

# RAIFFEISEN

## Supplement to the Annual Report 2020

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- Disclosures according to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) – handling of climate-related risks and opportunities
- Reporting based on the UNEP Principles for Responsible Banking

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# GRI content index

Since 2018, Raiffeisen has based its reporting on the standards of the Global Reporting Initiative (“comprehensive” option). This GRI content index refers to the relevant information in the Raiffeisen Annual Report 2020 ([report.raiffeisen.ch/downloads](http://report.raiffeisen.ch/downloads)).

## Principles

| GRI standard  | Pages/URL   | (Additional) information, omission (incl. reasoning)  |
|---|---|---|
| <b>GRI 101: Principles (2016)</b>                                   |   |   |
| <b>GRI 102: General disclosures</b>                                 |   |   |
| <b>Organisational profile</b>                                       |   |   |
| 102-1 Name of the organisation                                      | Annual Report p. 178  |   |
| 102-2 Activities, brands, products and services                     | Annual Report, p. 30–39   |   |
| 102-3 Location of headquarters                                      | Annual Report p. 178  |   |
| 102-4 Location of operations  | Annual Report, p. 77–80   | In addition, the Raiffeisen Group has operations throughout Switzerland. Raiffeisen Switzerland and the Raiffeisen banks do not have a sales network outside Switzerland. Relationships with clients domiciled abroad are in principle entered into restrictively in line with the Raiffeisen Group's basic strategy.           |
| 102-5 Ownership and legal form                                      | Annual Report, p. 77–80   |   |
| 102-6 Markets served  | Annual Report p. 56   |   |
| 102-7 Size of the organisation                                      | Employees: Annual Report p. 44; Branches: Annual Report p. 77–80; Net sales: Annual Report p. 119; Total capitalisation: Annual Report p. 120; Scope of products and services provided: Annual Report; p. 118 |   |
| 102-8 Information on employees and other workers                    | Annual Report p. 44   | In addition, independent contractors do not represent a significant proportion of the workforce, except in the IT department.   |
| 102-9 Supply chain  | Annual Report p. 51   |   |
| 102-10 Significant changes to the organisation and its supply chain | Annual Report, p. 6–7   |   |
| 102-11 Precautionary principle or approach                          |   | The precautionary principle is a guiding principle of Swiss environmental law (Art. 1 (2) of the Environmental Protection Act). Raiffeisen observes the precautionary principle by respecting the Swiss legal framework. While the precautionary principle is not explicitly recognised, it is part of Raiffeisen's self-image. |
| 102-12 External initiatives   | Annual Report p. 49   |   |
| 102-13 Membership of associations and interest groups               | Annual Report p. 49   | In addition, Swiss Funds and Asset Management Association SFAMA, Swiss Structured Products Association SSPA, Coordination Domestic Banks, IG Genossenschaftsunternehmen, International Raiffeisen Union.  |
| <b>Strategy</b>   |   |   |
| 102-14 Statement from senior decision-maker                         | Annual Report p. 45   |   |
| 102-15 Key impacts, risks and opportunities                         | Annual Report, p. 11–12   | In addition, Disclosure in line with the TCFD in this document, p. 8–10.  |
| <b>Ethics and integrity</b>   |   |   |
| 102-16 Values, principles, standards and behavioural standards      | Annual Report p. 8–9, 45–46   |   |
| 102-17 Mechanisms for advice and concerns about ethics              |   | Client complaint process, banking ombudsman, whistleblowing process at Raiffeisen Switzerland.  |

| GRI standard  | Pages/URL                     | (Additional) information, omission (incl. reasoning)   |
|---|-------------------------------|--|
| <b>Governance</b>   |                               |  |
| 102-18 Governance structure   | Annual Report, p. 48, 96      |  |
| 102-19 Delegating authority   | Annual Report, p. 48 – 49     |  |
| 102-20 Executive-level responsibility for economic, environmental and social topics | Annual Report, p. 48 – 49     |  |
| 102-21 Consulting stakeholders on economic, environmental and social topics         | Annual Report, p. 49          | In addition, the Board of Directors does not maintain a systematic stakeholder management process regarding economic, environmental and social issues. However, members of the Board of Directors are free to engage with stakeholders.  |
| 102-22 Composition of the highest governance body and its committees                | Annual Report, p. 86 – 94     | In addition, with the exception of members of the Board of Directors of three Raiffeisen banks, no Raiffeisen Group executives sit on the Board of Directors of Raiffeisen Switzerland. One member is female (11%); one member is originally from Ticino and another member from Romandy; the Chairman of the Board of Directors helped shape a cantonal bank's sustainability programme while he was its manager; one member of the Board of Directors previously held a position in which he was responsible for the sustainability topics of a banking group.   |
| 102-23 Chair of the highest governance body   | Annual Report, p. 87          | In addition, the Chairman of the Board of Directors of Raiffeisen Switzerland is not – and by law is prohibited from being – part of the Executive Board of Raiffeisen Switzerland.  |
| 102-24 Nominating and selecting the highest governance body                         | Annual Report, p. 92          | In addition, the Board of Directors of Raiffeisen Switzerland submits nominations to the General Meeting; representatives of the Raiffeisen banks are involved in the nomination process. There is no explicit requirement for gender diversity, the representation of other stakeholders or expertise in economic, environmental and social topics. Raiffeisen generally meets the requirements imposed by FINMA in Circular 2017/01 "Corporate governance – banks" regarding the independence of the Board of Directors as the top management body.  |
| 102-25 Conflicts of interest  |                               | Raiffeisen Switzerland's Terms and Conditions of Business set out the rules for avoiding conflicts of interest on the Board of Directors of Raiffeisen Switzerland and for officers and directors of Raiffeisen Switzerland. A similar provision set out in the Raiffeisen banks' Terms and Conditions of Business applies to the Raiffeisen banks. Under these Terms and Conditions of Business, people cannot be elected to the Board of Directors if professional or other circumstances expose them to conflicts of interest that would significantly impair their ability to exercise their mandate. Members of the same family and registered partners may not be members of the same Board of Directors at the same time. Members of the Board of Directors (and members of the Executive Board) recuse themselves from any transactions that affect their own interests or those of related parties or companies with which they are personally affiliated. At Raiffeisen Switzerland, the Board of Directors ensures compliance with these disclosure and recusal obligations. It reviews the personal affiliations of the members of the Board of Directors, Executive Board and Internal Auditing every year. |
| 102-26 Role of highest governance body in setting purpose, values and strategies    | Annual Report, p. 10, 92 – 94 |  |
| 102-27 Collective knowledge of the highest governance body                          | Annual Report, p. 48          |  |
| 102-28 Evaluating the highest governance body's performance                         | Annual Report, p. 48          | In addition, The General Meeting assesses the performance of Raiffeisen Switzerland's Board of Directors by approving the annual report, income statement and balance sheet, ratifying the actions of the Board of Directors and electing and dismissing members of the Board of Directors. There is no specific assessment in terms of the management of economic, environmental and social topics.   |
| 102-29 Identifying and managing economic, environmental and social impacts          | Annual Report, p. 45 – 47     |  |
| 102-30 Effectiveness of risk management processes                                   | Annual Report, p. 48 – 49     | In addition, The Board of Directors of Raiffeisen Switzerland generally approves the adequacy and effectiveness review of the entire risk management process. It does not explicitly categorise economic, environmental and social factors. However, they are included in the regular review if they affect the risk management process. This is an annual review which is brought to the Board of Directors' attention as part of risk reporting. If there are any shortfalls, the Board of Directors may decide on measures to take. The Risk Committee prepares the definition of the measures for presentation to the Board of Directors.<br>In addition, Disclosure in line with the TCFD in this document, p. 8.   |
| 102-31 Review of economic, environmental and social topics                          | Annual Report, p. 48 – 49     |  |
| 102-32 Highest governance body's role in sustainability reporting                   | Annual Report, p. 48 – 49     | Sustainability reports are approved first by the Executive Board and then by Raiffeisen Switzerland's Board of Directors as part of the annual report.   |

| GRI standard  | Pages/URL                         | (Additional) information, omission (incl. reasoning)   |
|---|-----------------------------------|--|
| 102-33 Communicating critical concerns                            | Annual Report, p. 48 – 49         | In addition, as part of the annual Legal & Compliance reporting to the Board of Directors.   |
| 102-34 Nature and total number of critical concerns               |                                   | The relevant information is not available and cannot be recorded. Various types of critical concerns can be brought to the attention to the Board of Directors of Raiffeisen Switzerland. These may be addressed by the committees of the Board of Directors and the Board of Directors. But concerns are not categorized as critical or non-critical. |
| 102-35 Remuneration policies                                      | Remuneration Report, p. 108       |  |
| 102-36 Process for determining remuneration                       | Remuneration report, p. 109 – 110 | In addition, an external expert was consulted in 2018 while revising the remuneration regulations for the Board of Directors of Raiffeisen Switzerland. Raiffeisen Switzerland is not known to have any other relationships with this external expert.   |
| 102-37 Stakeholders' involvement in remuneration                  | Remuneration Report, p. 108       | In addition, The Board of Directors unanimously adopted the remuneration regulations for the Board of Directors.   |
| 102-38 Annual total compensation ratio                            |                                   | Omission: not applicable (a resolution to change the remuneration system was reached in the current year).   |
| 102-39 Percentage increase in annual compensation ratio           |                                   | Omission: not applicable (a resolution to change the remuneration system was reached in the current year).   |
| <b>Stakeholder involvement</b>                                    |                                   |  |
| 102-40 List of stakeholder groups                                 | Annual Report, p. 40              | In addition, cooperative members, clients, employees, strategic partners, business associations, NGOs, media, public sector.   |
| 102-41 Collective bargaining agreements                           | Annual Report, p. 41              |  |
| 102-42 Identifying and selecting stakeholders                     | Annual Report, p. 46              |  |
| 102-43 Approach to stakeholder engagement                         | Annual Report, p. 46, 49          |  |
| 102-44 Key topics and concerns raised                             | Annual Report, p. 46 – 47         |  |
| <b>Reporting procedure</b>  |                                   |  |
| 102-45 Entities included in the consolidated financial statements | Annual Report, p. 80              |  |
| 102-46 Defining report content and topic boundaries               | Annual Report, p. 45 – 47         |  |
| 102-47 List of material topics                                    | Annual Report, p. 46 – 47         |  |
| 102-48 Restatements of information                                |                                   | No relevant reformulations.  |
| 102-49 Changes in reporting                                       |                                   | Sustainability Report 2020 restructured in line with the new strategy, exclusively ad-hoc additions to the content.  |
| 102-50 Reporting period   |                                   | 1 January 2020 to 31 December 2020.  |
| 102-51 Date of most recent report                                 |                                   | April 2020.  |
| 102-52 Reporting cycle  |                                   | Annually.  |
| 102-53 Contact point for questions regarding the report           |                                   | Raiffeisen Switzerland, Corporate Responsibility & Sustainability, <a href="mailto:nachhaltigkeit@raiffeisen.ch">nachhaltigkeit@raiffeisen.ch</a> .  |
| 102-54 Claims of reporting in accordance with the GRI standards   | Annual Report, p. 48              | This report was prepared in accordance with the GRI standards using the "comprehensive" option.  |
| 102-55 GRI content index  |                                   | This document.   |
| 102-56 External assurance   |                                   | No other external assurance was provided. A qualified external partner was brought in to help develop the 2018 report. The GRI materiality disclosures service was also used for the 2018 GRI content index, which this index follows closely.   |

## Material disclosures

| GRI standard   | Pages/URL  | (Additional) information, omission (incl. reasoning)  |
|--|--|---|
| <b>Series 200 (Economic disclosures)</b>   |  |   |
| <b>Economic performance</b>  |  |   |
| <b>GRI 103: Management approach (2016)</b>   |  |   |
| 103-1 Explanation of the material topic and its boundaries                           | Annual Report, p. 51 – 52  |   |
| 103-2 The management approach and its components                                     | Annual Report, p. 51 – 52  |   |
| 103-3 Evaluation of the management approach  | Annual Report, p. 51 – 52  |   |
| <b>GRI 201: Economic performance (2016, FSS requirements for EC1, 2013)</b>          |  |   |
| 201-1 Direct economic value generated and distributed                                | Annual Report, p. 52   | Omission: 201-1 b, not applicable, Raiffeisen transacts almost all of its business in the Swiss market.   |
| 201-2 Financial implications and other risks and opportunities due to climate change | Annual Report, p. 51   | In addition, Disclosure in line with the TCFD in this document, p. 8–9.   |
| 201-3 Defined benefit plan obligations and other retirement plans                    | <a href="http://www.raiffeisen.ch/pensionskasse/de/service/publikationen/jahresberichte.html">www.raiffeisen.ch/pensionskasse/de/service/publikationen/jahresberichte.html</a> (German)<br>Annual Report, p. 55 – 56 |   |
| 201-4 Financial assistance received from government                                  | Annual Report, p. 51   |   |
| <b>Anti-corruption</b>   |  |   |
| <b>GRI 103: Management approach (2016)</b>   |  |   |
| 103-1 Explanation of the material topic and its boundaries                           | Annual Report, p. 50   |   |
| 103-2 The management approach and its components                                     | Annual Report, p. 50   |   |
| 103-3 Evaluation of the management approach  | Annual Report, p. 50   |   |
| <b>GRI 205: Anti-corruption (2016)</b>   |  |   |
| 205-1 Operations assessed for risks related to corruption                            | Annual Report, p. 50   |   |
| 205-2 Communication and training about anti-corruption policies and procedures       | Annual Report, p. 50   | In addition, members of the Board of Directors of Raiffeisen Switzerland receive an annual report on legal and compliance topics. This is where corruption issues would be addressed.<br>Omission: 202-5 (more detailed information): not available, will be disclosed by 2021. |
| 205-3 Confirmed incidents of corruption and actions taken                            | Annual Report, p. 51   |   |
| <b>Series 300 (Environmental disclosures)</b>  |  |   |
| <b>Emissions (GHG)</b>   |  |   |
| <b>GRI 103: Management approach (2016)</b>   |  |   |
| 103-1 Explanation of the material topic and its boundaries                           | Annual Report, p. 58 – 59  |   |
| 103-2 The management approach and its components                                     | Annual Report, p. 58 – 59  |   |
| 103-3 Evaluation of the management approach  | Annual Report, p. 58 – 59  | In addition, Disclosure in line with the TCFD in this document, p. 8–9.   |

| GRI standard  | Pages/URL                 | (Additional) information, omission (incl. reasoning)  |
|---|---------------------------|---|
| <b>GRI 305: Emissions (GHG) (2016)</b>  |                           |   |
| 305-1 Direct (Scope 1) GHG emissions  | Annual Report, p. 59 – 60 | In addition, the disclosures cover the following greenhouse gases (GHG) from the Greenhouse Gas (GHG) Protocol (or Kyoto Protocol): carbon dioxide (CO <sub>2</sub> ), methane (CH <sub>4</sub> ), nitrous oxide (N <sub>2</sub> O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF <sub>6</sub> ) and nitrogen trifluoride (NF <sub>3</sub> ). There are no biogenic emissions. The base year is 2012, which is when Group-wide data collection and modelling began. Changes in the SAP evaluation method and the sale of several subsidiaries (Vescore, Notenstein La Roche, various companies with small energy footprints) required a recalculation of emissions in the 2012 baseline year. The ecoinvent 3.1 factors are used to calculate the global warming potential. Consolidation is based on the operational control approach. The calculation used VfU indicators of 16.11.2015 – VfU indicators 16.11.2015 – Version 1.0 of the 2015 update with greenhouse gas conversion factors from ecoinvent 3.1. |
| 305-2 Energy indirect (Scope 2) GHG emissions   | Annual Report, p. 59 – 60 | In addition, see 305-1.   |
| 305-3 Other indirect (Scope 3) GHG emissions  | Annual Report, p. 59 – 60 | In addition, see 305-1. The disclosures included transports of precious metals and banknotes based on settlement amounts (expenses, charges) and paper consumption.   |
| 305-4 GHG emissions intensity   | Annual Report, p. 59 – 60 | In addition, see 305-1. The parameter used for the calculation is full-time equivalents (FTEs). All the emissions included in Scope 1 to 3 were used for the calculation: building energy (electricity, heat), business travel (passenger and freight), fresh water and paper.  |
| 305-5 Reduction of GHG emissions  | Annual Report, p. 59 – 60 | In addition, see 305-1.   |
| 305-6 Emissions of ozone-depleting substances (ODS)   |                           | Omission: Not applicable, material topic is CO <sub>2</sub> emissions.  |
| 305-7 Nitrogen oxides (NO <sub>x</sub> ), sulphur oxides (SO <sub>x</sub> ) and other significant air emissions |                           | Omission: Not applicable, material topic is CO <sub>2</sub> emissions.  |

## Series 400 (Social topics)

### Training and education

#### GRI 103: Management approach (2016)

|  |                           |  |
|--|---------------------------|--|
| 103-1 Explanation of the material topic and its boundaries | Annual Report, p. 42 – 43 |  |
| 103-2 The management approach and its components           | Annual Report, p. 42 – 43 |  |
| 103-3 Evaluation of the management approach                | Annual Report, p. 42 – 43 |  |

#### GRI 404: Training and education (2016)

|  |                           |  |
|--|---------------------------|--|
| 404-1 Average hours of continuing education per year per employee                          |                           | Omission: not available (due to COVID-19 and working from home predominantly online and therefore not recorded). |
| 404-2 Programmes for upgrading employee skills and transition assistance programmes        | Annual Report, p. 42 – 43 |  |
| 404-3 Percentage of employees receiving regular performance and career development reviews | Annual Report, p. 43      |  |

### Diversity and equal opportunity

#### GRI 103: Management approach (2016)

|  |                      |  |
|--|----------------------|--|
| 103-1 Explanation of the material topic and its boundaries | Annual Report, p. 40 |  |
| 103-2 The management approach and its components           | Annual Report, p. 40 |  |
| 103-3 Evaluation of the management approach                | Annual Report, p. 40 |  |

| GRI standard   | Pages/URL                | (Additional) information, omission (incl. reasoning)   |
|--|--------------------------|--|
| <b>GRI 405: Diversity and equal opportunity (2016)</b>   |                          |  |
| 405-1 Diversity of governance bodies and employees   | Annual Report, p. 40, 41 |  |
| 405-2 Ratio of basic salary and remuneration of women to men                                   | Annual Report, p. 109    | Omission: Results broken down by category are confidential (data available for Raiffeisen Switzerland, more detailed information following the next data collection, presumably 2022)  |
| <b>Marketing and labelling</b>   |                          |  |
| <b>GRI 103: Management approach (2016)</b>   |                          |  |
| 103-1 Explanation of the material topic and its boundaries                                     | Annual Report, p. 56     |  |
| 103-2 The management approach and its components   | Annual Report, p. 56     |  |
| 103-3 Evaluation of the management approach  | Annual Report, p. 56     |  |
| <b>GRI 417: Marketing and labelling (2016)</b>   |                          |  |
| 417-1 Requirements for product and service information and labelling                           | Annual Report, p. 56     |  |
| 417-2 Incidents of non-compliance concerning product and service information and labelling     | Annual Report, p. 57     |  |
| 417-3 Incidents of non-compliance concerning marketing   | Annual Report, p. 57     |  |
| <b>Protecting client data</b>  |                          |  |
| <b>GRI 103: Management approach (2016)</b>   |                          |  |
| 103-1 Explanation of the material topic and its boundaries                                     | Annual Report, p. 57     |  |
| 103-2 The management approach and its components   | Annual Report, p. 57     | In addition, the information security management system (ISMS) includes an instruction and control system with technical and organisational measures to protect (client) data. In addition to the general level of protection, the internal regulations and processes of the Raiffeisen Group define explicit and risk-based actions to protect client data. |
| 103-3 Evaluation of the management approach  | Annual Report, p. 57     |  |
| <b>GRI 418: Protecting client data (2016)</b>  |                          |  |
| 418-1 Substantiated complaints concerning breaches of client privacy and losses of client data | Annual Report, p. 57     |  |
| <b>Socioeconomic compliance</b>  |                          |  |
| <b>GRI 103: Management approach (2016)</b>   |                          |  |
| 103-1 Explanation of the material topic and its boundaries                                     | Annual Report, p. 50     |  |
| 103-2 The management approach and its components   | Annual Report, p. 50     |  |
| 103-3 Evaluation of the management approach  | Annual Report, p. 50     |  |
| <b>GRI 419: Socioeconomic compliance (2016)</b>  |                          |  |
| 419-1 Non-compliance with laws and regulations in the social and economic area                 | Annual Report, p. 51     |  |



| GRI standard  | Pages/URL                 | (Additional) information, omission (incl. reasoning)                          |
|---|---------------------------|---|
| <b>Financial services sector supplement</b>   |                           |   |
| <b>Product portfolio</b>  |                           |   |
| <b>GRI 103: Management approach (2016, including FSS requirements, product portfolio FS 1 to FS 5, 2013)</b>  |                           |   |
| 103-1 Explanation of the material topic and its boundaries  | Annual Report, p. 53 – 54 |   |
| 103-2 The management approach and its components (including FS 1 to FS 5)   | Annual Report, p. 53 – 54 | Omission: more specific information not available (will be disclosed by 2021) |
| 103-3 Evaluation of the management approach   | Annual Report, p. 53 – 54 |   |
| <b>Product portfolio (FSS requirements, product portfolio FS 6 to FS 8, 2013)</b>   |                           |   |
| FS 6 Composition of the portfolio in percentages  | Annual Report, p. 55      |   |
| FS 7 & FS 8<br>Products and services designed to deliver a specific social/environmental benefit  | Annual Report, p. 55      |   |
| <b>Active ownership</b>   |                           |   |
| <b>GRI 103: Management approach (2016)</b>  |                           |   |
| 103-1 Explanation of the material topic and its boundaries  | Annual Report, p. 54      |   |
| 103-2 The management approach and its components  | Annual Report, p. 54      |   |
| 103-3 Evaluation of the management approach   | Annual Report, p. 54      |   |
| <b>Active ownership (FSS requirements, active ownership FS 10 and FS 11, 2013)</b>  |                           |   |
| FS 10 Percentage and number of companies held in the institution's portfolio with which the organisation has interacted on environmental or social issues |                           | Omission: not available (will be disclosed by 2021)                           |
| FS 11 Percentage of assets subject to positive and negative environmental or social screening   | Annual Report, p. 55      |   |

# Disclosures according to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) – handling of climate-related risks and opportunities

## Governance

### The organisation's governance in relation to climate-related risks and opportunities

Raiffeisen Switzerland is responsible for strategy and risk management at the Group level, including strategic sustainability considerations and the associated risks and opportunities. This explicitly encompasses the consideration of sustainability factors in risk management and includes risk drivers such as climate change. Raiffeisen Switzerland's Board of Directors sets and monitors guidelines on sustainability issues, which are implemented by Raiffeisen Switzerland's Executive Board with the support of all relevant departments. The "Corporate Responsibility & Sustainability" unit, which reports to the Chairman of the Executive Board, assumes overall coordinating responsibility, is responsible for strategic issues, provides leadership and acts as a key point of contact for operational issues relating to environmental, social and governance (ESG) topics, focusing on climate change at present.

## Strategy

### Material impact of climate-relevant risks and opportunities on business, strategy and financial planning

The Raiffeisen 2025 strategy focuses on the retail business and the Swiss market. It contains a clear commitment to sustainability. In October 2020, Raiffeisen Switzerland's Executive Board adopted a strategic sustainability framework that bases its "Net zero by 2050" and "Net zero in operations by 2030" goals on this commitment. By the end of 2021, Raiffeisen will set science-based climate targets and define climate measures for operational implementation.

As part of this business focus, Raiffeisen is deliberately setting priorities to take advantage of opportunities arising from increased awareness of climate change and to actively minimise potential risks, especially in the medium to long term. In home financing, for example, Raiffeisen sets great store on raising clients' awareness of opportunities for energy efficiency upgrades. Raiffeisen also continues to strengthen its range of designated sustainable and climate-compatible investment and retirement products.

Since Raiffeisen's business focus is Swiss retail business, climate change mainly affects credit risk through the high weighting given to lending activity. Raiffeisen currently estimates the overall potential damage to be very low in the short term and low in the medium to long term. The business strategy is considered fundamentally resilient to climate change:

- In mortgage business, increased physical risks would not increase defaults in the short term due to the de facto duty to obtain building insurance (including against natural disasters) in Switzerland. In the medium to long term, regions with increased losses would be faced with declining property values alongside rising insurance premiums and specific design specifications for new buildings that could increase construction and operating costs. However, the portfolio would not be significantly affected due to the focus on the Swiss market and the broad regional diversification. With a view to transition risks, factors such as a high CO<sub>2</sub> tax or ambitious limits could drive up operating costs or tighten investment requirements, which could also lower property values and increase default rates under certain circumstances. However, Switzerland's political system of direct democracy makes the adoption of drastic climate regulations that could significantly influence property values or affordability in mortgage business

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By the end of 2021, Raiffeisen will set **science-based climate targets** and define climate measures.

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quite unlikely. Plus, according to an externally commissioned study, the buildings financed by Raiffeisen have a slightly below-average emissions intensity and would therefore not be overly affected by any such regulations.

- In the corporate clients business, physical risks can cause direct damage to operating buildings and equipment and result in business interruptions and consequential costs. Although some of the damage can be insured, non-existent or limited insurance cover or underinsurance could affect debt serviceability in isolated cases. However, the restricted local focus and smaller volume compared to mortgage business mean that only a small part of the portfolio would be affected.

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Raiffeisen does **not finance companies that extract fossil fuels or operate coal-fired power plants.**

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With respect to transition risks, Raiffeisen has a relatively low exposure to emission-intensive sectors in its corporate clients business. Very few corporate loans go to companies in particularly emission-intensive sectors (electricity generation, road freight, airborne transport, waterborne transport, cement, lime and plaster production, metal production and metalworking) according to initial NOGA code-based surveys. The figure is only 0.6% after excluding electricity generation, which emits relatively little CO<sub>2</sub> in Switzerland. Raiffeisen does not finance companies that extract fossil fuels or operate coal-fired power plants. Raiffeisen would therefore feel little impact from a higher default rate in emission-intensive sectors.

- Transition risks may affect the market values of investments in equities and bonds controlled by Raiffeisen (Raiffeisen investment and retirement products, asset management and proprietary investments). However, an emission intensity analysis of investments in equities and corporate bonds initiated by the Federal Office for the Environment and the State Secretariat for International Financial Matters showed that Raiffeisen is only marginally invested in these sectors, and the potential losses in market value would have a very small impact.
- In terms of operational risks, climate change can initially manifest itself through increased physical risks, such as building damage or business interruptions, and through new regulations related to the transition to a climate-friendly financial system. These threats are actively managed through comprehensive operational risk management and business continuity management.
- With regard to reputational risk, expectations for sustainable business practices grow with the increasing awareness of clients and market participants, which may lead to negative business performance if expectations are disappointed. Raiffeisen sees its reputational risk due to its explicit strategic focus on sustainability as limited.

## Managing climate risks

### Identification of climate risks, assessment and management

Raiffeisen has a comprehensive risk management framework in place that is not only based on common best practices but also meets the regulatory requirements for an institution of Raiffeisen's size and complexity. The physical and transition risks associated with climate change and other ESG risks are not mapped as a separate risk type but as risk drivers for existing risk types and are integrated into the existing risk framework as such. Raiffeisen has taken the first concrete measures in this regard in 2020 and will continue to drive integration forwards in 2021:

- Risk management uses three lines of defence. The front-office units form the first line of defence. Raiffeisen Switzerland's Risk & Compliance department forms the second line of defence and is advised by "Corporate Responsibility & Sustainability" as the coordinating specialist unit for sustainability and ESG. Internal Auditing forms the third line of defence.
- The risk strategy defines the key aspects for risk management on the basis of the business strategy and is operationalised by the Raiffeisen Group's risk appetite and risk policy. Environmental changes and climate change are explicitly considered as potentially relevant risk drivers according to risk policy.
- The risk register was subjected to a detailed qualitative analysis with regard to the effect of climate change on the existing risk types and supplemented with climate-related risk drivers and transmission pathways.
- This analysis forms the basis for scenario calculations in 2021. This will generate initial estimates of the potential losses associated with climate risk and concrete starting points for the further development of quantification methods. Climate risk analyses are not currently part of internal risk reporting. Reporting will be enhanced in 2021 as a result of the steps listed above.

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**Risk management uses three lines of defence.**

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## Metrics and targets

### Material information for assessing and managing relevant climate-related risks and opportunities

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Raiffeisen focused on qualitative factors when **assessing climate risks and opportunities.**

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In 2020, Raiffeisen focused mainly on qualitative aspects in the assessment of relevant climate-related risks and opportunities and carried out isolated quantitative analyses. This produced an initial framework that will be refined and strengthened in 2021, laying the groundwork for broader disclosure. The metrics used thus far have been, in particular, exposure to highly emission-intensive sectors in the corporate lending business and in equities and investment bonds, the CO<sub>2</sub> intensity of the mortgage portfolio, and CO<sub>2</sub> emissions from the operation of building infrastructure and business travel (see the management report on sustainability).

# UNEP Principles for Responsible Banking

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**Raiffeisen signed up** to the UNEP Principles for Responsible Banking in **2021**.

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In 2020, Raiffeisen decided to sign up to the UNEP Principles for Responsible Banking. The six principles are already largely part of the strategic sustainability framework that Raiffeisen defined in 2020. The following section shows where the principles are already reflected in disclosure today. Raiffeisen intends to strengthen disclosure further in the years ahead based on the UNEP Principles for Responsible Banking.

## Principle 1: Alignment

Raiffeisen will align its business strategy to be consistent with and to contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement and other relevant national and regional frameworks.

### References

- Strategy 2021, Annual Report p. 11 – 15
- Important events, Annual Report p. 6 – 7
- Facts&Figures, Annual report cover page
- Sustainability: Strategy, Annual Report p. 45 – 47

## Principle 2: Impact and target setting

Raiffeisen will continuously increase its positive impacts while reducing the negative impacts on, and managing the risks to, people and the environment resulting from its activities, products and services. To this end, Raiffeisen will set and publish targets where it can have the most significant impacts.

### References

- Sustainability: Strategy, Annual Report p. 45 – 47
- Sustainability: Strategic goals: Annual Report p. 48

## Principle 3: Clients and customers

Raiffeisen will work responsibly with its clients and consumers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

### References

- Sustainability, clients: Annual Report p. 56
- Sustainable products and services, Annual Report p. 53

## Principle 4: Stakeholders

Raiffeisen will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve social goals.

### References

- Stakeholders, Annual Report p. 49

## **Principle 5: Governance and culture**

Raiffeisen will implement its commitment to these principles through effective governance and a culture of responsible banking.

### **References**

- Governance, Annual Report p. 48, 81 – 100
- Observe the legal framework, Annual Report p. 50 – 51
- Sustainable products and services, Annual Report p. 53 – 54
- Contain climate change, Annual Report p. 57 – 59

## **Principle 6: Transparency and accountability**

Raiffeisen will review its individual and collective contributions to the implementation of these principles and ensure transparency and accountability for its positive and negative impacts on as well as its contributions to social objectives.

### **References**

- Transparent reporting, Annual Report p. 49 – 50
- Sustainability strategy: Annual Report p. 45
- Strategic sustainability goals, Annual Report p. 48

# Imprint

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