ENVIRONMENTAL SUSTAINABILITY IN THE SWISS RETAIL BANKING SECTOR

WWF RATING OF SWISS RETAIL BANKS 2024 – SUMMARY

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
- **Carolin Carella** | WWF Switzerland
- **Timo Landenberger** | WWF Switzerland
- **Robert Lippuner** | WWF Switzerland
- **Lene Petersen** | WWF Switzerland
- **Dina Spörri** | WWF Switzerland
- **Judith Reutimann** | INFRAS AG
- **Bettina Rüegge** | INFRAS AG
- **Jürg Füssler** | INFRAS AG & Inrate AG
- **Christoph Müller** | Inrate AG

Production and Design

The Corner Shop Creative

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WWF Switzerland has business relationships with several of the banks analysed. Alternative Bank Switzerland (ABS) manages half of the reserves invested by WWF Switzerland. In addition, WWF Switzerland was involved in its founding in the 1990s. WWF Switzerland maintains business relationships with PostFinance and the Zürcher Kantonalbank for payment transactions. In addition, various banks support local environmental projects of WWF with donations (see WWF Partner Report 2023[1]) or participate in a "WWF Corporate Volunteering" event.

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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.

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Thinking about tomorrow – that is the guiding principle of INFRAS.

We research and advise on sustainable development in the areas of economy and society, transport, environment, climate, and energy as well as sustainable finance. We strive for solutions that are economically, ecologically, and socially responsible and sustainable in the long term. We do this by imparting knowledge and building bridges between research, politics, and the economy. To achieve this, we work in interdisciplinary teams – pragmatic and action-oriented. We are an independent company, fully owned by the management and long-term employees. Our approximately 70 staff members in Bern and Zurich think and act for tomorrow.

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Inrate was founded over 30 years ago on the belief that investors needed a clearer picture of a company's true impact. We conceptualized 'Impact Ratings' to address the gap between what companies reported and the actual environmental and social consequences of their business activities.

Inrate scales the highest quality and standards and deep granularity to a universe of 10,000 issuers, allowing financial institutions to take confident decisions.

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SUMMARY

INTRODUCTION

The serious consequences of global warming and biodiversity loss are becoming increasingly clear.

The year 2023 was the hottest since records began, and natural catastrophes across the world caused more than 280 billion US dollars' worth of damage.[2] Switzerland also suffered considerable damage as a result of storms. At the same time, 35% of the plant, fungus and animal species analysed in Switzerland were deemed to be endangered, possibly extinct or extinct.[3] Despite these crises, money continues to flow into activities that are harmful to the environment, whilst there is no way near enough investment in climate and biodiversity goals.[4,5] Banks could be reliable partners in the vital transition process towards a green, fairer future. For example, they could provide more money for solar roofs or organic agriculture. They can support their clients and encourage them to invest in a circular future, thereby safeguarding life on our planet, which is key to everyone's future.

That is also WWF Switzerland's goal. With its commitment to the domestic and global finance industry, WWF Switzerland is working with its international network to promote the flow of capital into an environmentally friendly and socially acceptable economy. The 2024 retail banking rating was developed in light of this.

The aim of the WWF rating is to evaluate the environmental sustainability of Switzerland's largest retail banks and make it transparent. Highlighting potential for improvement and providing recommendations should help retail banks support a sustainable, future-oriented economy. In addition, this should encourage greater dialogue between the various stakeholders, helping to create new partnerships.

RATING METHODOLOGY

Like previous WWF retail banking ratings (2016/2017 and 2020/2021), the current rating looks at Switzerland's 15 largest retail banks (based on 2023 balance sheets). The merger between UBS and Credit Suisse means that Credit Suisse is no longer covered by the rating. It has been replaced by Thurgauer Kantonalbank (TKB).

In this context, retail banking covers standardised banking business for both private households and companies, primarily involving standardised basic products and services. This includes account management, investment and pension products, and their mortgage and loan business. This rating focuses on evaluating core business and corporate governance, as well as the consequential impact on environmental sustainability. The rating is based on the WWF Vision for environmentally sustainable retail banking.[i]

Whilst the overall structure remains the same, notably the three strategic areas of 'Corporate governance', 'Saving, investments and pension provision' and 'Loans and financing', the content of this retail banking rating has a greater focus than the previous rating on analysing how business activities impact the environment. Some criteria focusing on risk were therefore replaced by criteria focusing on impact, and process-oriented criteria were given a slightly smaller weighting. These adjustments[ii] take into account the fact that risk management often focuses on business success but leaves out the risks of having a negative impact on the environment.

The assessment is based on a total of 32 criteria split over seven topic areas, in turn spread across three strategic areas (see Figure 1). Different criteria have different weightings. The weighting is based on the business volumes concerned, the associated environmental impact, and the ability to manage this environmental impact.

FIGURE 1: STRATEGIC AREAS, TOPIC AREAS, CRITERIA AND WEIGHTINGS

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 2024.
i. See chapter 1.2. of the main report.
ii. Details can be found in the separate 'methodology paper' document.

Each bank is given a score of 1-5 for each criterion. The scale contains five classification categories, also used for the overall rating: 'Visionary' (five points), 'Pioneer' (four points), 'Ambitious' (three points), 'Mediocre' (two points) and 'Latecomers/non-disclosing' (one point). The maximum point score is awarded for environmentally sustainable retail banking in accordance with WWF Switzerland's vision and represents a situation that WWF considers both desirable and achievable.[iii]

FIGURE 2: SUSTAINABLE DEVELOPMENT TRAJECTORY FOR SWISS RETAIL BANKS

VISONARIES

A visionary retail bank holistically pursues ecological (and social) sustainability targets and aligns its business from its mission statement to its day-to-day operations accordingly.

PIONEER

In addition to financial goals, pioneers also view ecological targets as fundamental for sustainable business success. Besides climate, biodiversity is explicitly taken into consideration.

AMBITIOUS

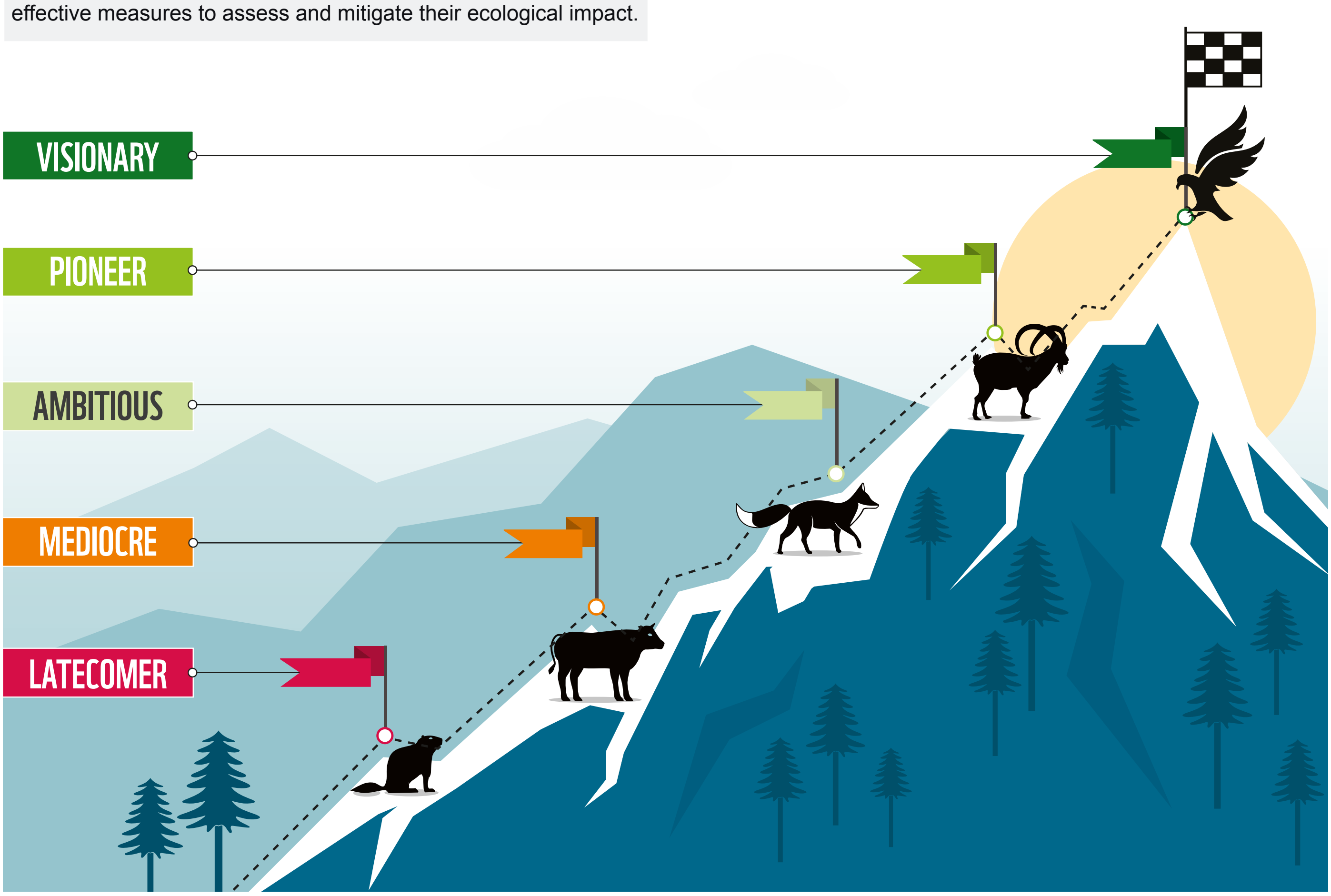
Ambitious retail banks have recognised the significance of ecological sustainability and have already taken concrete and effective measures to assess and mitigate their ecological impact.

MEDIOCRE

Banks in this category have identified ecological sustainability as a source of opportunity and risk but are not yet very advanced in systematically addressing these factors.

LATECOMERS

The understanding of ecological sustainability is almost exclusively limited to minimizing the emerging risks for the bank itself and seizing business opportunities, while ecological impacts are rarely considered in decisions.



Source: INFRAS/WWF Switzerland 2024.

iii. The vision is detailed in chapter 1.2 of the main report.

OVERALL RESULT

Figure 3 summarises the overall result by classification and shows the rating placements of Switzerland's 15 largest retail banks.

The rating results show that although progress has been made in recent years, banks still have plenty of potential to improve when it comes to incorporating climate and biodiversity into all business areas. With an average of 2.2 points, which is a rating of 'Mediocre', Switzerland's 15 largest retail banks are far from operating environmentally sustainable. At the same time, there are major differences between banks when it comes to their commitment to an environmentally sustainable future.

None of the 15 largest retail banks can currently be described as a 'Visionary' or 'Pioneer'. Berner Kantonalbank (BEKB), Raiffeisen Schweiz (Raiffeisen), Thurgauer Kantonalbank (TKB) and Zürcher Kantonalbank (ZKB) were all classified as 'Ambitious'.[iv] Nine banks fell into the 'Mediocre' category: Aargauer Kantonalbank (AKB), Banque Cantonale Vaudoise (BCV), Basler Kantonalbank (BKB), Basellandschaftliche Kantonalbank (BLKB), Graubündner Kantonalbank (GKB), Luzerner Kantonalbank (LUKB), Migros Bank, PostFinance and UBS Schweiz (UBS). St. Galler Kantonalbank (SGKB) and Valiant Bank (Valiant) were classified as 'Latecomers'.

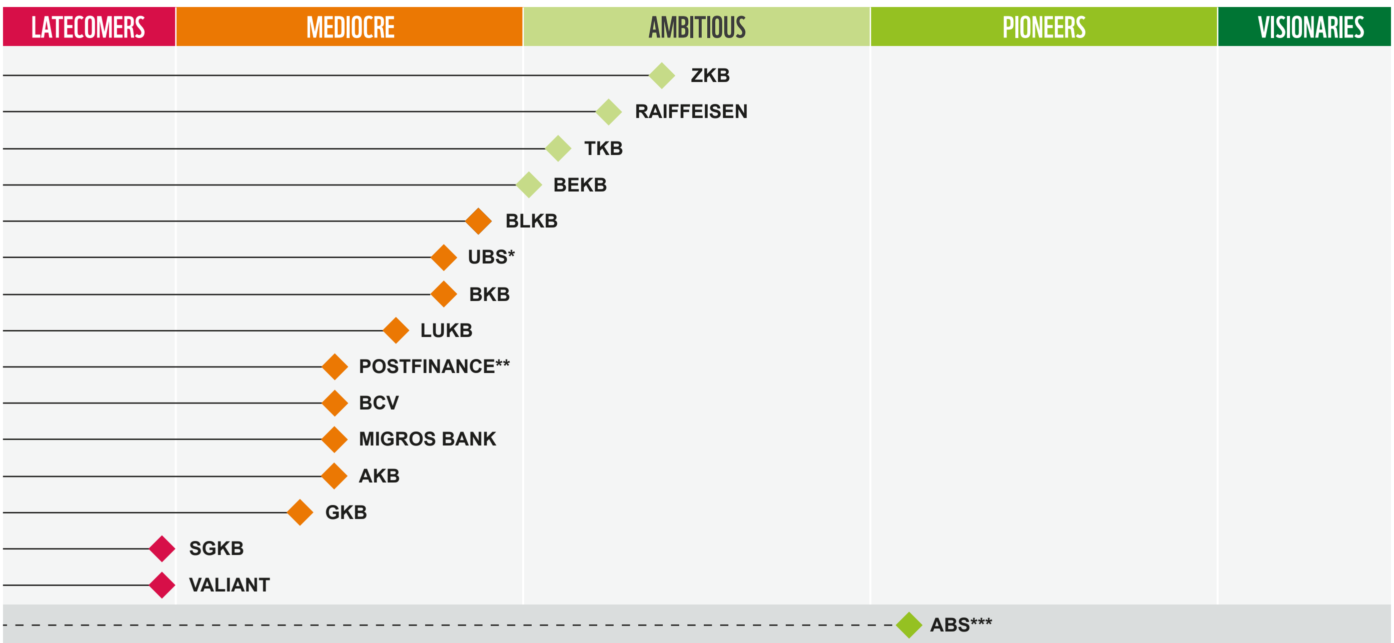
AKB and LUKB, which were classified as 'Latecomers' in the 2021 rating, have made the greatest progress and are now in the 'Mediocre' category. Conversely, some banks have failed to retain their classification category. BLKB, BKB and UBS were downgraded from 'Ambitious' to 'Mediocre', and SGKB and Valiant from 'Mediocre' to 'Latecomers'. However, this does not mean that the banks have taken a backward step in real terms, but rather that they have not continued to develop sufficiently (and quickly) enough to keep up with the framework conditions.

The top group contains two large banks (ZKB and Raiffeisen), one medium-sized bank (BEKB) and one smaller bank (TKB). Likewise, some of the larger banks can be found in the bottom half of the range. This means that bank size is not the only decisive factor in rating position.

After being presented as a pioneer in ecologically sustainable banking in the two previous studies, Alternative Bank Switzerland (ABS) is now also being subjected to the same rating analysis. Its business model, which focuses on social and environmental focus areas, enables the bank to be a rated as "pioneer". Since the ABS is not directly comparable with the 15 largest retail banks in Switzerland due to its size and the associated divergent starting position and opportunities (see Chapter 4.4 in the full report), its results are discussed separately (see text box 4 in the full report).

The rating also shows that, in the field of environmental sustainability, banks are primarily working on topics closely related to climate and energy. Biodiversity and related topics, such as water, deforestation, or pollution, play hardly any or only a negligible role in sustainability efforts.

FIGURE 3: OVERALL RESULT AND RATING PLACEMENTS OF SWITZERLAND'S 15 LARGEST RETAIL BANKS



NB:

* Where possible, the UBS rating focuses on its retail banking business in Switzerland.

** The PostFinance rating cannot be directly compared with other retail banks in all strategic areas and topic areas, as it is not permitted to issue corporate loans and it collaborates with partners for mortgages (see main report).

*** The ABS rating is not directly comparable with that of other retail banks in this study, as the bank's business model and size differ significantly (see Chapter 4.4 and Box 4 in the full report).

Note: None of the banks have taken a step backwards in real terms compared with the last retail banking rating. However, as some of the requirements for achieving each classification have increased since 2020/21, this may mean that banks achieve a lower score or even slip down a classification category compared to the previous rating, despite having made small positive adjustments to their business activities.

Source: INFRAS/WWF Switzerland 2024.

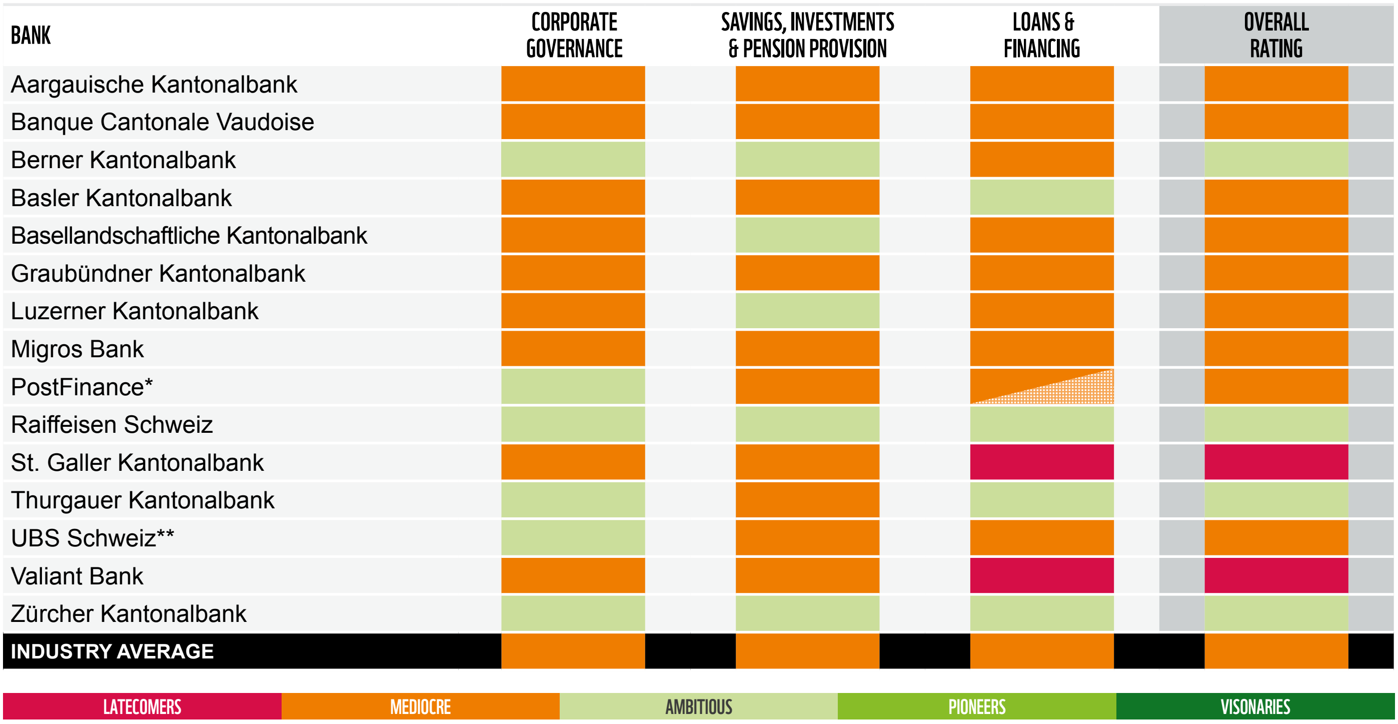
iv. The retail banks are listed in alphabetical order rather than any rating-based order.

RATING RESULTS BY STRATEGIC AREA

Figure 4 shows the rating results for each strategic area, as well as the overall result for the 15 largest retail banks. In addition, it sets out the industry average for the individual strategic areas.

It is apparent from looking at the various topic areas that each bank's score was often similar across different topics.[v] This might indicate that the level of sustainability is often determined at a strategic level and implemented with a similar amount of ambition across all business areas.

FIGURE 4: RATING RESULTS FOR EACH STRATEGIC AREA AND OVERALL



NB:

* The PostFinance rating cannot be directly compared with other retail banks in all strategic areas and topic areas, as it is not permitted to issue corporate loans and it collaborates with partners for mortgages.

** Where possible, the UBS Schweiz AG rating focuses on its retail banking business in Switzerland.

Note: None of the banks have taken a step backwards in real terms compared with the last retail banking rating. However, as some of the requirements for achieving each classification have increased since 2020/21, this may mean that banks achieve a lower score or even slip down a classification category compared to the previous rating, despite having made small positive adjustments to their business activities.

Source: INFRAS/WWF Switzerland 2024.

v. The standard deviation for the assessments in the seven topic areas was just 0.45 rating points on average.

RATING RESULTS FOR CORPORATE GOVERNANCE

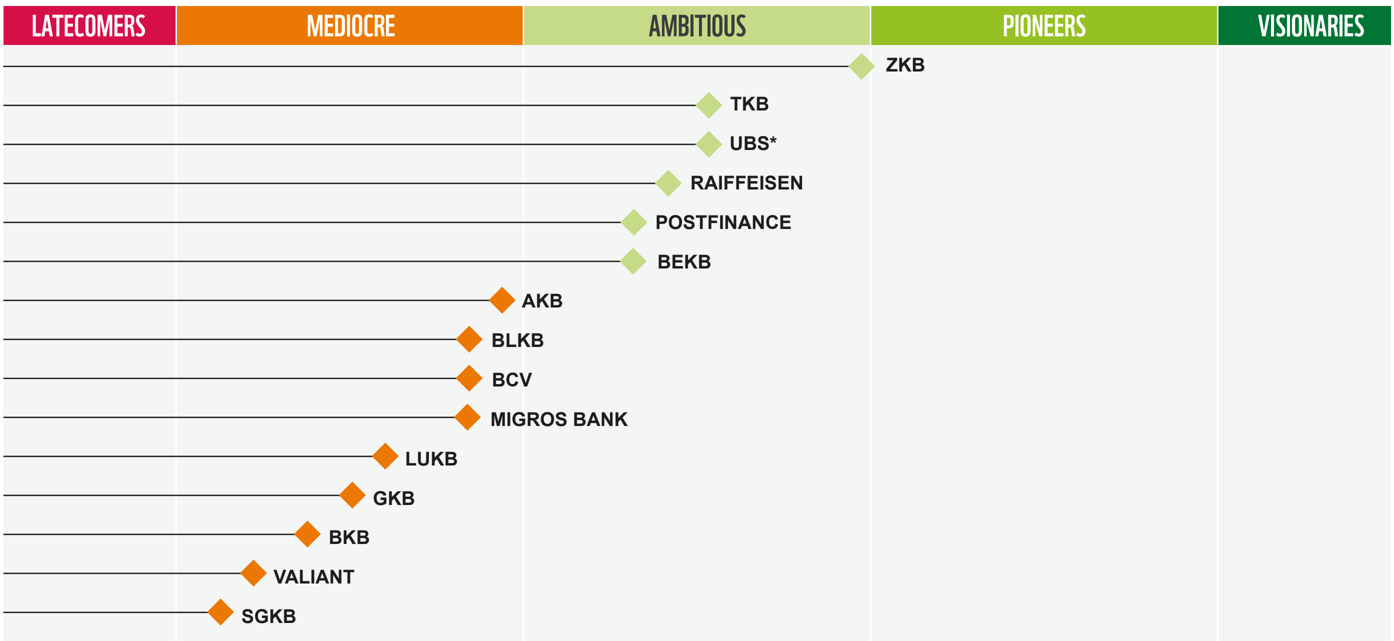
The rating for the 'Corporate governance' strategic area covers various activities, processes and strategic orientations that are central to embedding sustainability at an overall level for the bank as a whole, but cannot be directly attributed to a specific business area (such as investments or loans). This includes anchoring environmental sustainability at an institutional level using management and director expertise, clear objectives and commitments, disclosure, risk management, environmental guidelines for the management of the bank's own financial assets, or social and political engagement.

A total of six banks are 'Ambitious' in this strategic area: BEKB, PostFinance, Raiffeisen, TKB, UBS and ZKB. The other banks were all rated as 'Mediocre' (see Figure 5).

Of the three strategic areas, banks improved the least in the 'Corporate governance' category. In addition, numerous banks failed to retain their rating level from the previous assessment. This is partly because framework conditions have developed significantly in this area (e.g., as regards transition plan concepts, net-zero alliances, carbon pricing, finance beyond or the TNFD). This consequently also led to further development of the methodology. Not all banks have been able to keep pace with these developments.

Banks fared relatively well in the criteria of 'Risk management' and 'GHG emissions (operational)', averaging as 'Ambitious'. In contrast, fewer than half of the banks have committed to climate objectives in initiatives such as SBTi or NZBA. Furthermore, only a third of the banks have either drafted a transition plan focusing on the climate or published key elements of a transition plan in their sustainability reports. Similarly, less than a third of the banks had biodiversity risks on their radar. Finally, monetary incentives for management and executive boards are rarely geared towards environmental sustainability and sustainability only plays a minor role in how banks' own financial assets are managed.

FIGURE 5: RATING PLACEMENTS FOR THE 'CORPORATE GOVERNANCE' STRATEGIC AREA



NB:

* Where possible, the UBS rating focuses on its retail banking business in Switzerland.

Note: None of the banks have taken a step backwards in real terms compared with the last retail banking rating. However, as some of the requirements for achieving each classification have increased since 2020/21, this may mean that banks achieve a lower score or even slip down a classification category compared to the previous rating, despite having made small positive adjustments to their business activities.

Source: INFRAS/WWF Switzerland 2024.

RATING RESULTS FOR SAVING, INVESTMENTS AND PENSION PROVISION

The environmental footprint of the billions in assets that a bank manages is substantial. The associated potential impact that shareholders have on companies is also crucial for environmental transformation. The 'Saving, investments and pension provision' strategic area correspondingly covers sustainable savings accounts, investment and pension solutions, their environmental impact and the associated disclosure and advisory services, as well as the exercise of shareholder rights and engagement with invested companies.

In this strategic area, BEKB, BLKB, LUKB, Raiffeisen and ZKB were rated as 'Ambitious', with the other banks falling into the 'Mediocre' category (see Figure 6). Nine banks were able to improve their score since the last rating, which for two (AKB, LUKB) bumped them up to a higher rating level.

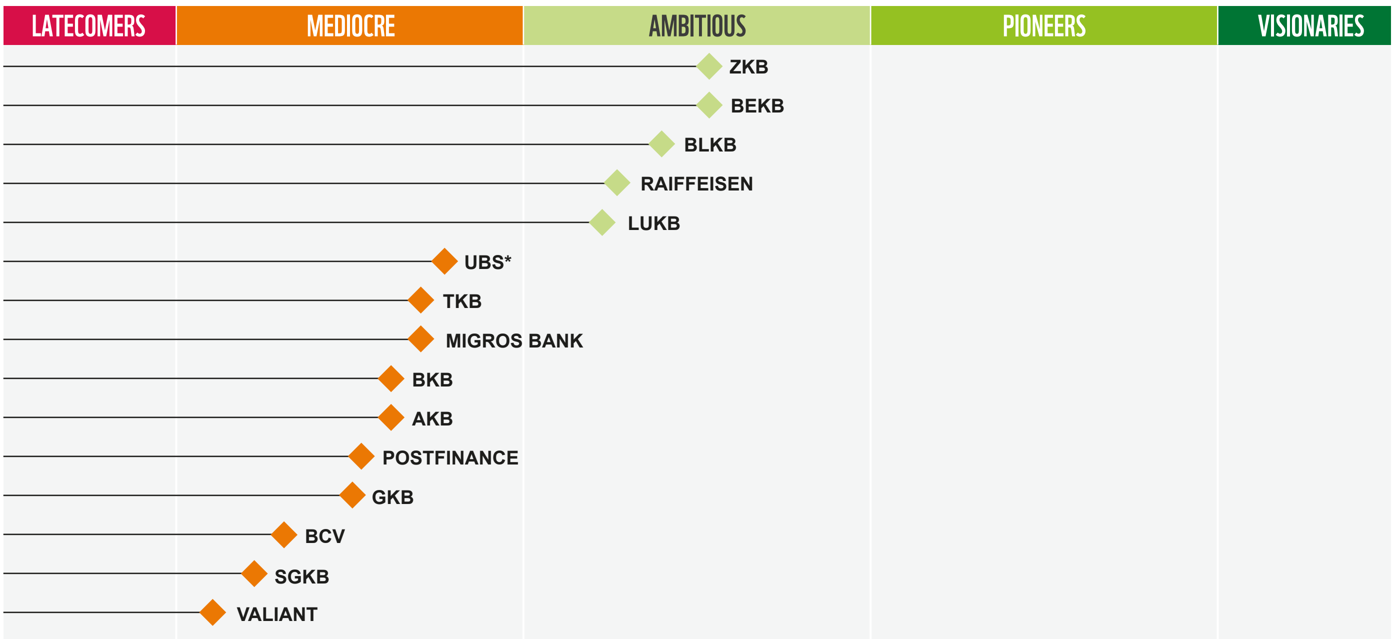
The banks under scrutiny are offering an increasing number of investment and pension products that are geared towards sustainability or are even in line with sustainability goals. Banks are also increasingly exercising their voting rights in the interests of the environment at general meetings, and entering into dialogue with companies which shares they hold in their investment portfolios. However, biodiversity-related topics are often not included in this. Furthermore, their strategy is only partially oriented towards invested companies' environmental impact, and escalation mechanisms are not comprehensively and systematically pursued where dialogue is unsuccessful.

Sustainability-related products are still rather niche when it comes to savings accounts and do not exist at all for pension provisions, although a large proportion of pillar 3a assets are saved in accounts. At the moment, only BLKB, UBS and ZKB currently offer sustainable savings accounts. These banks undertake to use the money saved solely to finance specific environmentally sustainable activities (e.g., eco-mortgages or sustainable loan products).

Advice, client communications and disclosure regarding financial products have been significantly expanded (in part due to various new self-regulatory provisions).

Nevertheless, there are still a lot of investment solutions being offered and held that incorporate no or very few sustainability aspects and banks continue to invest in controversial activities relating to fossil fuels or deforestation. Investment policies also play a role here. Although there have been developments on these policies since the last rating, in almost all cases they are not far-reaching enough and often only incorporate few topics relating to the environment, such as coal or unconventional oil and gas extraction. For example, other key topics such as deforestation or pollution are often left out.

FIGURE 6: RATING PLACEMENTS FOR THE 'SAVING, INVESTMENTS AND PENSION PROVISION' STRATEGIC AREA



NB:

* Where possible, the UBS rating focuses on its retail banking business in Switzerland.

Note: None of the banks have taken a step backwards in real terms compared with the last retail banking rating. However, as some of the requirements for achieving each classification have increased since 2020/21, this may mean that banks achieve a lower score or even slip down a classification category compared to the previous rating, despite having made small positive adjustments to their business activities.

Source: INFRAS/WWF Switzerland 2024.

RATING RESULTS FOR LOANS AND FINANCING

The ‘Loans and financing’ strategic area covers corporate loans and mortgages, and thus a retail bank’s actual core business. It is therefore given the highest weighting. Banks have a particularly high potential for impact in this area: firstly, they finance directly corporate activities or real estate construction (or renovation), making these activities possible in the first place. Secondly, most banks have long-term, trusted client relationships that enable them to serve as vital advisers for transformation processes. This strategic area involved analysing environmental guidelines, the corporate loans and mortgages on offer and their environmental impact, and the associated advisory processes and client interactions.

BKB, Raiffeisen, TKB and ZKB are ‘Ambitious’ in this area, whilst the majority of the banks are once again ‘Mediocre’ here (see Figure 7). SGKB and Valiant were rated as ‘Latecomers’. ‘Loans and financing’ is still the strategic area where banks performed the worst on average (see Figure 4).

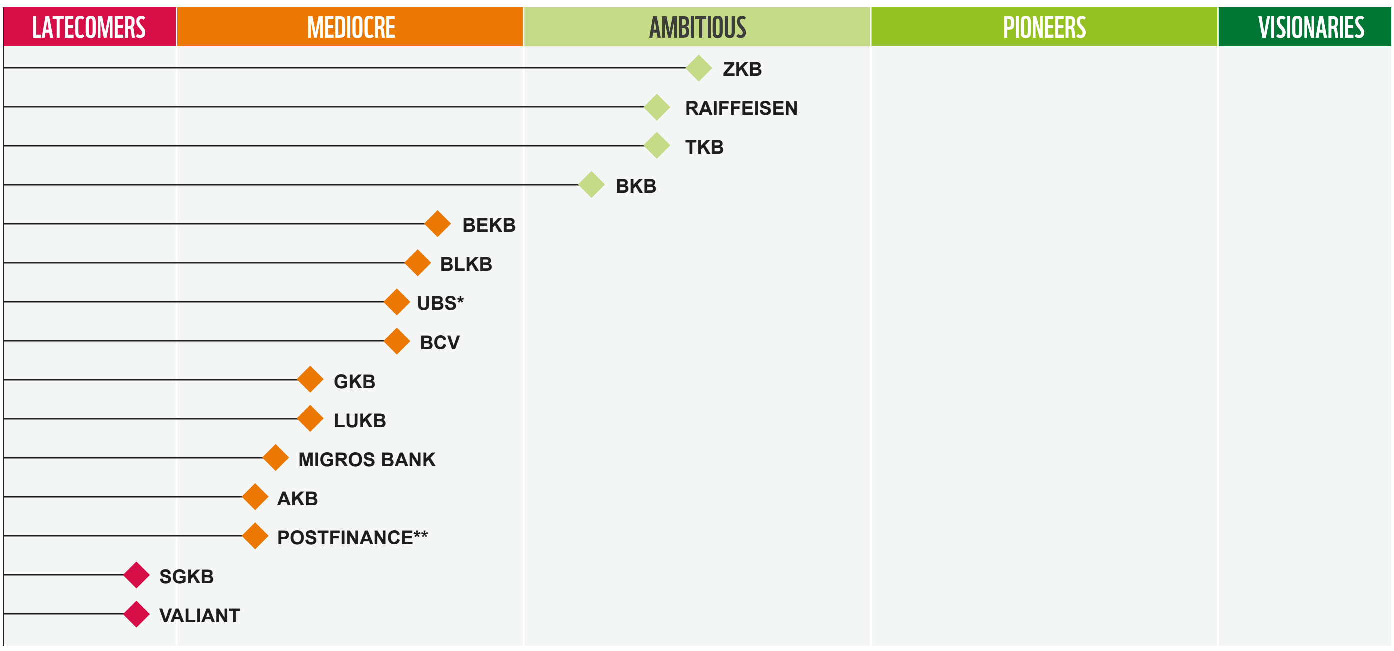
Nevertheless, nearly all of the banks improved compared with the last rating. In fact, it is the strategic area where the banks improved the most in recent years.

Banks are increasingly offering special financial products, such as green mortgages or sustainability-linked loans, to finance the transition. Processes for advising mortgage clients have also improved and new renovation calculators have been introduced. In some cases, loan portfolios were analysed to examine the credit lines with the greatest impact on the climate. AKB, UBS and ZKB included certain negative environmental factors in the credit margins calculation.

In individual cases, some banks have been introducing decarbonisation targets and reduction pathways for financed emissions and adopting new guidelines for granting loans. However, these are still not far-reaching or comprehensive enough.

At the same time, these efforts have not yet brought the self-estimated carbon intensity[vi] of the overall real estate financed by banks down to or below the target values for 2023.[vii] In addition, most banks still know little about the specific environmental impact of their corporate clients’ activities, and there is often also a lack of systematic discussion with these clients about sustainability topics. Ultimately, sustainable corporate loans and green mortgage products still only make up a very small proportion of the overall portfolio.

FIGURE 7: RATING PLACEMENTS FOR THE ‘LOANS AND FINANCING’ STRATEGIC AREA



Bemerkungen:

* Where possible, the UBS rating focuses on its retail banking business in Switzerland.

** The PostFinance rating cannot be directly compared with other retail banks in this strategic area, as it is not permitted to issue corporate loans and it collaborates with partners for mortgages. Instead of corporate loans, PostFinance’s own investments were used for this assessment.

Note: None of the banks have taken a step backwards in real terms compared with the last retail banking rating. However, as some of the requirements for achieving each classification have increased since 2020/21, this may mean that banks achieve a lower score or even slip down a classification category compared to the previous rating, despite having made small positive adjustments to their business activities.

Source: INFRAS/WWF Switzerland 2024

vi. The estimation methods can differ from bank to bank and the results therefore show a greater degree of estimation uncertainty. The WWF recommends that banks reduce this uncertainty by collecting data directly from customers.

vii. For scope 1 emissions, see Switzerland’s long-term climate strategy: https://www.bafu.admin.ch/dam/bafu/de/dokumente/klima/fachinfo-daten/langfristige-klimastrategie-der-schweiz.pdf.download.pdf/Langfristige%20Klimastrategie%20der%20Schweiz.pdf,
For scope 1+2 emissions, see the Carbon Risk Real Estate Monitor (CRREM): https://www.crrem.org/pathways/

WWF RECOMMENDATIONS AND OUTLOOK

The following points cover a selection of key measures that WWF Switzerland is recommending to Swiss retail banks so they can make a substantial contribution to creating an environmentally sustainable, future-oriented economy.

CORPORATE GOVERNANCE:

- Banks should set science-based climate and biodiversity targets and publish ambitious interim targets. In addition, banks should also follow a transition plan that is based on internationally recognised standards and incorporates biodiversity (see for example the WWF publication 'Nature in Transition Plans').[6]
- Banks should establish guidelines and processes designed to ensure that there is sufficient climate and biodiversity expertise on their executive and management boards.
- In accordance with the definition of sustainable development, the financial incentive portion of the executive board's variable remuneration should be based on financial, social and environmental targets, in equal measure.
- Carbon offsetting projects should be replaced by systematic financing of additional climate protection projects, in line with the WWF 'Fit for Paris' guidelines.[7]
- Sustainability should also be considered in the management of banks' own financial assets and a positive impact on environmentally sustainable development should be attempted.
- Moving beyond their own business activities, banks should champion progressive climate and environmental politics and improvements to the framework conditions for sustainable finance. This can be achieved via active involvement in associations, the bank's own positioning, memberships in relevant industry initiatives and/or participation in relevant national initiatives.

ENVIRONMENTAL GUIDELINES FOR ALL PRODUCTS:

- Banks should set out comprehensive environmental guidelines that are applied to all products, rather than just to products labelled as sustainable. In the 'Saving, investments and pension provision' strategic area, this primarily relates to excluding the most harmful activities and/or the most unreceptive companies. For corporate loans, these environmental guidelines should, for example, exclude the financing of fossil fuels (not just coal), nuclear power and non-sustainable forestry, fishing and agriculture, whilst also defining specific eligibility criteria. Finally, mortgages should generally exclude elements such as like-for-like replacement of fossil-fuel heating systems or construction in areas with high biodiversity.
- Loans and mortgages for activities, companies or properties that have a substantive negative impact on the environment should reflect environmental factors in the credit margin, collateral value and contract arrangements (e.g., contractual obligation to reduce negative environmental impact).

RANGE OF ENVIRONMENTALLY SUSTAINABLE INVESTMENT, PENSION AND FINANCING PRODUCTS:

- Almost all of the investment solutions (funds and mandates) offered should be aligned with international climate and development goals or make a positive contribution to achieving these goals. In addition, investment strategies geared towards transformation should take a comprehensive, impact-oriented active ownership approach.
- Sustainable loan and mortgage products that promote transition should, where appropriate, be offered under favourable conditions and incorporate more biodiversity-related lending criteria.

DIALOGUE WITH INVESTED COMPANIES AND EXERCISING VOTING RIGHTS:

- There should be systematic dialogue – either bilaterally or via coalitions – with companies that have received investment from the bank or its clients and are in sectors with the greatest environmental impact. In addition, this dialogue should be oriented towards environmental impact rather than merely environmental risks, and should encourage and support the companies' transition efforts.
- If companies are unwilling to improve, clear escalation measures should be defined and executed.
- Sustainability, and in particular an active ownership approach, should play a key role when selecting asset managers for third-party products.
- Voting rights should be exercised for all own products in line with the climate and biodiversity expectations set out in the engagement strategy, including voting out members of the management board. Voting rights from advisory mandates or securities held in other custody accounts should be easy to delegate to the bank.

ADVISORY PROCESS AND CLIENT DIALOGUE:

- All clients, and not only those who are explicitly interested, should be systematically informed of the sustainability risks and impact of investment solutions.
- When granting loans and mortgages, the bank should engage in systematic dialogue with clients support them in their transition. For corporate loans in relevant sectors, for example, this would include consistently addressing the environmental risks and impact of the business activities being financed. When granting mortgages, attention should be systematically drawn to energetic renovation and associated advisory services, with the bank helping to cover the costs of external advisory services. Topics such as grey energy, urban sprawl and biodiversity promotion areas should also be discussed.
- Client advisers should receive thorough education and training in sustainability topics every year.

DATA COLLECTION AND IMPACT MEASUREMENT:

- Client information for all funds and mandates should systematically include climate indicators and other sustainability-related indicators. In particular, this should include information about the impact on climate and biodiversity.
- The availability of data on the environmental impact of financial flows for own and third-party products and on the environmental impact of corporate loans should be further improved – for example, via a granular understanding of the business activities/sectors into which money is flowing, or via direct data collection from corporate clients.
- For mortgages, data relating to climate and biodiversity considerations should be systematically collected from all clients.

SAVINGS AND PENSION CASH ACCOUNTS:

- Savings and 3rd pillar cash accounts with a dedicated use of fund for sustainable activities should be offered, and clients should be appropriately informed of the intended use of their savings or pension funds.

Various banks have made important progress since the last rating, especially banks that were previously rated as 'Latecomers'. In addition, the greatest progress was achieved in 'Loans and financing', the strategic area that saw the worst performance in 2021. This shows that many banks are prepared to tackle the challenges involved.

WWF hopes to see this development continue in the future, so as to further promote and expedite sustainable development with sufficient determination and resources. The many examples of progress and best practices discussed in this report show that good solutions exist and that they can be implemented. Nevertheless, these are often initially one-offs and are primarily implemented with a focus on climate protection measures. Whilst, at the same time, environmentally damaging investments are still being made or shareholder rights are not being sufficiently exercised to protect nature.

It is particularly crucial that environmental sustainability becomes better rooted in incentive structures and further training across all hierarchical levels. Environmental sustainability should not be thought in terms of climate alone, as global warming and biodiversity loss reinforce one another also. This means that nature is our greatest ally when it comes to both climate mitigation and climate adaptation. The core of this transformation is not just in the energy and transport sector, but also agriculture, ergo the food system.

Finally, WWF wants to encourage banks to concentrate their endeavours even more strongly on environmental goals. A strategic focus on impact, combined with having the courage to leave out less effective measures, can help deploy resources to more efficient use. For example, this implies focusing on companies that have a significant impact on the environment and where even a medium-sized bank can make a difference. Likewise, when targeting homeowners, banks should focus on engaging specifically with those that have the greatest potential for implementing renovating measures, considering the property and living situation.

Lastly, retail banks are never alone in their sustainability efforts. Numerous municipalities, cantons, companies, start-ups, associations and civic organisations are working towards the same goals. It could be worth forging even more and stronger alliances and entering into unconventional collaborations where the various partners can provide complementary resources.

WWF is also one of these stakeholders, helping to make the Swiss economy environmentally friendly and sustainable. With this report, WWF is therefore seeking to encourage and enable retail banks to orientate their business models even more towards financing the transition, and to support their investment and lending customers in a targeted and collaborative manner on the path to achieving global climate and biodiversity goals.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ANNEX: BEST PRACTICE EXAMPLES

BEST PRACTICES IN CORPORATE GOVERNANCE

- ZKB is actively involved in various organisations (e.g., Swisscleantech incl. CEO4Climate, öbu, Minergie Association, Sustainable Construction Network Switzerland) that advocate for climate and biodiversity, and within associations (e.g., SSF, SBA), ZKB explicitly enunciate environmentally sustainable positions and, in some cases, higher ambitions regarding sustainable finance regulation.
- Even before the ordinance on mandatory climate disclosures came into force, BLKB, Raiffeisen, TKB, UBS and ZKB had already published reports that covered numerous elements of transition plans, some of which are also referred to as such.
- TKB and PostFinance have SBTi-validated near-term climate targets.
- In the area of risk management, UBS has analysed its biodiversity and climate risks more extensively than the other banks – for example, by analysing the exposure of its loan book to sectors that have a considerable impact on biodiversity. AKB, Raiffeisen, TKB and ZKB also stand out for their initial, primarily qualitative analyses of biodiversity risks.
- Raiffeisen and UBS publish detailed environmental metrics in their sustainability reports, which are aligned with several international frameworks such as GRI, TCFD, ISSB, etc. and show not only risk-related disclosures but also environmental impacts. Raiffeisen, for example, discloses the Scope 1, 2 and 3 emissions of its corporate loans by sector. In addition, important key figures of both banks are externally audited.
- PostFinance, BEKB and TKB consider extensive environmental sustainability criteria for the management of the banks' own financial assets. TKB has already formulated climate targets in this area in accordance with SBTi, defined various exclusions and applies sustainability-related indicators for securities selection. BEKB invests almost exclusively in its own sustainability-related investment products. Both banks also engage with invested companies in the scope of their own financial assets.
- While most banks make mostly insignificant contributions to environmental projects, BCV, BEKB, TKB and ZKB stand out positively. All of them finance conservation projects, local initiatives or innovation awards which account for more than 0.75% of their group profits.

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BEST PRACTICES IN SAVING, INVESTMENTS & PENSION PROVISION

- In the area of savings accounts, sustainability-related products are still a niche market. Only BLKB, UBS and ZKB offer sustainable savings accounts, whereby the banks commit themselves to use the deposits only to finance specific environmentally sustainable activities (e.g., eco-mortgages or sustainable loan products). At UBS, a sustainable savings account is the standard option in the digital banking package UBS key4 banking.
- BEKB has set ambitious and concrete decarbonisation targets for all its own investment funds. Meaning that by 2030, 80% of the companies in the BEKB investment funds must have set ambitious and third party audited climate targets.
- BLKB and TKB exclusively offer investment products (own and from third parties) that have sustainability aspects which go beyond mere exclusions or ESG integration. In the case of BEKB and GKB, this applies to all their own investment products. Investment products that take into account a combination of environmentally relevant sustainability aspects are now the standard offer at most banks.
- For pension products, some banks exclusively offer sustainability-related investment products, namely BEKB, BKB, BLKB, LUKB, PostFinance, UBS, Raiffeisen and TKB.
- While almost all banks offer gold with a Max Havelaar certification when selling small quantities of gold (usually 1g-20g) at the counter, Raiffeisen and ZKB are additionally committed to ensuring that traceability of gold in larger quantities becomes possible. In the area of investment solutions, BCV, BKB LUKB and Raiffeisen offer their own gold funds that invest in gold from traceable, responsible sources. BLKB also takes a good approach by not even integrating gold in its investment solutions.
- LUKB, UBS and ZKB already explicitly focus on biodiversity issues, in addition to climate, in their active ownership guidelines when it comes to engagement with companies invested in, and are, for example, members of specialised engagement initiatives such as FAIRR (LUKB) or Nature Action 100 (UBS). BCV, BLKB, LUKB, PostFinance, Raiffeisen, TKB, UBS and ZKB use their own or third-party providers' systematic escalation measures, that incorporate voting out members of the management board and/or divestments. Moreover, BLKB, LUKB, TKB and ZKB also apply their stewardship guidelines to third-party investment products.
- Some banks, such as BLKB, GKB, Migros Bank, SGKB, TKB and Valiant, work together with universities (of applied science) to train employees on sustainability topics. At Migros Bank, for example, all employees in its investment office have started or already completed sustainability training since 2022 (CAS, CFA, ESG and CESGA). BKB cooperates with FHNW in the training of its relevant employees, meanwhile numerous employees have already completed the CAS Sustainable Finance programme.

BEST PRACTICES IN CORPORATE LOANS

- BEKB and ZKB have established comparatively extensive environmental guidelines for lending. For example, both rule out financing coal, nuclear power, fossil fuel extraction, unsustainable forestry and other environmentally harmful activities to a large extent. BEKB has also defined criteria that contribute a positive assessment of companies; one of which is a “contemporary environmental policy”.
- At AKB, UBS and ZKB, certain negative environmental factors are also factored into the calculation of the credit margin. At AKB, for example, this explicitly applies to fossil fuel power plants and nuclear power plants. At UBS, climate and environmental risks are embedded as part of credit risks, whilst at ZKB, companies are divided into three categories based on their sustainability performance, which are then included in the qualitative credit assessment.
- Also in the area of loans, some banks have set themselves ambitious climate targets. TKB, for example, has set SBTi-targets for large corporate clients. UBS has not only set intensity-based reduction targets for corporate clients in the electricity production, iron, steel and cement sectors based on NZBA target-setting requirements, but it has also defined an absolute emissions reduction target regarding the extraction of fossil fuels.
- BCV, BEKB and ZKB are collaborating with partners to particularly support young entrepreneurs and SMEs in the specific financing of environmentally sustainable activities. Together with SuisseEnergie, BCV offers comprehensive advice for SMEs that want to reduce their climate footprint and, under certain conditions, offers discounted loans following a consultation. BEKB, together with the Foundation For Technological Innovation (STI), supports start-ups (amongst others in the cleantech sector) with interest-free loans. ZKB, in cooperation with Reffnet, supports SMEs with a free eco-check and promotes consequential measures with advantageous financing products.
- Raiffeisen offers corporate customers and self-employed individuals a leasing product for the construction of photovoltaic installations. This is intended to lower the financial barrier for the construction of such plants.
- BLKB, Raiffeisen, TKB, UBS and ZKB engage in dialogue about sustainability issues with large credit customers – in some cases also SMEs – and/or customers with exposure to sectors with a high environmental impact, based on a defined approach. In addition to addressing expectations towards these companies, the engagement approach also includes support and consulting services, usually via a specialised third-party provider. Raiffeisen has defined particularly stringent escalation measures that, in the event of gravely negative environmental impacts, first and foremost support improvements, but can explicitly result in the termination of the business relationship in the absence of actual improvements.
- BKB and UBS have built up important capacities for corporate client advisory services through further education. In addition, the two banks have extensive internal expertise on the subject as well as sustainability-related key performance indicators that are integrated into their salary-effective target agreements.
- BEKB, BKB, BLKB, Raiffeisen and UBS record and report the greenhouse gas emissions of their loan portfolio using international standards such as PCAF. At other banks, this is currently still in development.

BEST PRACTICES IN MORTGAGES

- ZKB offers a green mortgage that can also be taken advantage of by farmers who take measures to reduce CO_2 emissions by investing in certain facilities.
- Raiffeisen, TKB and ZKB have formulated ambitious targets for the decarbonisation of their mortgage businesses based on standards such as SBTi or NZBA. All three banks have set targets that are in line with science-based reduction pathways.
- Many banks have now developed processes and online tools, some of which are comprehensive, to address sustainability issues related to construction with their mortgage customers and other stakeholders. TKB and ZKB explicitly address the advantages and disadvantages of renovations when compared to new constructions.

ENDNOTES

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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