Association de
Banques Privées Suisses
Vereinigung
Schweizerischer Privatbanken
Association of Swiss Private Banks

Vereinigung Schweizerischer Assetmanagement- und Vermögensverwaltungsbanken
Association de Banques Suisses de Gestion
Associazione di Banche Svizzere di Gestione Patrimoniale ed Istituzionale
Association of Swiss Asset and Wealth Management Banks

VAV ABG

Sustainable Finance

Wealth Management Priorities

Progress Report 2024

Motivation and context

Switzerland's wealth management and private banks want to do their part to help achieve the objectives of the Paris Agreement, both as active members of society and as part of their duty of care towards their clients. Climate risks also represent investment risks that we all need to be aware of.

Background to the initiative

In 2021, the banks affiliated to the VAV agreed on a set of priorities, published in the brochure "Sustainable Finance, an opportunity for wealth management banks". This brochure illustrates how and why these banks are following through on their commitment, recognising that the regulatory environment is complex and fragmented internationally. This is a challenge, as the exportability of products and services is key. The brochure highlights in detail the potential, conditions, and limits of the wealth management industry in making an appropriate contribution to resolving the climate crisis. Transparent high-quality and comparable raw data from the real economy is still needed to counter greenwashing. Although only *0.5% of all Swiss Green House Gas (GHG) emissions stem from the financial sector itself, banks can – due to their specific economic function – make a significant supplementary contribution to the transformation process in the real economy. In that context, it makes a difference whether it is a commercial bank financing companies directly or a private bank servicing private clients who invest their own money.

Meanwhile, most private banks affiliated to the ASPB have joined the initiative launched by the VAV and other banks have followed them. Since then, the set of priorities has been updated annually in close consultation with the participating banks and additional measures have been added, allowing progress with the initiative to be measured versus previous years. Also, the initiative is still open to other banks.

Increase in coverage

Comparison with 2023 shows that the initiative is still delivering in line with its original objectives, which is pleasing to see. Overall, implementation of the priorities is progressing well, with some members already having fully implemented certain priorities. Although the initiative attracted one fewer participant compared with the previous year, the assets under management they represent have increased yet again (up from CHF 2,400 to CHF 2,550 bn). We hope to see a further increase in the years to come, which will make the initiative more relevant.

Compatible with regulatory trends

The standards and regulations associated with sustainable finance are developing continuously and at quite some pace. In Switzerland, these changes relate in particular to the areas of transparency and disclosure, which is translating into tighter self-regulation in respect of greenwashing. In the broader European context, the adoption of the Corporate Sustainability Due Diligence Directive (CSDDD) in particular represents a new milestone in terms of sustainability regulation in both the real economy and the world of finance.

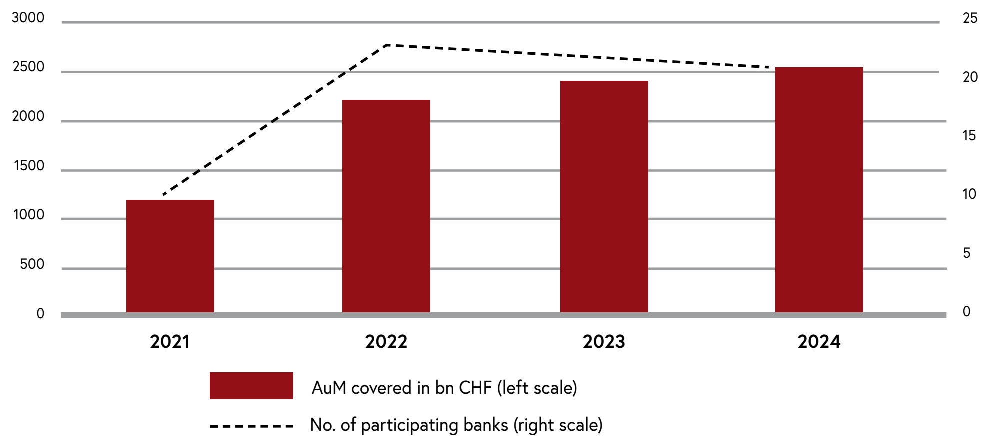
*source: FSO, environmental accounts (air emissions) 2023

In order to reflect these developments, last year's priorities were adapted and a new important measure was added, namely creating transparency when using key terms within the sustainability universe and making clear the recognised regulatory or international standards/definitions to which they relate. In addition, the two measures relating to the GHG reduction path were combined, given their interconnectedness, and a previous measure was completed due to its successful implementation (signing the UN Principles for Responsible Investment by the end of 2022). So this year's progress report contains 13 priorities, grouped in the following four categories: Reduction of GHG Emissions, Offering and Advisory, Training, and Disclosure. They are also compatible with both the self-regulation developed by the Swiss Bankers Association (SBA) and the Asset Management Association Switzerland (AMAS) as well as with the strategy adopted by the Federal Council in this area.

Progress made with implementation

Generally speaking, solid results have been observed with implementing measures in the areas of Training as well as Offering and Advisory. Compared with the previous year, progress made in terms of implementing has been good or very good for almost all measures. Some participating banks are still somewhat hesitant about implementing the net zero initiatives. Since the beginning, it has also been clear that, on account of their more limited resources, small institutions are unable to implement certain priorities – either quite so fast, or even at all. So the aim of the joint efforts is to take each bank as far as possible by exchanging knowledge and experience.

Changes in AuM covered and participation



The 13 Priorities for 2024

Reduction of GHG Emissions

The aim is to achieve the net-zero emissions target, taking account of all emissions (based on Scope 1-3) that are generated through own operational processes, treasury book, and discretionary managed assets, by 2050 or earlier.

Members agree to initiate actions that contribute to lowering GHG emissions – in line with the Paris Agreement.

1 Define and pursue a GHG reduction path to achieve a net zero target by 2050, as outlined by the Science Based Target Initiative (SBTI).

2 Develop a stewardship strategy, including engagement and coordination activities, in order to reduce financed emissions, help companies in which investments are made to switch to net-zero emissions, and provide reporting as appropriate on activities.

3 Sign one of the net zero initiatives for our industry (e.g. Net Zero Asset Managers initiative, Net Zero Banking Alliance, Net Zero Asset Owners Alliance), at the latest in 2023.

Offering and Advisory

The aim is to broaden the sustainable investment solution offering and proactively approach clients to discuss risks and opportunities in sustainable investing – in compliance with the self-regulation practised by the Swiss Bankers Association and the Asset Management Association Switzerland.

4 Further integrate ESG considerations across research, advisory and investment processes (in line with the framework set out by the EU Action Plan's Sustainable Finance Disclosure Regulation (SFDR), the amendments to the MIFID II 'Suitability requirements', and FINSA).

5 Further increase the share of discretionary sustainably managed assets and offer at least one dedicated investment solution that addresses climate change and decarbonisation from 2022.

6 Proactively inform clients regarding sustainability risks and opportunities associated with the investment opportunities proposed, provide them with more transparency on the share of their portfolio that qualifies as sustainably managed assets, and support clients on decarbonisation targets for their assets – where appropriate.

Training

The aim is to integrate sustainability across the business and give training to all employees, particularly in client-facing roles, regarding opportunities and risks associated with sustainable investments as well as developments across the industry and in the regulatory sphere.

7 Ensure that all employees receive training on the basics of sustainability and climate as well as the progress made within the business in terms of implementation.

8 Give all client-facing employees regular training – in relation to both the sustainable investment offering of their own financial institution and how to talk to clients about sustainability.

9 Support the advisory process with information and material about sustainability, specifically climate and decarbonisation, tailored to each client's knowledge.

Disclosure

The aim is to create transparency regarding sustainability-related activities – in compliance with statutory requirements, international standards, key industry initiatives, and guiding principles.

10 Endorse the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and provide disclosure for the financial year 2023 at the latest.

13 Ensure transparency when using key terms within the sustainability universe and make clear the recognised regulatory or international standards/definitions to which they relate.

11 Measure and disclose carbon emissions resulting from all aspects of own operational processes (Scope 1,2,3) and of the treasury book based on the GHG protocol and the Partnership for Carbon Accounting Financials (PCAF) and work towards making additional disclosure of all emissions from the balance sheet and discretionary managed assets.

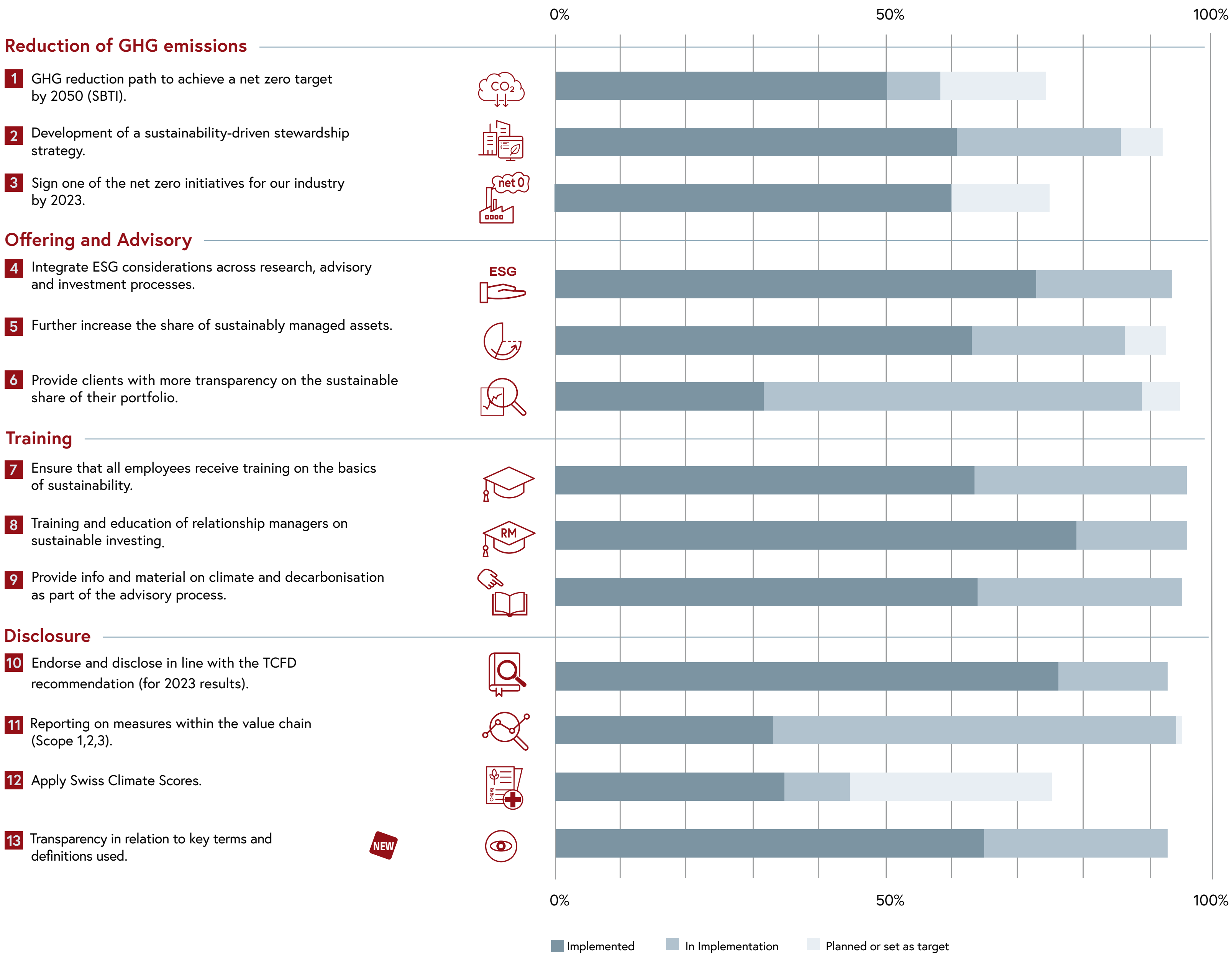
12 Apply the Swiss Climate Scores indicators where appropriate to create comparable, meaningful transparency in relation to climate compatibility.

Results as of 2024

The implementation status of the 13 priorities is visualised hereafter based on data gained from a survey carried out amongst the participating banks in spring 2024. In order to assess the impact of the initiative as a whole correctly, the individual institutions' results are weighted according to the scale of the assets under management. Here, the reference total amount (100%) consists of the aggregate of all VAV and ASPB members, plus the additional participating banks that are not members of these two associations. For the few members of these two associations that have not participated in this survey, we assume that they are not taking or planning any measures.

Overall, almost across the board, there appears to be a great deal of commitment and a high level of implementation, especially at the levels of training as well as offering and advisory, where it is already clear that these measures have been implemented for a majority. At the level of disclosure, the Swiss Climate Scores continue to present a challenge, while enhanced transparency in relation to the value chain presents a new one. The same applies to measures around the reduction of GHG as they are long-term in nature and therefore more time will be needed to implement them in full.

Survey results as a percentage of the AuM covered

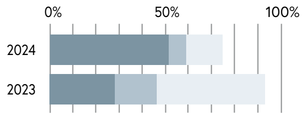


Progress versus 2023

With regard to the impact of the initiative as a whole, the progress measured versus 2023 for each measure is shown below and commented on specifically. Overall it is clear that good progress has been made. With almost all measures, tangible improvements have been achieved in part ensuring a greater degree of implementation (such as from 'in implementation' to 'implemented' or from 'planned' to 'in implementation'). Progress only seems to have stalled in relation to measure 11 regarding reporting on measures along the value chain as a whole, although the reason for this is clear.

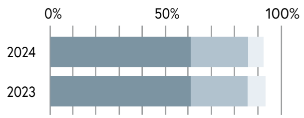
Reduction of GHG Emissions

1 GHG reduction path to achieve a net zero target by 2050 (SBTI).



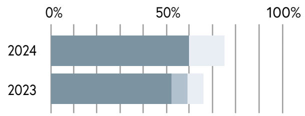
Very good progress with implementation. This is worthy of mention as the previous measure on the GHG reduction path for treasury book and own operations by 2030 has been integrated here. Application of the SBTI standard automatically covers both objectives: 2050 and 2030.

2 Development of a sustainability-driven stewardship strategy.



Progress with implementation to date has been maintained.

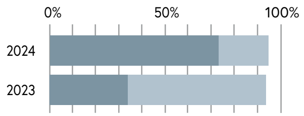
3 Sign one of the net zero initiatives for our industry by 2023.



Moderate progress with implementation. However, some participants have opted not to implement the measure because there is no suitable net zero initiative for private banks.

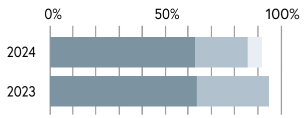
Offering and Advisory

4 Integrate ESG considerations across research, advisory and investment processes.



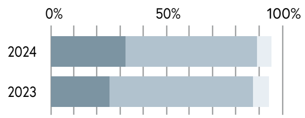
Very good progress with implementation, also in line with the introduction of self-regulation by the SBA and AMAS.

5 Further increase the share of sustainably managed assets.



Progress with implementation to date has been maintained. Some participating banks still have reservations regarding the ambiguity of the definition of sustainability and the potential legal consequences of 'greenwashing'.

6 Provide clients with more transparency on the sustainable share of their portfolio.

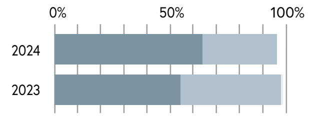


Moderate progress with implementation.

Implemented · In Implementation · Planned or set as target

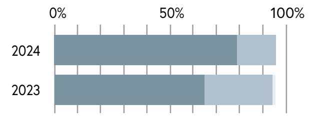
Training

7 Ensure that all employees receive training on the basics of sustainability.



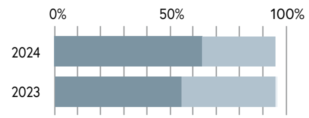
Good progress with implementation. Staff training is an ongoing task, meaning that it can be seen in part as never being achieved.

8 Training and education of relationship managers on sustainable investing.



Good progress with implementation despite the very high level of implementation already achieved.

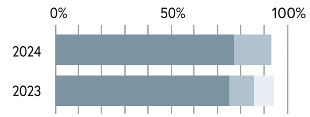
9 Provide info and material on climate and decarbonisation as part of the advisory process.



Very good progress with implementation.

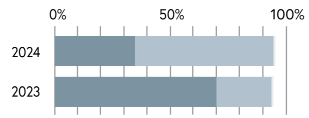
Disclosure

10 Endorse and disclose in line with the TCFD recommendation (for 2023 results).



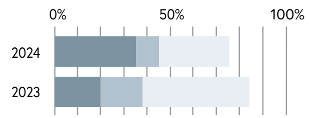
Moderate progress being achieved with implementation, due to the high level of implemented status already achieved.

11 Reporting on measures within the value chain (Scope 1,2,3).



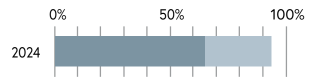
Progress with implementation has noticeably stalled. This is due to the measure becoming more stringent on account of increasing regulatory requirements and more precise definitions.

12 Apply Swiss Climate Scores.



Very good progress achieved with implementation. There are still concerns, however, regarding the availability and quality of the data needed from the real economy.

13 Transparency in relation to key terms and definitions used. NEW



Very good start, with the new measure already largely implemented.

Participants

21 banks participated in this year's progress measurement.
One bank opted not to disclose its participation.

Höchster Standard für Ökoeffektivität.
Cradle to Cradle Certified®-Druckprodukte
hergestellt durch die Vögeli AG.

AQUILA Independent.

BONHÔTE Banquiers depuis 1815

bordier 1844

ceresio investors

cornèr

Edmond de Rothschild

EFG

J. Safra Sarasin

Julius Bär

LGT Private Banking

1796 Lombard Odier – Lombard Odier Darier Hentsch

Maerki Baumann & Co. AG Privatbank

Mirabaud

Pictet 1805

Rahn+Bodmer Banquiers seit 1750

scobag privatbank basel

Società Bancaria Ticinese

UBP Union Bancaire Privée

Vontobel

VZ

Contacts:

Pascal Gentinetta, Managing Director VAV, Head Public Policy & Stakeholder Management Julius Bär
pascal.gentinetta@juliusbaer.com

Jan Langlo, Director ASPB
langlo@abps.ch

Christian Schilz, Chairman VAV WG Sustainable Finance, Head Corporate Responsibility Vontobel
christian.schilz@vontobel.com

Frank Wulms, Public Policy International Julius Bär
frank.wulms@juliusbaer.com

November 2024

Association de Banques Privées Suisses
Vereinigung Schweizerischer Privatbanken
Association of Swiss Private Banks

Vereinigung Schweizerischer Assetmanagement- und Vermögensverwaltungsbanken
Association de Banques Suisses de Gestion
Associazione di Banche Svizzere di Gestione Patrimoniale ed Istituzionale
Association of Swiss Asset and Wealth Management Banks
VAV ABG