspect of the criterion. Pension funds are separate legal entities that are assessed in other ratings, such as by the Klima-Allianz Switzerland.

### PART B: SAVING, INVESTMENTS AND PENSION PROVISION

- A new criterion on active ownership efforts has been added to the topic areas ‘saving account & investment solutions’ and ‘pension provision’. The importance of active ownership and particularly of engagement activities for the sustainability impact of investors is widely acknowledged in the industry and in academia.

- The criteria ‘monitoring and reporting’ and ‘reporting channels and standards’ have been reduced to the new criterion ‘sustainability KPIs and transparency’, changing the focus on what metrics are used for impact quantification and reporting.
- A new criterion ‘cash account (pillar 3a)’ has been introduced to account for the fact that a considerable share of pillar 3a provisions are held in such accounts. The addition of this criteria increases consistency with the topic area ‘saving account & investment solutions’.
- The criteria on the effectiveness of investment products and on the environmental impact of investments have been significantly changed (see separate Chapters 4.5 and 4.6 respectively) and have been integrated into one criterion.
- The criteria on risk management and digital solutions have been removed in both topic areas.
- The number of assessed sectors and industries has been slightly reduced.
- A sectoral investment approach concept was used, differentiating between four types of (sub-)sectors.
- The resulting scores from the active ownership and engagement criteria were taken into account to assess the environmental impacts in specific harder-to-abate but important-to-transform (sub-)sectors.

### PART C: LOANS AND FINANCING

- The criterion on the advisory processes has been adapted to focus on high-impact sectors.
- A new criterion ‘data collection and impact measurement’ has been introduced in both topic areas to understand what data the bank collects and how it assesses impact. In addition, this increases consistency with the ‘sustainability KPI and transparency’ criteria in strategic area B.
- The criteria on risk management and on digital solutions have been removed in both topic areas.

## 4.5. CHANGES IN THE ASSESSMENT OF THE IMPACT OF INVESTED AND FINANCED ACTIVITIES

The approach to assessing the environmental impact of invested and financed activities was changed considerably since the 2020/21 rating exercise. The new approach is explained in more detail above in Chapter 3.2. The core changes since the previous rating are:

## 4.6. CHANGES IN THE ASSESSMENT OF EFFECTIVENESS OF SUSTAINABLE INVESTING STRATEGIES

The conceptual approach for assessing the effectiveness of sustainable investing strategies was also considerably changed and renamed as ‘Assessing the Environmental Strategy Alignment of Investment Products’. In contrast to the previous 2020/21 rating exercise, to calculate a portfolio score, the criteria were assessed based on the overarching ESG strategy of the investment funds and not only the different sustainability approaches (ESG and non-ESG related). The concept and procedure of the new approach is explained in more detail in Chapter 3.3.

## 4.7. CHANGES IN WEIGHTINGS

New weightings are explained in detail in Chapter 2.2. In the previous rating, the strategic areas were weighted equally. Now, there is more weight on the financing business and less weight on the governance part. Furthermore, environmental impact criteria in the four topic areas ‘Saving and investment solutions’, ‘Pension provision’, ‘Corporate loans’ and ‘Mortgages’ received much higher weightings than before.



# 05:

## PROCEDURE FOR THE RATING AND OBJECTIVITY OF THE ASSESSMENTS



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The rating involved five overarching steps:

## 1. PREPARING THE RATING

A questionnaire was developed based on the aforementioned set of 32 criteria. In parallel, the 15 biggest retail banks and ABS were informed in writing of the implementation and procedure of the WWF Retail Banking Rating.

## 2. COMPLETION OF THE RATING BY RETAIL BANKS

All the retail banks were offered a kick-off webinar to explain the project, the associated objectives and rating methodology. Afterwards, the banks received the questionnaire. An additional Q&A session was offered while banks were preparing their answers. The retail banks handed in the questionnaire together with supporting documentation, some of which was confidential.

## 3. DETERMINING THE COMPANY RATINGS

Each retail bank received a rating per criterion based on the operationalisation that describes all the requirements for reaching a certain category (1-5). Once the assessment was completed, the retail banks were contacted for clarifications as required.

## 4. PREPARING FACT SHEETS FOR THE RETAIL BANKS AND BEST PRACTICES

Based on the consolidated assessment, individual fact sheets were prepared for all retail banks (see Annex to the main rating study). The fact sheets summarise the results for each strategic area and present the overall result. They also provide

a comparison with the industry average and the performance during the last rating. Each retail bank reviewed and approved the factsheet prior to publication.

Best practice examples were selected to be presented in the report. Results that received 3 to 5 points qualified as best practice and were the best among their peers. The retail banks concerned reviewed and approved the examples prior to publication.

## 5. OBJECTIVITY OF THE ASSESSMENT

The principle of objectivity was strictly observed 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. The detailed assessment criteria, their operationalisation and weighting are disclosed in a separate document 'WWF Rating of Swiss Retail Banks 2024: Operationalisation of the Methodology'.

The preparation of the rating methodology was subject to stringent checks by WWF Switzerland, INFRAS and an independent panel of experts following each project step.

The assessment was always done initially by INFRAS (with the exception of topic area 'Societal engagement and advocacy') and double-checked by WWF, meaning that at least two people reviewed the assessment. For close decisions, additional team members were consulted and further inquiries were conducted at the relevant retail bank if required. Wherever it was possible and made sense to do so, answers from the banks were verified with the supplementary information and source material attached.



# ANNEXES

## ANNEX: SECTOR CATEGORISATION FOR THE ASSESSMENT OF INVESTED AND FINANCED ACTIVITIES

Financed sectors and industries	Example GICS codes (non-exhaustive list)	NOGA codes (3-4 digit) (non-exhaustive list)	Sector classification (1 = Climate solutions; 2 = Stranded; 3 = Harder-to-abate)
<b>Fossil energy</b>			
Any coal, oil & gas-related activities (e.g., mining, drilling, extraction, production, refining, storage & transport, utilities, energy trade)	10101010, 10101020, 10102010, 10102020, 10102040, 10102050, 55102010, 55105010	051, 052, 061, 062, 091, 191, 192, 351, 352, 4671, 495	2
<b>Nuclear &amp; undefined energy</b>			
Nuclear energy, non-certified hydropower, undefined energy	10102050, 20104020, 55101010, 55103010, 55105010	0721, 2446, 351, 353	2
<b>Renewable energy</b>			
Renewable energy, incl. certified hydropower (e.g., Naturemade Star)	55104010, 55105020	351, 353	1
<b>Heavy industry</b>			
Cement	15102010	235, 236	3
Aluminium	15104010	2442, 2453	3
Iron & steel	15104020, 15104050	2451, 0710, 2452, 241, 242, 243	3
<b>Transport</b>			
Road, incl. personal cars and taxi services	15102010, 20103010, 20106010, 20304030, 20304040, 20305020, 25101010, 25101020, 25102010, 25102020, 25504050	291, 309, 4211, 4213, 451, 452, 453, 454, 4932, 494, 5221	3
Shipping	20303010, 20305030	301, 3315, 501, 502, 503, 504, 5222	3
Aviation	20101010, 20301010, 20302010, 20305010	303, 3316, 511, 512, 5223	3
Rail, incl. other public transport	20304010	302, 4212, 491, 492, 4931, 4939	1
Other transport industries / undefined		5229	3
<b>Real estate</b>			
Real estate construction, holdings and services (mortgages are not included here)	20102010, 25201030, 60101010, 60101010, 60102510, 60103010, 60104010, 60105010, 60106010, 60106020, 60107010, 60108010, 60108020, 60108030, 60108040, 60108050, 60201010, 60201020, 60201030, 60201040, 60201010, 60201020, 60201030, 60201040,	251, 411, 412, 681, 682, 683	3
<b>Mining</b>			
Mining of other metals, minerals and precious metals (does not include coal mining or heavy industry)	15104020, 15104025, 15104030, 15104040	0729, 089, 099, 2441, 2443, 2444, 2445	3
<b>Agriculture, aquaculture, forestry, food &amp; textiles</b>			
Fertilisers & agricultural chemicals	15101030	0891, 2015, 2020	2
Reforestation & rehabilitation	15105010	021, 024	1
Animal products, incl. aquaculture	30202010, 30202030	014, 0162, 017, 101, 102, 104, 105, 4632	2
Retail of food & textiles	30101020, 30101030, 30101040, 30201010, 30201020, 30201030, 30202010, 30202030, 30203010, 25203010, 25203020, 25203030	4641, 4642, 462, 463, 471, 472, 4751, 4771, 4772	3
Others in the field of agriculture, aquaculture & forestry	15105010, 20106015, 30202010	011, 012, 013, 0150, 0161, 0164, 021, 022, 024, 108, 109	3
<b>Others sectors</b>			
Waste management & recycling	20201050, 55104010	3700, 3811, 3812, 3821, 3822, 3832, 3900	1
Other green sectors (according to own definition) (please name sectors and classification codes)			1
Others (unspecified, unknown, rest)			Not assessed

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**Our Mission**

Together, we protect the environment and create a future worth living for generations to come.

WWF Switzerland  
Hohlstrasse 110  
PO Box  
8010 Zurich

Tel: +41 (0) 44 297 21 21  
[wwf.ch/contact](http://wwf.ch/contact)

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