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 2022

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.

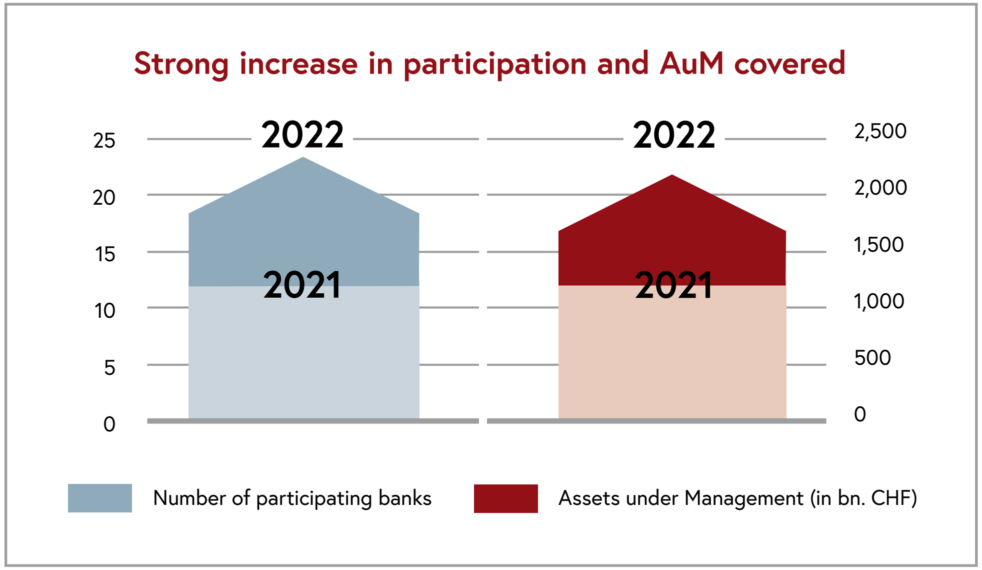
Last year, the wealth management banks affiliated to the VAV agreed on a set of priorities, published in the brochure "Sustainable Finance, an opportunity for wealth management banks" that illustrates how and why we are following through on our commitment. Furthermore, this brochure describes the overall complex, fragmented international and national regulatory environment, which is highly relevant, as the exportability of products and services is key. The brochure highlights in detail the potential, conditions, and limits of the sector, making an appropriate contribution to solving the climate crisis. Transparent information and high-quality, comparable raw data are also still needed from the real economy to counter greenwashing. Although only 0.5% of all Swiss emissions stem from the financial sector itself, banks can make – due to their specific economic function – a significant supplementary contribution to the transformation process in the real economy to the benefit of other sectors. 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.

This year, all private banks affiliated to the ABPS have joined the initiative launched by the VAV and together with further wealth management banks, we have updated the set of priorities and measured the progress versus last year. Also, the initiative is open to other banks.

We are pleased to report that we are delivering as announced last year. Overall, implementation of the priorities is up, with some members already having fully implemented certain priorities. Participation, both in terms of the number of banks (up from 12 to 23) as well as the assets under management they represent (up from CHF 1,200 to CHF 2,200 bn.) has nearly doubled. We hope to see a further increase in the years to come.

As sustainable finance standards and regulation are continuously developing, the priorities originally set were adjusted for 2022 to reflect the trends and the current regulatory framework. This year, we have added four new priorities and raised the ambition level of several existing priorities. Also, certain priorities from 2021 have become obsolete, as they are now an integral part of regulation.

The 12 Wealth Management priorities 2022 are compatible with other Swiss initiatives. For example, the Swiss Bankers Association recommended its members to join a net-zero alliance this spring and more recently published self-regulation for the advisory process and for mortgage advisory, and the State Secretariat for International Finance published a model of climate scores. Our priorities fit very well with these developments and can be considered as complementary to these initiatives.



The 12 Priorities for 2022

The priorities have been updated to reflect the trends and regulatory developments in sustainable finance since last year. Four new priorities have been added; obsolete priorities, which are now an integral part of the overall regulatory framework, have been deleted, and other priorities have been further detailed, or made even more ambitious.

The 12 priorities for 2022 are now grouped in four categories, addressing the various elements that are of particular importance to wealth management banks:

Reduction of GHG Emissions

Align own organisation to a net zero Green House Gas (GHG) target by 2050 or sooner, including all Scope 1-3 GHG emissions of own operational processes, treasury book and discretionary managed assets as relevant. Members agree to initiate actions that contribute to massively lowering GHG emissions in line with the Paris Agreement and the goal of keeping the average rise in global temperatures to no more than 1.5°C ('1.5° scenario').

1 Define and pursue a GHG reduction path to achieve a net zero target by 2050 based on the 1.5° scenario, as outlined by the Science Based Target Initiative (SBTI).

2 Pursue a GHG reduction path for treasury book and own operations aiming for a 50% reduction in CO_2 emissions by 2030, in line with the Net Zero Asset Managers Initiative.

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

Broaden the sustainable investment solution offering and proactively approach clients to discuss risks and opportunities in sustainable investing.

4 Integrate ESG considerations across research, advisory and investment processes in 2022 (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 sustainably managed assets (according to SFDR Art. 8/Art. 9 products) and offer at least one dedicated investment solution that addresses climate change and decarbonisation (SFDR Art. 9 product) from 2022.

6 Proactively provide clients with more transparency on the share of their portfolio that qualifies as sustainably managed assets – notably around the proportion of assets that target a positive impact across the six pillars of the EU taxonomy – and support clients on decarbonisation targets for their assets where appropriate.

Training

All client-facing employees receive training on advising clients about opportunities and risks in sustainable investing.

7 Ensure that all employees receive training on the basics of sustainability – and notably climate – in 2022.

8 By the end of 2022, ensure that all client-facing employees understand how sustainability and sustainable investing are applied within their own organisation and what the organisation's offering is, and that they are able to address the topic in a way that is appropriate to client needs and expectations.

9 Support the advisory process with information and material on climate and decarbonisation tailored to each client's knowledge.

Disclosure

Support international standards such as the EU Action Plan for Financing Sustainable Growth, key industry initiatives and guiding principles. In particular, ensure that disclosure actively supports the Paris Agreement to limit the average rise in global temperatures to 1.5°C [above pre-industrial levels].

10 Become a signatory of the UN's Principles for Responsible Investment (PRI) by the end of 2022.

11 Endorse the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) by becoming a signatory and by providing disclosure in line with its recommendations for the financial year 2023 at the latest.

12 Measure and disclose carbon emissions resulting from all aspects of own operational processes (Scope 1,2,3) and of the treasury book based on common standards for the financial year 2022 at the latest.

Status 2022

The current implementation status of the 12 priorities is visualised hereafter based on data gained from a survey carried out amongst the participating banks in spring 2022. In order to better assess the possible impact, the results have been weighted according to the scale of the assets under management of the individual institutions. This year, we introduced the category "implemented", as several of the participating banks have already achieved substantial progress in implementing the priorities.

In almost all of the priorities, there appears to be a great deal of commitment and a high level of ongoing implementation, especially at the level of training and disclosure. More challenging are the priorities around the reduction path of Green House Gas (GHG), where more time is needed.

Reduction of GHG Emissions

Align own organisation to a net zero GHG target by 2050 or sooner, including all Scope 1-3 GHG emissions of own operational processes, treasury book and discretionary managed assets as relevant. Members agree to initiate actions that contribute to massively lowering GHG emissions in line with the Paris Agreement and the goal of keeping the average rise in global temperatures to no more than 1.5°C ('1.5° scenario').

Offering and Advisory

Broaden the sustainable investment solution offering and proactively approach clients to discuss risks and opportunities in sustainable investing.

Training

All client-facing employees receive training on advising clients about opportunities and risks in sustainable investing.

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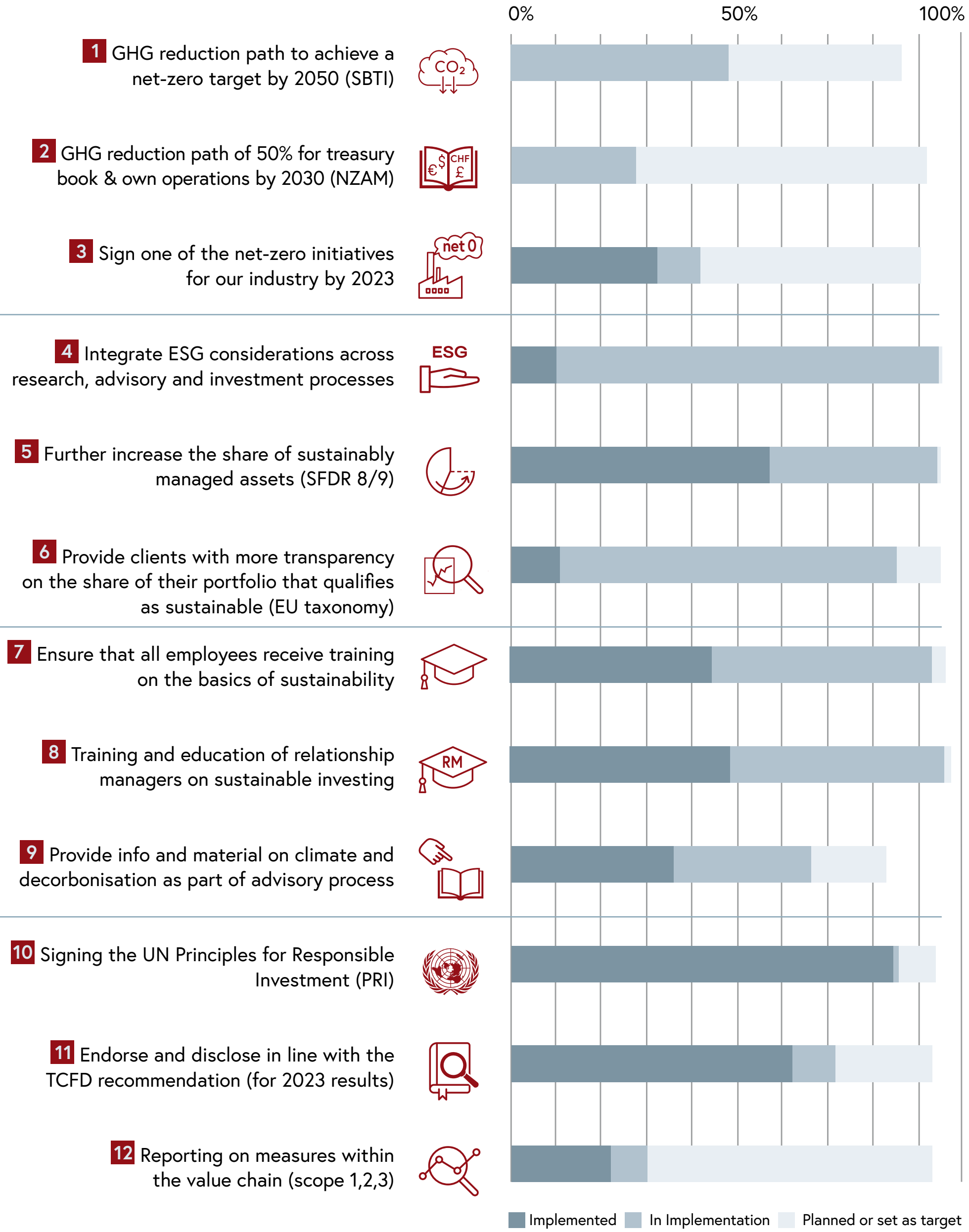
Support international standards such as the EU Action Plan for Financing Sustainable Growth, key industry initiatives and guiding principles. In particular, ensure that disclosure actively supports the Paris Agreement to limit the average rise in global temperatures to 1.5°C [above pre-industrial levels].

Survey results as a percentage of the AuM covered



Progress versus 2021

Looking at the progress made versus 2021 (the figures below only concern banks that already participated in 2021), good progress can be reported on almost all priorities, with a big shift from "in implementation" to "implemented" in certain cases.

On two priorities a marginal decline in progress was observed, which is due to the fact that these priorities were taken to the next level and either enhanced with a more ambitious target, or new elements were added to the priority.

	2021		2022			
	In implementation	Planned or set as target	Implemented	In implementation	Planned or set as target	Comment on comparison 2021/2022 figures
Reduction of GHG Emissions						
1 GHG reduction path to achieve a net-zero target by 2050 (SBTI)	*67%**	*23%**	0%	35%	45%	Took the priority to the next level (beyond definition into implementation) and linked it to an industry standard, which explains the "decline" in implementation.
2 GHG reduction path of 50% for treasury book & own operations by 2030 (NZAM)	*67%**	*13%**	0%	1%	91%	After having defined a path last year, we added an ambitious target (50% by 2030), and took the priority to the next level (beyond definition into implementation) and linked it to an international industry standard, which explains the "decline" in implementation.
3 Sign one of the net-zero initiatives for our industry by 2023			12%	0%	79%	NEW
Offering						
4 Integrate ESG considerations across research, advisory and investment processes	92%	3%	14%	80%	0%	Good progress achieved.
5 Further increase the share of sustainably managed assets (SFDR 8/9)	82%	14%	33%	61%	0%	Good progress achieved. Further detailed the priority and linked it to SFDR (art. 8/9).
6 Provide clients with more transparency on the sustainable share of their portfolio (EU taxonomy)			13%	65%	16%	NEW
Training						
7 Ensure that all employees receive training on the basics of sustainability			30%	62%	3%	NEW
8 Training and education of relationship managers on sustainable investing	81%	15%	34%	61%	1%	Good progress achieved.
9 Provide info and material on climate and decorbonisation as part of advisory process			14%	35%	27%	NEW
Disclosure						
10 Signing the UN Principles for Responsible Investment (PRI)	92%	1%	80%	0%	14%	Good progress achieved.
11 Endorse and disclose in line with the TCFD recommendation (for 2023 results)	*76%**	*1%**	46%	13%	34%	Good progress achieved. Taking this priority to the next level (commitment to disclose as of financial year 2023).
12 Reporting on measures within the value chain (scope 1,2,3)	*78%**	*15%**	35%	12%	47%	Good progress achieved. Further raised the target by specifically including the treasury book.

* limited comparability 2021-2022, as the measure was tightened in 2022

NEW New measure — Measure taken to the next level — Progress in implementation

Participants

23 banks participated in this year's progress measurement.
Four opted not to disclose their participation.

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