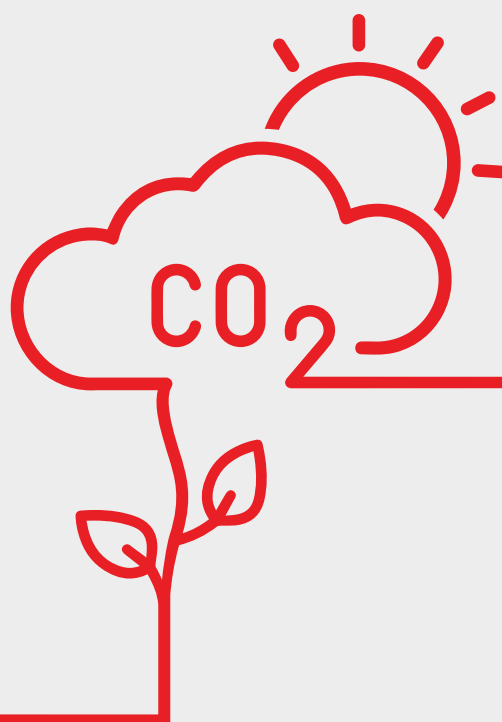


# 2022

**Disclosure of Climate-related information according  
to the recommendations of the Task Force on  
Climate-related Financial Disclosures (TCFD)**



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# Climate-related information

Unchecked greenhouse gas emissions will lead to serious consequences for humanity and the environment, through global warming in particular. Through its financing and investing activities, the Raiffeisen Group comes into contact with the greenhouse gas emissions (GHG emissions) that cause climate change; it also directly causes GHG emissions itself. Contributing towards climate change mitigation is of strategic importance for Raiffeisen, which sees this contribution as part of its corporate social responsibility. Surveys of experts and stakeholders have confirmed the importance of the topic for Raiffeisen, as has an impact analysis conducted as part of the Bank's membership of UNEP-FI Principles for Responsible Banking. Raiffeisen is actively involved in various climate initiatives.

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## Importance of climate change

Climate initiatives supported by Raiffeisen

Initiative	Member since
<b>International</b>	
Task Force on Climate-related Financial Disclosures (TCFD)	2021
Partnership for Carbon Accounting Financials (PCAF)	2021
<b>National</b>	
Swiss Climate Foundation	2008
CEO4Climate	2021
Go for Impact – Science Based Targets Initiative	2022

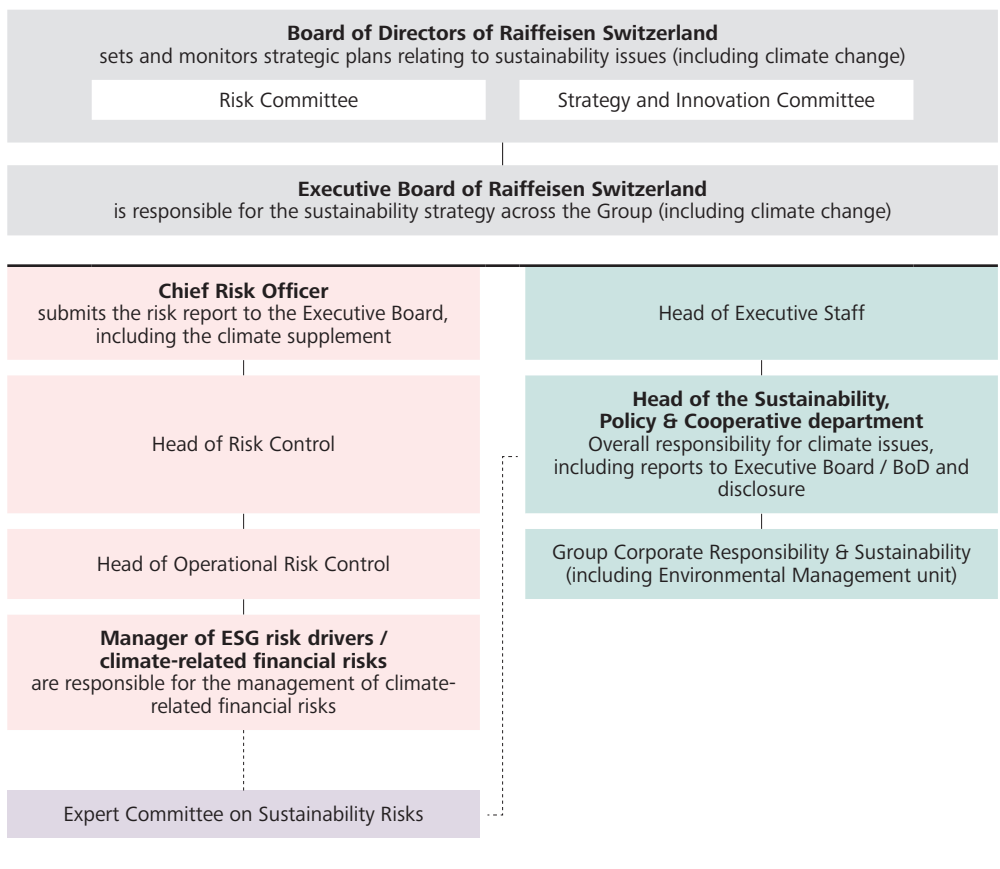
The following report shows how Raiffeisen deals with climate change, focusing on 1) governance, 2) strategy, 3) risk management and 4) metrics and targets in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The report thus addresses the transparency provisions on climate issues in the Swiss Code of Obligations and at regulatory level, as well as the disclosure requirements laid down in Annex 5 of FINMA Circular 2016/1 "Disclosure – banks".

# 1 Governance

Raiffeisen Switzerland is responsible for strategy and risk management at Group level, among other areas. This responsibility includes strategic sustainability considerations. This in turn includes climate change and the associated opportunities and risks.

The Board of Directors of Raiffeisen Switzerland sets and monitors strategic plans for climate change and other sustainability issues, including the associated risks. These plans are implemented by the Executive Board of Raiffeisen Switzerland with the support of all relevant departments. In this context, the Executive Board has adopted a specific climate strategy.

## Governance structure of Raiffeisen Switzerland in relation to climate change



The Sustainability, Policy & Cooperative department, which reports to the Chairman of the Executive Board, assumes overall coordinating responsibility for climate issues within the Raiffeisen Group. It is responsible for strategic issues, provides leadership for greater climate compatibility at the level of the Raiffeisen Group through various projects, and acts as a key point of contact for operational issues. The department also includes the Environmental Management unit, which deals with operational climate-related issues. The members of the Executive Board and the Board of Directors' Strategy and Innovation Committee of Raiffeisen Switzerland receive a report twice a year on the implementation of sustainability at Group level. The report also addresses climate issues in the context of the focus topic "Mitigating climate change". A report is also submitted to the full Board of Directors once a year.

The Operational Risk Control department, which reports to the Chief Risk Officer, is responsible for taking climate change into account in risk management, as well as other ESG risk drivers, i.e., relating to Environmental, Social and Governance. The Expert Committee on Sustainability Risks<sup>1</sup> supports the department in assessing the impact of ESG risk drivers on conventional risk categories. The Risk Committee and the Board of Directors of Raiffeisen Switzerland are informed each year about the impact of climate-related financial risks in a separate supplement to the risk report.

In the event of any acute developments and findings relating to climate issues, including climate-related financial risks, the Executive Board and the Board of Directors would also be informed in the interim and, if necessary, consulted.

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**Informing the Board of Directors, committees and Executive Board about climate topics as part of sustainability and risk reporting**

Type of reporting	Frequency	Recipient(s)
Report on the implementation of sustainability including climate issues at Group level	1 × per year	Board of Directors
	2 × per year	Board of Directors' Strategy and Innovation Committee
	2 × per year	Executive Board
ESG Risk Drivers supplement (including climate change) to the risk report, for submission to the Board of Directors	1 × per year	Board of Directors
	1 × per year	Board of Directors' Risk Committee
Information on developments and findings of an acute nature relating to climate-related financial risks (as required)	ad hoc	Board of Directors
	ad hoc	Board of Directors' Risk Committee
	ad hoc	Executive Board

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A resolution by Raiffeisen Switzerland's Board of Directors states that Raiffeisen must not finance companies that exploit the particularly emission-intensive energy sources coal, oil or natural gas, or operate coal-fired power plants themselves. A due diligence process integrated into the banking application, providing the option to escalate matters to the Executive Board of Raiffeisen Switzerland, ensures compliance with this principle.

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<sup>1</sup> The Expert Committee on Sustainability Risks consists of several representatives from Risk Control (experts on existing risk categories such as market, credit and operational risks), the Sustainability, Policy & Cooperative department management team and, if necessary, representatives from other units.

## 2 Climate strategy

Mitigating climate change is part of Raiffeisen's sustainability strategy. The Executive Board of Raiffeisen Switzerland has issued a climate strategy to achieve this objective. The strategy has the overall targets of net zero by 2050 and net zero in operations (Scope 1 and Scope 2) by 2030. To reach these targets, action is taken in five subject areas:

- **Measurement**  
GHG emissions and climate change-related opportunities and risks are measured using best practices. This also includes emissions related to financing and investment.
- **Disclosure**  
Climate information is disclosed on the basis of best practices.
- **Reduction**  
GHG emissions will be reduced systematically, with science-based climate targets laying down the appropriate paths to achieve this.
- **Offsetting**  
Any remaining operational emissions are offset by purchasing CO<sub>2</sub> certificates or emission credits from climate protection projects that meet the Gold Standard.<sup>2</sup>
- **Commitment**  
Raiffeisen is also involved in organisations such as the Climate Foundation and the CEO4Climate initiative for a climate-friendly Switzerland.

Emissions are measured using the methodology of the Greenhouse Gas Protocol (GHG) and the Partnership for Carbon Accounting Financials (PCAF). Raiffeisen follows the TCFD recommendations when identifying opportunities and risks and disclosing climate-related information. The disclosure also complies with the mandatory requirements of the Global Reporting Initiative (GRI) on emissions (GRI 305). Raiffeisen constantly monitors the development of methods and data relating to the measurement of GHG emissions as well as opportunities and risks related to climate change, and incorporates them as appropriate.

Since 2020, Raiffeisen has been offsetting the emissions that could not be avoided despite efforts to reduce them. These are generated by the operations of all Group branches, by business travel and air freight, and by upstream and downstream processes. Emission credits (CO<sub>2</sub> certificates) from climate protection projects are used for this offsetting. In this way, Raiffeisen supports several projects that promote the transition from fossil fuels to the use of renewable energy. These projects prevent or reduce CO<sub>2</sub> emissions. Raiffeisen is also a founding partner of the Swiss Climate Foundation. Through this commitment, Raiffeisen is promoting climate protection in Switzerland and enhancing the country's position as a business location. Politically, it campaigns for an ambitious climate policy, including through the CEO4Climate initiative.

The Climate Foundation is a voluntary initiative "by business for business and the climate". It promotes SMEs in Switzerland and Liechtenstein that develop climate-friendly products and contribute to climate protection. By promoting resource efficiency and innovation among SMEs, the Climate Foundation also boosts their competitiveness. The Climate Foundation is funded through a "refund" of the statutory CO<sub>2</sub> incentive tax on fuels and through donations. Raiffeisen has already donated a total of more than CHF 4.4 million to the Climate Foundation since the partnership began in 2008.

<sup>2</sup> The Gold Standard is an independent quality standard for climate protection projects. It was launched in 2003 by the WWF and other environmental protection organisations.

## Climate strategy

Strategic goals: net zero<sup>1</sup> in operations by 2030 (Scope 1 and Scope 2), net zero<sup>1</sup> overall by 2050

1   Measurement	2   Disclosure	3   Reduction	4   Offsetting	5   Commitment
Measuring emissions, risks and opportunities using best practices	Disclosing climate information on the basis of best practices	Reducing GHG emissions systematically	Offsetting unavoidable emissions from operations	Commitment to a climate-friendly Switzerland
GHG Protocol, PCAF TCFD recommendations	TCFD recommendations GRI standards	Reduction in line with "science-based targets"	Gold Standard	Swiss Climate Foundation CEO4Climate

<sup>1</sup> Net zero means (1) reducing emissions as much as possible and (2) offsetting remaining emissions through carbon removals. Remaining emissions must be removed from the atmosphere naturally (e.g., reforestation) or using technology (e.g., carbon capture). This is more costly compared to the offsetting commonly used at present (avoidance).

As will also be shown below, the climate strategy makes a significant contribution to taking advantage of the opportunities presented by climate change and to mitigating the risks associated with it.

## Opportunities and risks

### Introduction

In this "Opportunities and risks" section, the opportunities and risks associated with climate change are derived primarily in qualitative terms, supplemented in some cases by quantitative findings. In a second step based on this, the section "Impact of climate-related risks and opportunities on business, strategy and financial planning" presents the overall effects of climate change on Raiffeisen's income, expenses and assets; conclusions are then drawn with regard to any need to adapt Raiffeisen's business strategy and business model. Lastly, the extent to which these conclusions apply to different scenarios of climate change is presented. The relevant statements are to be regarded as a current assessment based on present knowledge. They will be further developed and adapted if necessary.

In line with the recommendations of the TCFD, Raiffeisen makes a distinction between five main categories of opportunities (resource efficiency, energy sources, products and services, markets, resilience) and two main categories of climate-related risks (physical risks and transition risks). Because climate change is a relatively long-term phenomenon, it is particularly important to divide it into different time horizons when analysing the associated opportunities and risks for Raiffeisen. In the context of climate, timeframes are generally long due to the long-term perspectives (2050, end of the century, etc.). A short-term time horizon in the context of climate change, therefore, refers to a period of up to five years, the medium-term time horizon up to ten years, while the long-term time horizon covers ten to thirty years.

### Time horizon for climate-related assessments

Timeframes	Years
Short-term	0–5
Medium-term	5–10
Long-term	10–30

The extent to which a company has opportunities and risks resulting from climate change depends largely on its business model. Raiffeisen now operates almost exclusively in Switzerland and currently generates most of its income from mortgage lending (CHF 2.52 billion). The second most important income category is the securities and investment business, or the associated commission business (CHF 0.39 billion). Accordingly, mortgage loans are by far the most important item in the balance sheet (CHF 203.66 billion). On the expenditure side, personnel expenses (CHF 1.43 billion) is by far the most important item, although it is not significantly affected by climate change. The Raiffeisen 2025 Group strategy states that the focus remains on the retail business and the Swiss market. In addition to the mortgage business, the earning capacity of the securities and investment business, in particular, will be further expanded. The importance of the above-mentioned sources of income and expenses is thus unlikely to change a lot going forward, and even then only slowly. Other key elements of the Raiffeisen

2025 Group strategy are digitalisation and the use of new technologies. The climate intensity of Raiffeisen operations is likely to decrease due to associated effects, such as reduced operation of buildings or a decline in mobility. Overall, digitalisation and new technologies in the context of the Raiffeisen Group do not pose any significant opportunities or risks in relation to climate change.

When analysing the opportunities and risks associated with climate change, Raiffeisen focuses primarily on the mortgage business and the securities and investment business, due to its business model and strategy. Topics such as the corporate client business (with corporate clients largely covered already by the mortgage segment) or Raiffeisen operations (e.g., branch offices) are basically of secondary significance.

<b>Main sources of income and expenses as well as assets</b>	
CHF billion	2022
<b>Income (income statement)</b>	
Interest income from mortgage loans	2.52
Commission income from securities trading and investment activities	0.39
Result from trading activities and the fair value option	0.25
Commission income from other services (account maintenance, payments, etc.)	0.32
<b>Expenditure (income statement)</b>	
Personnel expenses	1.43
Tax expenses	0.2
IT expenses	0.12
Office space expenses	0.08
<b>Assets (balance sheet)</b>	
	31.12.2022
Mortgage loans	203.66
Amounts due from clients	10.91
Financial investments	15.15
Bank buildings and other real estate	2.4

## Opportunities

### Products, services and new markets

Climate change also necessitates investment to finance the transition to a more climate-friendly economy and society. A study conducted by the Swiss Bankers Association (SBA)<sup>3</sup> and the Boston Consulting Group (BCG) in 2021 indicates that the annual investment requirements for Switzerland from 2020 to 2050 amount to a total of CHF 12.9 billion per year – mostly for light road transport (CHF 5.708 billion) and heavy road transport (CHF 1.886 billion), buildings (CHF 2.144 billion), energy (CHF 1.233 billion) and international air transport (CHF 1.008 billion). In the building sector, for example, investment must be made in renovating building envelopes and replacing heating systems, with 67% of the measures being replacements. In total, the amount needed each year to make Switzerland's building stock more climate-friendly (CHF 2.144 billion) is around 3% of Switzerland's annual new mortgage business of CHF 75 billion mentioned in the SBA and BCG study. According to the SBA and BCG, banks could cover most of the financing needs.

With a market share of over 17%, Raiffeisen is the biggest mortgage lender in Switzerland. Of the above-mentioned CHF 2.144 billion, 17% is required to make the building stock more climate-friendly, which corresponds to CHF 365 million. Raiffeisen does not consider this amount to be significant additional potential income in the mortgage business. Raiffeisen has nonetheless been raising its clients' awareness of the potential for increasing the energy efficiency and climate compatibility of buildings for many years. It integrates this topic consistently into home ownership advice and is also currently supporting the federal government's "renewable heating" campaign. Raiffeisen's commitment is aimed

<sup>3</sup> SBA/BCG (2021): Sustainable Finance – investment and financing requirements for a climate-neutral Switzerland by 2050, see: [swissbanking.ch/\\_Resources/Persistent/b/e/0/9/be0949b50b2ac8462b7459b9cd4708ffaa30da27/SBA\\_Sustainable\\_Finance\\_2021.pdf](https://www.swissbanking.ch/_Resources/Persistent/b/e/0/9/be0949b50b2ac8462b7459b9cd4708ffaa30da27/SBA_Sustainable_Finance_2021.pdf)



primarily at developing and optimising prudent home financing solutions together with its clients to secure the sustainable value of properties. These awareness-raising measures are consistent with the goal of Raiffeisen's climate strategy to reduce the financed GHG emissions resulting from the mortgages granted.

Investment and pension clients in Switzerland are increasingly aware of climate change and want to align their own investment and retirement planning accordingly, due to either risk considerations or personal values. A client survey conducted by Raiffeisen in 2021 showed that the topic of sustainability is important for investment and pension clients, and that the need for information is high. As of the end of 2022, 94.3% of the funds invested with Raiffeisen are held using the Futura approach, which takes ESG criteria systematically into account, including climate compatibility criteria. Raiffeisen firmly believes that this alignment will generate added value for clients, and further strengthen Raiffeisen's position in the investment and pension business. A sustainable range of products and services is also in the interests of the sustainability and climate strategy. It promotes the reduction of GHG emissions in connection with financing and investments.

Raiffeisen issued a sustainability bond as early as 2019, aimed at institutional investors in particular, and set up a green bond programme in 2021. The proceeds from the issue of these bonds will be used for the refinancing of energy-efficient buildings in Switzerland. For several years now, Raiffeisen has observed increasing interest in sustainable financing options, especially on the part of larger corporate clients. The bank advises them accordingly if required.

#### **Energy efficiency and renewable energy sources**

Banking operations do not use a particularly large amount of energy. By boosting energy efficiency, however, Raiffeisen can save not only emissions, but also costs, even in the short and medium term. Previous experience with energy consulting, for example, has shown that a Raiffeisen bank with at least CHF 20,000 in annual energy costs can make savings of around 12 to 14% each year if it implements the measures identified during the consultation. An increase in the CO<sub>2</sub> tax to CHF 210, for example, would in turn cost the Raiffeisen Group around CHF 600,000 to CHF 800,000 in additional costs. These additional costs would not be incurred if the approximately 380 out of 800 bank buildings that are currently still using fossil fuels were to be converted to renewable energy sources.

Raiffeisen implements a range of programmes and measures to reduce the CO<sub>2</sub> emissions of its core activities and in all relevant business areas. With the threat of energy and electricity shortages, Raiffeisen Switzerland also provided the Raiffeisen banks with a catalogue of possible energy-saving measures in autumn 2022. These include optimising ventilation systems, switching off large screens outside counter opening hours, and replacing electric boilers with heat pumps. Also in 2022, Raiffeisen Switzerland developed an environmental management system for Raiffeisen banks. The aim is to gradually have the branches certified according to ISO 14001 with the assistance of Internal Auditing. ISO 14001 is the world's most established environmental management standard, representing professional and forward-looking environmental management. This will motivate the Raiffeisen banks to take measures that save both resources and emissions. Raiffeisen actively promotes the use of renewable energy for heating and electricity, and prefers them whenever possible. For example, Raiffeisen obtains all of its electricity from renewable sources. Raiffeisen had already established an internal climate fund in 2017. This provides financial support to the Raiffeisen banks for replacing fossil heating systems and installing photovoltaic systems. Costs for energy consulting and for installing charging stations for electric vehicles are also subsidised. Attention is paid to climate compatibility in new buildings and during renovations. The Standard for Sustainable Building Switzerland (SNBS) or other appropriate standards are applied to building projects worth more than CHF 7 million. The statutory emission regulations are observed when purchasing vehicles (for passenger cars, no more than 118 grams of CO<sub>2</sub>/km). As a general rule, Raiffeisen wants to continue reducing its ecological footprint.

**Resilience**

The opportunities and risks associated with climate change can only be recognised, used and managed if Raiffeisen consciously addresses climate change and knows how it affects the company. Raiffeisen has recognised this "opportunity": as a strategic sustainability issue with its own climate strategy approved by the Executive Board, the topic of climate change is given the necessary attention at Raiffeisen. By integrating climate-related financial risks into risk management and addressing the risks accordingly, resilience can also be strengthened in this respect.

**Physical risks**

**Acute and chronic risks**

According to TCFD recommendations, physical risks caused by climate change can be "acute" due to a specific event, or "chronic" due to long-term changes in the climate. Both acute physical risks, such as extreme weather events, and chronic changes in climatic conditions can affect Raiffeisen's conventional risks through both microeconomic and macroeconomic pathways.

**Causes of acute and chronic physical risks in the context of climate change**

<b>Acute physical risks are caused by...</b>	<b>Chronic physical risks are caused by...</b>
too much or too little water, such as extreme precipitation, hail, flooding, inundations, drought, forest fires	too much or too little water, such as changing rainfall patterns, droughts or rise in sea level
Temperature, such as heat waves	Temperature, such as a general rise in temperature or melting glaciers
Air, such as gale-force winds	Land, such as landslides

**Impact on credit risks**

Acute and chronic physical risks can affect lending activity. In the case of mortgages, they can initially affect the value of the collateral or the financed property. In addition, the affordability of the borrowers' financing costs may also be affected. For example, a higher risk of flooding in a certain area could affect the value of the properties at that location. A specific flood event could in turn result in additional expenditure on repairing properties. Companies also face the latent risks of business disruption and possible supply chain problems, leading to loss of income. Besides these microeconomic effects, a macroeconomic impact is also conceivable, caused by greater physical risks. This could cause an economic slowdown with changes in the labour market, affect consumer behaviour and stir up conflict.

The mandatory building insurance in Switzerland (including natural hazards) for building damage has a risk-mitigating effect on Raiffeisen's mortgage business. Acute physical risks such as floods, hail, landslides or gale-force winds should, therefore, not have a material impact on the value of buildings (collateral) and the assurance that borrowers can afford the payments (as long as insurance premiums do not increase significantly). Switzerland's building and zoning regulations also ensure that construction is not permitted at highly exposed locations. In the case of companies, insurance covering business interruption would have an appropriate mitigating effect.

Additionally, extreme weather events often occur locally. Raiffeisen's credit portfolio in Switzerland, which is highly diversified geographically, would accordingly be affected by these events to a small extent. In events of this nature, state aid and other solidarity-based support payments in favour of the injured parties are also common, which further reduces the default risk for Raiffeisen. At this stage, however, it is not possible to assess the extent to which these compensation mechanisms will continue to function with an increasing number of extreme weather events.

Raiffeisen's lending business, which focuses on the Swiss mortgage market, can generally be classified as comparatively "stress-resistant" to physical climate risks in the short to medium term. To "quantify" physical risks, Raiffeisen has so far conducted two scenario analyses confirming the above assessments. Each of these cases looked at a flooding scenario. The focus on floods was chosen because they have been one of the main sources of physical risk in Europe in the past, according to the European Central Bank (ECB).

In 2021, the scenario of a flood on the scale of the extraordinary 2005 flood in Switzerland and Europe was considered for the corporate client portfolio. Specifically, the impact of a flood disaster on the value of the collateral and on affordability in the corporate client business was examined in more detail. The calculations showed that the need for value adjustment would be low.

### Flood scenario I – impact on expected loss

#### Portfolio: Financing for corporate clients

Physical scenario	Pathway	Impact on risks	Summary
Occurrence of a severe natural hazard event on the scale of the 2005 flood. Hypothetical scenario, with around 20% of corporate clients in 30 medium-sized towns affected.	<ul style="list-style-type: none"> <li>– Damage repair: Physical damage to fixed assets at directly affected firms</li> <li>– Reduction in sales: Damage due to business interruption (for firms affected directly and indirectly)</li> </ul>	Change in value of collateral and change in affordability (determination of change in probability of default and in loss given default, and change in expected loss)	A small change in expected loss is anticipated.

In 2022, Raiffeisen examined another very extreme scenario with severe flooding throughout Switzerland. Based on a price shock that differs depending on the flood risk level<sup>4</sup> at the location of the financed buildings, as defined by the ECB<sup>5</sup> (see table "Price shocks as defined by the ECB"), the impact of a flooding event of this type on the loan-to-value ratio was determined. The calculations were carried out for three of the six climate scenarios defined by the Network for Greening the Financial System (NGFS),<sup>6</sup> each assuming different medium-term and long-term forms of the physical risk of flooding (see information box "NGFS climate scenarios" in the chapter "Resilience of the Raiffeisen strategy taking various climate scenarios into account"). After the price shock caused by the flooding, there would be negative equity in about a quarter to a third of the exposure in the mortgage business.<sup>7</sup> In the case of the NGFS climate scenarios with high physical risks, the impact would be correspondingly higher.

For Raiffeisen, this would mean that the value of the buildings would decrease, resulting in the mortgages no longer being sufficiently covered by collateral. As a consequence, there would be a significant rise in credit risk, especially the collateral risk. Due to the very high price shock defined by the ECB, the improbability of the scenario, and factors not taken into account such as normal price increases, building insurance cover or any public support payments, the result for Raiffeisen is consistent with expectations.

Price shock as defined by ECB <sup>1</sup>	Price shock for <sup>2</sup>	
	Commercial real estate	Residential property
Risk level		
Minor	–3%	–4%
Low	–8%	–10%
Middle	–16%	–19%
High	–43%	–45%

1 ECB, 2022 climate risk stress test, pages 17–18.

[bankingsupervision.europa.eu/ecb/pub/pdf/ssm.climate\\_stress\\_test\\_report.20220708~2e3cc0999f.en.pdf](https://bankingsupervision.europa.eu/ecb/pub/pdf/ssm.climate_stress_test_report.20220708~2e3cc0999f.en.pdf)

2 The price shock is exerted depending on the real estate category and the risk category at the time when the scenario occurs.

4 The risk maps for water as a natural hazard from geodienste.ch were used as a basis. Data imputations and assumptions were applied.

5 The various NGFS climate scenarios were integrated into the scenario based on the data of the Climate Impact Explorer by means of a change in the risk level ([climate-impact-explorer.climateanalytics.org](https://climate-impact-explorer.climateanalytics.org)). Data imputations and assumptions were applied.

6 The various NGFS scenarios were integrated into the scenario based on the data of the Climate Impact Explorer by means of a change in the risk level ([climate-impact-explorer.climateanalytics.org](https://climate-impact-explorer.climateanalytics.org)). Data imputations and assumptions were applied.

7 According to Raiffeisen's financed portion regulations (version valid from 1 July 2021).

**Flood scenario II – impact on loan-to-value ratio****Portfolio: Mortgages**

Physical scenario	Pathway	Impact on risks	Summary
Flooding throughout Switzerland, with all properties affected at the same time	Change in property value: price shock (as defined by the ECB) depending on the risk level at the location of the financed properties	Change in value of collateral (determination of the change in loan-to-value ratio: if a property loses value, the loan-to-value ratio rises accordingly).	One quarter (for the NGFS Net Zero 2030 scenario) to one third (NGFS Current Policy 2050 scenario) of Raiffeisen's exposure would be subject to negative equity.

**Impact on operational risks**

Extreme weather events could affect Raiffeisen's buildings, employees or suppliers, and restrict its ability to operate. As a result, Raiffeisen assets could lose value, while additional expenses may be incurred to repair the damage. Raiffeisen's approximately 800 bank buildings are all located in Switzerland, so they have the usual building insurance cover. They are also diversified geographically, which is why the expected loss for extreme weather events is classified as low from a Group viewpoint. The probability of a business interruption due to climate-related damage to the infrastructure (including IT) is low for the Raiffeisen banks, as the IT infrastructure is professionally operated by Raiffeisen Switzerland at a central location. It can also be expected that the risk of the data centre failing due to climate change is only increased to a limited extent. Even in the event of prolonged heat waves, procedures are in place to ensure that Raiffeisen's IT infrastructure, especially the data centres, are kept cool. On the other hand, a lengthy heat wave would affect the health and thus the productivity of employees if it is not possible to sufficiently cool the offices in Raiffeisen buildings. A rough estimate indicates that the cost of equipping Raiffeisen buildings with additional air conditioning systems is around CHF 8 million. This amount would be manageable for the Group. In general, operational risk management and business continuity management ensure that Raiffeisen can maintain business-critical processes even in exceptional situations.

**Impact on other risks**

Market risks: physical risks can have an impact on Raiffeisen's market risks through share prices, foreign exchange or commodity prices, or their revaluation. Raiffeisen's financial investments focus on Swiss mortgage bonds and public sector bonds. In addition, Raiffeisen's trading portfolio assets are manageable and in any case oriented towards the short term, with no investments particularly in commodity trading. The impact is assessed as low for these reasons.

Liquidity risks: liquidity risks may change as a result of physical risks due to an increase in client demand for liquidity (higher liquidity outflows) or due to a change in the buy-back policy of central banks. This is regarded as very unlikely for a bank located in Switzerland.

Reputational risks: failure to deal responsibly with the physical risks resulting from climate change could cause reputational damage to Raiffeisen. As the risks associated with physical climate risks are classified as low for Raiffeisen overall, this reputational risk is also assessed as low.

## Transition risks

### Policy and regulation, technological change and innovation, market sentiment

Climate change is already exerting an influence on legislation, regulations and other policies. Examples include bans on certain technologies and other requirements imposed on energy use and efficiency, and a levy on CO<sub>2</sub>. Climate change also promotes innovation and the technological changes necessary for the shift to clean and energy-efficient technologies. This involves renewable energy sources, energy storage through battery technology, energy-efficient buildings, low-emission means of transport, and technologies to remove greenhouse gas emissions from the atmosphere. Climate change can have an impact on the market in that both consumers and investors change their behaviour and, for example, increasingly demand climate-friendly products and brands. For the financial market, this means that investors are increasingly including climate risk considerations in their decisions.

### Impact on credit risks

Just like physical climate risks, transition risks caused by climate change could reduce the value of a property and the income of mortgage clients. It is conceivable, for example, that the value of a residential property could be reduced and higher operating costs incurred for a property heated by fossil fuels, due to a significant increase in the CO<sub>2</sub> tax or energy prices. A "climate-aware" market could exacerbate or accelerate the fall in value. In the case of corporate clients, climate change may require business activities and production methods to be adapted or realigned, which in turn requires investment. If necessary adjustments and investments are not made, assets could lose their value altogether ("stranded assets"). Following on from this, the transition to a low-carbon economy could change profitability expectations for companies.

Transition risks, like physical risks in the lending business, also affect the counterparty's solvency. In the case of mortgages, the value of the property serving as collateral is also impacted. Raiffeisen mortgage clients are not unduly affected by any climate-motivated regulations or market changes, at least in the Swiss context. According to a study commissioned externally in 2019, the buildings financed by Raiffeisen have slightly below-average emissions intensity in the context of Switzerland's building stock. This is primarily because the buildings are newer and use fossil fuels to a lesser extent due to their respective locations. A study conducted in 2021 confirmed that the buildings financed by Raiffeisen have somewhat lower emissions intensity compared to Switzerland's building stock. Raiffeisen finances 14.6% of the energy reference area of Switzerland's building stock, but only causes 13.1% of Swiss building emissions. The proportion of financed Minergie-certified buildings is another indicator of the climate compatibility of the mortgage business. At around 19% in 2019, it roughly corresponded to Raiffeisen's share of the Swiss mortgage market (17.6% market share in 2022).

### Climate-related findings on the financed building stock

Aspects of the financed building stock analysed	Unit	2019
CO <sub>2</sub> from the building stock financed by Raiffeisen	Million t CO <sub>2</sub>	2.5
Minergie-certified buildings financed by Raiffeisen	Share in %	19
		2021
Financed energy reference area versus financed emissions as a percentage of the Swiss building stock	Share in %	14.6 vs. 13.1

In addition, companies financed by Raiffeisen are not overly affected by a technological change that is necessary for regulatory or other reasons, with a corresponding need for investment. Raiffeisen is traditionally an important lender to Swiss agriculture. The exposure of Raiffeisen corporate clients to other sectors that are particularly climate-intensive according to the Paris Agreement Capital Transition Assessment (PACTA) (coal, oil, gas, electricity, automotive, cement, steel, aviation; excluding agriculture) is currently low, at around 3.2% of total corporate client business. Similarly, Raiffeisen does not finance companies that extract fossil fuels or operate coal-fired power plants themselves.

In addition, innovation in Switzerland is comparatively high, and Raiffeisen finances almost exclusively corporate and mortgage clients domiciled in Switzerland. Companies financed by Raiffeisen and private property owners should accordingly be able to face any necessary technological changes related to climate change. This can also be assumed for agriculture, which will have to adapt accordingly to future precipitation patterns and droughts, for example.

#### Exposure of corporate client business in energy-intensive sectors

Industry (according to NOGA code classification)	31.12.2022
<b>Proportion of industry in corporate clients business<sup>1</sup></b>	
Operation of coal-fired power plants	0.0%
Extraction of oil, natural gas, coal	0.0%
Agriculture	11.2%
Electricity	1.8%
Other emission-intensive sectors (according to PACTA <sup>2</sup> )	1.4%

1 Calculation is based on credit limits and includes mortgages.

2 PACTA = Paris Agreement Capital Transition Assessment.

Moreover, the abrupt adoption of drastic climate-related legislation, regulations and other policies that significantly affect property values, the affordability of mortgages or lending to companies in general, is rather unlikely in Switzerland's political system of direct democracy. Switzerland is a functioning constitutional state in which political decisions are made in close consultation with stakeholders. The agricultural sector in particular, which plays an important role in Raiffeisen's corporate client business, has especially close links to politics in Switzerland and is supported with public funds. As a result, payment defaults due to abrupt, drastic new regulations are generally unlikely for corporate clients and mortgage clients. Raiffeisen expects relatively long-term political and regulatory processes in Switzerland, to which the economy and society can adapt.

Overall, the transition risks caused by climate change have a minor impact on Raiffeisen's credit risks over the short to medium term. Furthermore, Switzerland's building stock accounts for around 25% of the country's emissions, and Raiffeisen is a major mortgage lender. Even though there are no signs of sudden radical policies or regulations at this time, more far-reaching measures cannot be ruled out in the medium to longer term, depending on developments (global warming, CO<sub>2</sub> targets, energy price increases).

The currently low impact of transition risks on credit risks was confirmed in 2021 using the example of a rise in the CO<sub>2</sub> tax. The impact on the value of collateral and on affordability was examined. This assumed a realistic increase in the CO<sub>2</sub> tax, based on the new CO<sub>2</sub> law submitted to the vote at the time, with the CO<sub>2</sub> revenues being redistributed by the Swiss government to the population and the economy. The calculations showed that the need for value adjustment would be low.

## Impact of the transition risk "CO<sub>2</sub> tax" on Raiffeisen

Transition scenario	Pathway	Impact on risks	Summary
<b>Portfolio: Mortgages for private clients</b>			
Increase in CO <sub>2</sub> tax Insufficient progress in CO <sub>2</sub> reduction leads to an increase in the CO <sub>2</sub> tax of 96 CHF/t CO <sub>2</sub> to 210 CHF/t CO <sub>2</sub> in the next 5 years	<ul style="list-style-type: none"> <li>– Change in income: scenario has an impact on household income</li> <li>– Change in property value: scenario results in need for renovation/property devaluation</li> </ul>	Change in value of collateral and change in affordability (determination of probability of default and loss given default, and change in expected loss)	A small change in expected loss is anticipated.
<b>Portfolio: Financing for corporate clients</b>			
Increase in CO <sub>2</sub> tax Insufficient progress in CO <sub>2</sub> reduction leads to an increase in the CO <sub>2</sub> tax of 96 CHF/t CO <sub>2</sub> to 210 CHF/t CO <sub>2</sub> in the next 5 years	<ul style="list-style-type: none"> <li>– Changes in income statement: decline in sales and passing on costs</li> <li>– Change in property value: scenario results in need for renovation/property devaluation</li> </ul>	Change in value of collateral and change in affordability (determination of probability of default and loss given default, and change in expected loss)	A small change in expected loss is anticipated. The risk with corporate clients is higher than with private clients.

### Impact on market risks

Transition risks can also have an impact on Raiffeisen's market risk through securities prices, foreign exchange or commodity prices, or their revaluation. Raiffeisen's financial investments focus on Swiss mortgage bonds and public sector bonds. In these cases, it can be assumed the transitory risks will have a lower impact than, for example, for companies from polluting industries. Overall, the impact of climate-related transition risks on market risks relevant to Raiffeisen is therefore limited.

The results of the PACTA 2020 and PACTA 2022 climate compatibility tests have confirmed the assessment that, in Raiffeisen's case, market risks will be affected to a limited extent. These tests included examining the exposure of investments in sectors considered to be particularly climate-intensive, as well as analysing the extent to which corresponding investments are made in companies that will invest in climate-friendly technologies in the near future, according to their investment plans. Raiffeisen has had an analysis conducted on investments in equities and corporate bonds in which Raiffeisen Switzerland is responsible for the investment decision. In addition to the investments relevant to market risk in the context of liquidity management and proprietary trading, these also include investments in asset management mandates, in pension and investment funds, and in the context of the strategic portfolio. Both the 2020 test and the 2022 test showed that Raiffeisen as a whole is exposed to a small extent to climate-intensive sectors (coal, oil, gas, electricity, automotive industry, cement, steel, aviation) through the equity and bond investments it controls. Compared to the portfolios submitted by peers, this exposure for the Raiffeisen portfolios included in the study is significantly lower than the respective benchmark. There is also potential to focus the relevant investments in climate-related sectors even more strongly on companies that are phasing out emissions-intensive technologies, building up low-emissions technologies, and committed to net-zero targets. The detailed results of the 2022 climate compatibility test are published on the Raiffeisen website ([raiffeisen.ch/nachhaltigkeit-offenlegung](https://www.raiffeisen.ch/nachhaltigkeit-offenlegung)).

The result of a "stress test" also included in the 2020 test furthermore shows that if far-reaching climate policy measures were abruptly introduced, the carbon-intensive equity and bond investments subjected to the test by Raiffeisen would lose 22% and 3% in value, respectively. Overall, equity and corporate investments would lose 0.7% and 0.02%, respectively.

**PACTA climate compatibility test<sup>1</sup>**

	2020	2022
<b>Exposure to carbon-intensive sectors as % of investment</b>		
Bonds held in carbon-intensive sectors	6	5
Bonds involving the production of coal, oil and gas <sup>2</sup>	–	0.3
Equities in carbon-intensive sectors	2	3
Equities involving the production of coal, oil and gas <sup>2</sup>	–	0.3
<b>Value loss in % in the event of "regulatory shock" (stress test)<sup>3</sup></b>		
Bonds held in carbon-intensive sectors	3	–
Value loss in carbon-intensive sectors relative to all bond investments	0.02	–
Equities in carbon-intensive sectors	22	–
Value loss in carbon-intensive sectors relative to all equity investments	0.7	–

1 PACTA = Paris Agreement Capital Transition Assessment.

2 Data only available for the year 2022.

3 Data only available for the year 2020.

**Impact on other risks**

- Liquidity risks:  
No pathways from climate-related transition risks to liquidity risk were identified.
- Operational risks:  
Any impact on operational risk (for example, compliance risks due to new climate-related regulations) is rated as very low.
- Reputational risks:  
As the general public, clients and other stakeholders become more aware of climate issues, expectations in terms of sustainable, climate-compatible business practices are rising. Reputation could be damaged, for example, if investment and pension products recommended by the Bank have a negative impact on climate change. This risk is low at Raiffeisen. As at the end of 2022, 94.3% of the investments within the scope of mandates or investment and pension funds were made in line with the Futura sustainability approach. A reputational risk could also arise if Raiffeisen or one of its key partners were to behave in a way that is obviously harmful to the climate. Given the climate strategy, it is unlikely that this would happen. In addition, Raiffeisen Switzerland introduced a due diligence check in 2021 to evaluate business relationships with regard to serious negative impacts on the environment (including climate change) and society. Lastly, the current reputational risks caused by climate change also include greenwashing allegations in connection with Raiffeisen products or processes. These risks are reduced through compliance with relevant standards involving climate issues, such as the measurement of GHG emissions or the disclosure of climate-related information. They are also mitigated by Raiffeisen's broadly objective communication on climate change issues and on sustainability in general.



## Impact of climate-related risks and opportunities on business, strategy and financial planning

Based on the current, predominantly qualitative status of analysis and knowledge, the opportunities and risks associated with climate change have only a minor or negligible overall financial impact on Raiffeisen's financial opportunities and risks.

### Short, medium and long-term financial impact of climate-related opportunities and risks on Raiffeisen

	Short-term	Medium-term	Long-term	Nature of impact	Assessment of impact
<b>Opportunities</b>					
Products/markets	x	x	x	More income	Low
Costs		x	x	Fewer costs	Low
<b>Physical risks</b>					
Credit risks		x	x	Less income	Low to moderate
Market risks		x	x	Value loss	Negligible
Operational risks		x	x	More costs, loss of value	Low
<b>Transition risks</b>					
Credit risks	x	x		Less income	Low to moderate
Market risks	x	x		Value loss	Negligible
Operational risks	x	x		More costs, loss of value	Low

Income opportunities for Raiffeisen in connection with the need for financing and investment due to the transition to a more climate-compatible economy and society are classified as low at present, as well as over the medium and long term. Medium- and long-term income losses due to increased credit risks in connection with physical climate risks are also likely to be low, or at most moderate, according to the current state of knowledge. The main reason for the overall low impact is Raiffeisen's business model: a retail banking group with a cooperative structure and a focus on the Swiss market. The current Raiffeisen 2025 Group strategy does not change this direction at any fundamental level. Accordingly, no adjustments are required against the backdrop of the risks and opportunities caused by climate change. Significant additional expenditure is also not necessary. Upgrading the climate compatibility of the Bank's own infrastructure can be delivered within the scope of the usual investments, for example. Raiffeisen's climate strategy, which reduces risks and promotes opportunities, remains an important aspect. It will continue to be developed on a regular basis and implemented within the Raiffeisen Group. Raiffeisen will continuously review and develop the assumptions made here concerning the impact of climate-related opportunities and risks, both qualitatively and quantitatively.

### Resilience of the Raiffeisen strategy, taking various climate scenarios into account

It is currently unclear how severe climate change will turn out to be, or whether it can be slowed down by taking effective action. Consequently, the extent of the physical and transition risks associated with climate change is also unclear.

The six climate scenarios defined by the NGFS show that various physical risks and transition risks could occur with varying intensity and possibly in parallel, depending on the course they take. Despite this additional uncertainty, it can be determined on the basis of the findings derived above that the Raiffeisen Group as a whole is "stress-resistant" to climate change. Even if physical risks or transition risks associated with climate change occur to a greater extent, or if these risks occur in parallel, Raiffeisen would be moderately affected at worst. Moderate (and not just minor) effects on credit risks could be caused by physical climate risks and transition risks, according to the overview table shown above and the qualitative and quantitative considerations. However, high physical risks and high transition risks would not result at the same time in any of the six NGFS scenarios. As a result, a cumulative effect on credit risks is not expected in the scenarios.

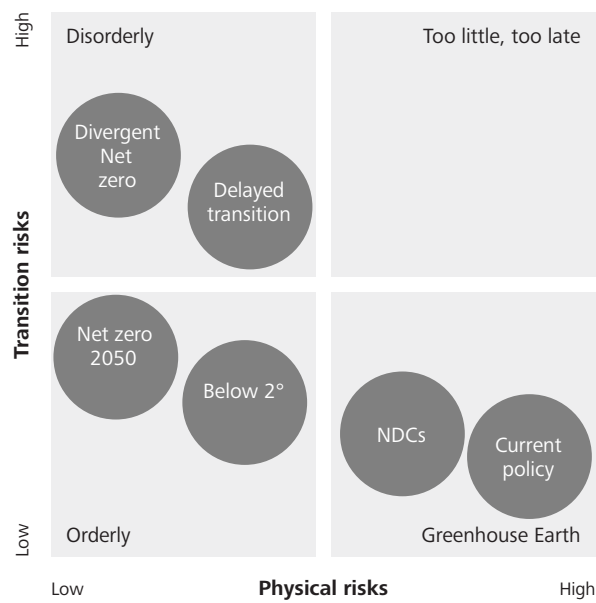
The two NGFS Hot House scenarios and the two NGFS Disorderly scenarios would also have a more negative impact on Raiffeisen than the other two Orderly transition scenarios. Raiffeisen consequently has an interest in ensuring that an effective climate protection policy is introduced at an early stage and gradually made more stringent. Both physical and transition risks are relatively low in the Orderly scenario. For some time now, Raiffeisen has also been voicing this point of view in the political discussion of climate issues in Switzerland.

**Climate scenarios according to the Network for Greening the Financial System (NGFS)**

NGFS defines six climate scenarios, which are classified into the following three approaches:

- Two Orderly scenarios assume that a climate protection policy is introduced at an early stage and gradually made more stringent. Both physical and transition risks are relatively low.
- Two Disorderly scenarios assume a higher transition risk, because the climate change policy is introduced at a late stage, or is divergent across countries and sectors.
- Two Hot House scenarios assume that some climate policies are implemented in some jurisdictions, but global efforts are insufficient to halt significant global warming. The scenarios lead to severe physical risks, including irreversible impacts such as a rise in sea levels.

**The six NGFS scenarios with different physical and transition risks**



Source: NGFS Scenarios for Central Banks and Supervisors, 2022, page 7

# 3 Risk management

## Integration of climate-related financial risks into overall risk management

Raiffeisen operates a comprehensive risk management system that is aligned both with the high regulatory requirements for an institution of Raiffeisen's size and complexity, and with common standards applicable in the market. The physical and transition risks associated with climate change are not viewed as a separate risk category, but as risk drivers of the existing risk categories and are thus integrated into the existing framework for risk management. The impact of climate change on reputational risks as consequential risks is continuously recorded and periodically assessed, and the need for action is discussed. These consequential reputational risks mainly concern the topics "Discussion of values and ethics" and "Products & services".

Climate change affects existing risk categories as a risk driver



Climate-related financial risks are identified, assessed and managed along the risk management process. The methods and processes for managing climate-related financial risks are continuously developed, taking into account new findings, requirements or standards.

### Identification of climate-related financial risks

The aim of identification is to recognise relevant risk drivers and to understand the causes and effects on Raiffeisen. Trends in the environment and the market are among the sources taken into account to identify relevant risk drivers.

### Measurement and assessment of climate-related financial risks

Measurement and assessment aims to evaluate the impact of climate change on Raiffeisen's existing risk profile. Potential impacts on existing risks caused by climate change are periodically assessed systematically and qualitatively (risk matrix), and checked for plausibility by the Expert Committee on Sustainability Risks. For a more in-depth analysis and to support the qualitative assessments, quantitative scenario calculations are carried out in some cases.

**Management of climate-related financial risks along the risk management process**



**Management of climate-related financial risks**

The aim of risk management is to keep climate-related financial risks under effective and efficient control throughout the Group. As the climate-related financial risks are currently rated as low to moderate, additional management measures have not been taken so far. Nevertheless, for strategic reasons the climate strategy already defines measures that have the effect of significantly reducing corresponding risks. For the time being, therefore, financial risks caused by climate change will be managed primarily by implementing the climate strategy. If the situation is reassessed, management measures may need to be defined, which would then be implemented by the 1<sup>st</sup> line of defence.

**Monitoring of climate-related financial risks**

When monitoring climate-related financial risks, the main consideration is that exposure to business areas that are more strongly affected by climate change, and are riskier as a result, should not increase significantly. To do this, key risk indicators (KRI) were derived from the risk matrix and the climate strategy (see chapter "Metrics and targets", [☞](#) page 18). As climate-related financial risks are assessed as low to moderate, Raiffeisen has not defined any thresholds for these KRIs for the time being, but is monitoring the pattern of their development.

**Reporting of climate-related financial risks**

The Board of Directors of Raiffeisen Switzerland is informed each year about the impact of climate-related financial risks on Raiffeisen's risk profile. If there are any significant and acute developments or findings relating to climate-related financial risks, the Executive Board and the Board of Directors are informed in the course of the year as part of regular risk reporting.

# 4 Metrics and targets

Raiffeisen has been collecting data on its greenhouse gas emissions (GHG emissions) for many years in accordance with the methodology of the GHG Protocol, and it discloses these figures in the annual report. Since 2021, Raiffeisen has also been using the PCAF methodology to collect data on its GHG emissions related to financing. Raiffeisen formulated reduction targets based on science, in line with the method of the Science Based Targets Initiative (SBTi). Various metrics are used to assess and manage the risks and opportunities caused by climate change. The metrics are collected and disclosed at least once a year, and are partly based on the reduction targets defined by Raiffeisen. Climate metrics are currently not relevant to the remuneration of the members of the Board of Directors and the Executive Board, nor for any other employee. Raiffeisen is also examining the extent to which sustainability criteria, including climate metrics, should be taken into account in future when determining the profit-sharing element.

## Greenhouse gas emissions

The disclosure of Scope 1 to Scope 3 emissions for the operation of infrastructure and related activities, as presented below, is based on the GHG Protocol. The disclosure was also audited by external consulting firms in 2021 and 2022, and then further enhanced on that basis.

Total operational emissions in the year under review increased compared to the previous year. The increases in Scope 1 and Scope 2 emissions are primarily due to a change in the calculation method, which was applied solely to 2022. This involved correcting imprecise data by using conservative default figures (heating using heating oil, and electricity using a standard mix), both globally and manually. That procedure led to an increase in emissions (in Scope 1 and 2, and then only the building energy, i.e., electricity and heating) of around 1,200 t CO<sub>2</sub>, or 18%. As the calculation method used until 2021 was not defined with more precision retroactively, it is not possible to compare the recalculated figures for 2022 with those of previous years. However, the reported figures for the years 2018 to 2021 are based on the same data modelling (as used until then), so they remain comparable with one another.

CO<sub>2</sub> emissions for the operation of infrastructure and related activities were nonetheless continuously reduced over the past few years. Compliance with standards that regulate energy, mobility, resources and procurement have made an important contribution to achieving this target.

The pandemic situation in 2020 and 2021 additionally contributed to the reduction. The reductions attributable to the COVID-19 pandemic, especially mobility-related, were partially balanced out again in 2022. For example, passenger and air freight transport (Scope 3, +3.3%) increased again in 2022. On a positive note, however, the use of public transport increased disproportionately in the year under review.

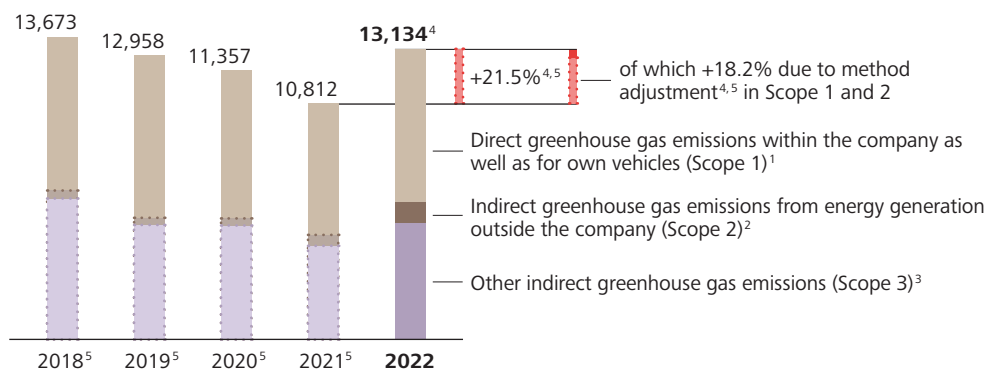
**Direct and indirect corporate greenhouse gas emissions**

Category	Unit	2020	2021	2022 <sup>1</sup>		
		rounded	Total	Total <sup>2</sup>	Raiffeisen Group change to previous year in %	per FTE <sup>3</sup>
<b>Greenhouse gas emissions from energy, travel, paper and water<sup>4</sup></b>	t CO <sub>2</sub> eq	<b>11,357</b>	<b>10,812</b>	<b>13,134</b>	<b>21.5</b>	<b>1.292</b>
Direct GHG emissions (Scope 1)	t CO <sub>2</sub> eq	6,325	6,052	6,929	14.5	0.682
Indirect GHG emissions (Scope 2)	t CO <sub>2</sub> eq	529	613	949	54.8	0.093
Other indirect GHG emissions (Scope 3) <sup>5</sup>	t CO <sub>2</sub> eq	4,503	4,147	5,256	26.8	0.517

- 1 All figures in this table have been rounded to the nearest thousand. This may result in rounding discrepancies.
- 2 All operational greenhouse gas emissions (13,134 tonnes of CO<sub>2</sub> equivalent) are offset.
- 3 In this context, per personnel unit means per full-time equivalent including apprentices and trainees.
- 4 The important emissions sources are recorded. The three system limits are:  
 Scope 1: direct greenhouse gas emissions from stationary sources in the company itself, such as heating or own vehicles;  
 Scope 2: indirect greenhouse gas emissions from energy generation outside the company, such as electricity and district heating;  
 Scope 3: other indirect greenhouse gas emissions outside the company from upstream and downstream processes, such as business travel by rail or upstream processes involved in supplying energy.  
 Each key figure recorded is annualised based on the last eight quarters and assigned to the recorded organisational units, based on the full-time equivalents. The next step is the extrapolation of the annualised key figures, aggregated by Raiffeisen Bank. They are generated based on the worst qualities such as "heating oil" for heat production. Greenhouse gas emissions are calculated based on the emission factors for the 2015 VFU indicators. The Raiffeisen Business Owner Centres (RUZ), Immo AG, Valyo Ltd and the former Group business Notenstein La Roche Private Bank Ltd were not considered. The increase in Scope 1 and Scope 2 emissions is mainly due to a change in the calculation method applied solely to the year 2022. This involved populating imprecise data with conservative default figures (heating using heating oil, and electricity using a standard mix), both globally and manually. This new calculation method has led to an increase of around 1,200 t CO<sub>2</sub> in the emissions reported in 2022 compared to the previous year.
- 5 The Scope 3 emissions disclosed at this point include business travel and transportation, as well as paper and water consumption. Financed emissions are not included here. For financed emissions, see table "Financed CO<sub>2</sub> emissions according to the PCAF standard", page 21.

**Greenhouse gas emissions from energy, transport, paper and water consumption**

in tonnes of CO<sub>2</sub> equivalent (t CO<sub>2</sub> eq)



- 1 Scope 1: Direct greenhouse gas emissions from stationary sources in the company itself, such as heating or own vehicles.
- 2 Scope 2: Indirect greenhouse gas emissions from energy generation outside the company, such as electricity and district heating.
- 3 Scope 3: Other indirect greenhouse gas emissions outside the company from upstream and downstream processes, such as business travel by rail or upstream processes involved in supplying energy.
- 4 The increases in Scope 1 and Scope 2 emissions are mainly due to a change in the calculation method applied solely to the year 2022. This involved populating imprecise data with conservative default figures globally (heating using heating oil, and electricity using a standard mix). This new calculation method has led to an increase of around 1,200 t CO<sub>2</sub> in the emissions reported in 2022 compared to the previous year.
- 5 As the data modelling used until 2021 consistently used imprecise data in the extrapolation, the figures for 2018 to 2021 remain comparable with one another. Due to a change in the calculation method and the resulting recalculation, however, they are not comparable with the figures for 2022.

When calculating and disclosing GHG emissions related to financing and investments, Raiffeisen uses the Global Standard for Greenhouse Gas Accounting and Reporting for the Financial Industry, developed by the PCAF. Raiffeisen discloses the financed emissions relating to its main financing and investment activities. Emissions associated with the mortgage business (owner-occupied residential property and commercial real estate), business loans and with unlisted participations are relevant to the Raiffeisen Group. These categories are disclosed in the table below. The other PCAF categories are not taken into account, as they are either not offered by the Group, or represent an insignificant percentage of the business volume. The figures shown must be interpreted in the light of imprecise data and the fact that this is a new type of standard.

### Emissions financed according to the standard of the Partnership for Carbon Accounting Financials (PCAF)

Asset class	Outstanding amount <sup>1</sup> (in CHF millions)	Scope 1 and 2 emissions (t CO <sub>2</sub> eq)	Scope 3 emissions <sup>2</sup> (t CO <sub>2</sub> eq)	Emission intensity <sup>3</sup> (t CO <sub>2</sub> eq/CHF million)	Coverage (%)	Data quality score (1 = high, 5 = low)
<b>2021</b>						
Mortgages (Residential property)	119,140	512,300	n/a	4.3	100	4
Mortgages (Commercial real estate)	76,167	524,100	n/a	6.9	94	4
<b>2022</b>						
Mortgages (Residential property)	123,145	515,000	n/a	4.2	100	4
Mortgages (Commercial real estate)	79,697	538,700	n/a	6.8	94	4
Loans to corporate clients	9,386	713,600	872,600	169.0	100	5
Mining and extraction of stones and earth <sup>4</sup>	3	300	300	200.0		
Coking and mineral oil processing <sup>4</sup>	0	0	0	n/a		
Production of chemical products <sup>4</sup>	68	12,000	31,000	632.4		
Non-consolidated participations <sup>5</sup>	259	48	376	1.6	100	5

- 1 Selection and aggregation of outstanding amounts based on the PCAF standard. Mortgage loans are accordingly divided into the asset classes 'mortgages' (residential properties) and 'mortgages' (commercial properties). This division differs from the definitions usually used by Raiffeisen.
- 2 PCAF requires Scope 3 disclosure only for the categories loans to corporate clients and unlisted participations.
- 3 The emission intensity for mortgages (residential property and commercial real estate) relates to Scope 1 and 2; in the case of loans to corporate clients and unlisted participations, to Scope 1, 2 and 3.
- 4 In line with the "general methodology for economic sectors" of the Federal Statistical Office (NOGA classification).
- 5 Does cover non-consolidated participations.

The figures for water and paper consumption are comparatively low. Any impact made by climate change on water and paper consumption is accordingly unlikely to cause any material risks for Raiffeisen. In addition, the energy consumption of buildings and for business travel is continuously decreasing. Raiffeisen nevertheless regularly reviews the energy and resource efficiency of all relevant processes in its banking operations, and raises awareness among its employees accordingly.

### Climate protection in operations

Category	Unit	2020	2021	2022 <sup>1</sup>		
		rounded	Total	Total <sup>2</sup>	Raiffeisen Group change to previous year in %	per FTE <sup>3</sup>
<b>Building energy</b>	kWh	<b>67,551,000</b>	<b>65,636,000</b>	<b>81,194,000</b>	<b>23.7</b>	<b>7,988</b>
Electricity	kWh	43,772,000	41,796,000	52,224,000	24.9	5,138
Heating energy	kWh	23,779,000	23,840,000	28,970,000	21.5	2,850
<b>Business travel</b>	km	<b>11,915,000</b>	<b>9,718,000</b>	<b>10,907,000</b>	<b>12.2</b>	<b>1,074</b>
Public transport (rail, bus, tram)	km	2,681,000	2,140,000	3,533,000	65.1	348
Road transport	km					
Private cars	km	2,059,000	1,645,000	2,092,000	27.2	206
Company cars	km	2,648,000	2,168,000	1,770,000	-18.4	174
Courier deliveries	km	4,246,000	3,406,000	3,006,000	-11.7	296
Passenger transport by air	km	21,000	11,000	19,000	72.7	2
Air freight	tkm	260,000	347,000	487,000	40.3	48
<b>Paper and water consumption</b>						
Paper consumption	t	751	699	698	-0.1	0.07
Water consumption	m <sup>3</sup>	144,000	131,000	128,000	-2.3	13

- 1 All figures in this table have been rounded to the nearest thousand. This may result in rounding discrepancies.
- 2 The remaining operational emissions are offset by purchasing CO<sub>2</sub> certificates or emission credits from climate protection projects that meet the Gold Standard. The Gold Standard is an independent quality standard for climate protection projects. It was launched in 2003 by the WWF and other environmental protection organisations.
- 3 In this context, per personnel unit means per full-time equivalent including apprentices and trainees.

## Targets

At a strategic level, Raiffeisen, like Switzerland, is pursuing the climate target of net zero by 2050. Net zero for Scope 1 and Scope 2 is to be achieved by 2030. On that basis, Raiffeisen calculated science-based reduction targets for the first time in 2022. These targets are complemented by key performance indicators (KPI), operational targets and measures, which are summarised in a "transition plan" (see Annex). The reduction targets cover operational emissions in Scope 1 and Scope 2, and emissions from Raiffeisen's mortgage lending activities. This line of business covers more than 70% of total assets. For the time being, Raiffeisen is not setting further reduction targets in connection with loans to corporate clients or investments in corporate bonds. This is because, due to a lack of more precise data, emissions in this case can only be calculated using sector-based assumptions. Raiffeisen is also monitoring trends in this business area based on various KPIs, defining operational targets and implementing measures. Raiffeisen will validate its initial calculations of the reduction targets in 2023 and, if necessary, define them more precisely.

Reduction targets			
Topics	Targets	Figures in base year 2020	Method
Financed buildings	Reduction in GHG emissions (kg CO <sub>2</sub> eq) by 2035		Sectoral decarbonisation approach
	– for mortgages (commercial properties) <sup>1</sup> by 64% per m <sup>2</sup>	– Mortgages (commercial properties): 10.3 kg CO <sub>2</sub> e per m <sup>2</sup>	
	– for mortgages (residential properties) <sup>1</sup> by 62% per m <sup>2</sup>	– Mortgages (residential properties): 9.0 kg CO <sub>2</sub> e per m <sup>2</sup>	
Operations <sup>2</sup>	Reduction in GHG emissions (t CO <sub>2</sub> eq) Scope 1 and Scope 2 by 2035, by 63%	6,854 t CO <sub>2</sub> e	Absolute contraction

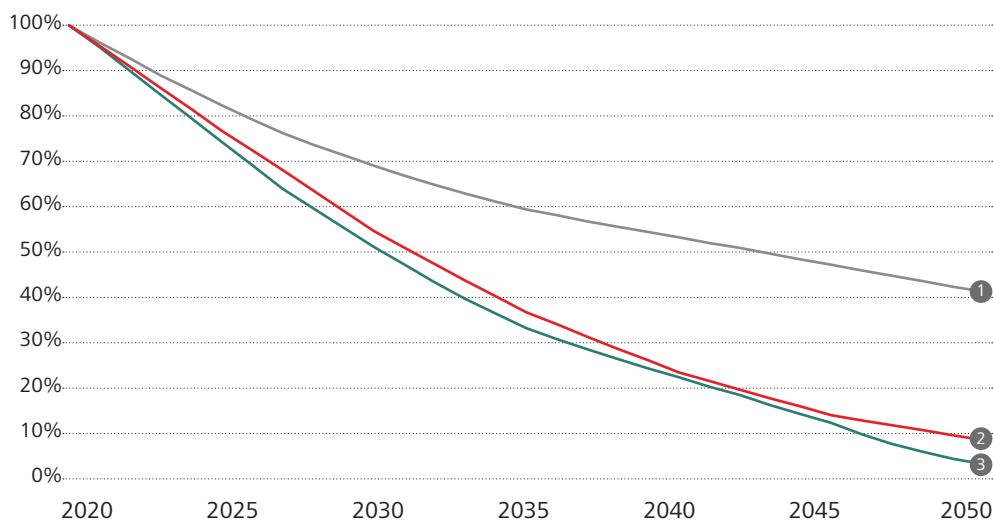
<sup>1</sup> In the case of the asset class mortgages (residential properties), 100% of the mortgage volume can be evaluated, for mortgages (commercial properties), the figure is 94%.

<sup>2</sup> To drive its own energy management, Raiffeisen Switzerland is also a member of the voluntary corporate initiative Energy Model Zurich. The initiative has agreed with the federal government to increase energy efficiency by 14% and reduce emissions by 20% by 2030 (base year 2020). As part of this membership, Raiffeisen Switzerland is subject to an annual external audit by Energy Model Zurich.

Raiffeisen arranged for an external consulting firm to assess the extent to which it is realistic to achieve the targets for financing buildings. This involved comparing the required emission reduction of the buildings financed by Raiffeisen (owner-occupied residential properties and commercial properties weighted on the basis of their distribution in square metres) with a "business as usual" and a "net zero" scenario. The resulting assessments show that Raiffeisen would not achieve its climate target for the financing of buildings in a "business as usual" scenario. However, if Switzerland pursues its own net zero target seriously, the building stock financed by Raiffeisen will follow the same lines. Consequently, Raiffeisen also supports an ambitious framework for climate policy at the political level.



### Assessment of the path to reduce emissions in the buildings financed by Raiffeisen



- 1 **"Business as usual" scenario**  
Reduction in buildings financed by Raiffeisen while continuing existing energy and climate policy measures
- 2 **Raiffeisen reduction**  
Reduction in buildings financed by Raiffeisen by 63% by 2035
- 3 **Net zero scenario**  
Reduction in buildings financed by Raiffeisen if Swiss target of net zero greenhouse gas emissions is achieved by 2050 (representation of all future trends in technological development that are foreseeable at this time, as well as a major increase in energy efficiency at an early stage)

## Metrics

To monitor implementation of the climate strategy and the risk situation, the metrics listed in the table "Indicators for monitoring implementation of the climate strategy and risk situation" are collected and observed. The metrics cover the reduction targets mentioned above and other topics related to GHG emissions and climate risks. The indicators thus perform the role of key performance indicators (KPI) and key risk indicators (KRI).

As KPIs, the metrics show the extent to which Raiffeisen is achieving its specific reduction targets and strengthening climate compatibility. As KRIs, the metrics can provide an indication of a changed risk situation. For example, if the proportion of buildings in high-risk zones rises, this could increase the impact on Raiffeisen of a physical climate event such as flooding. Or if financing in CO<sub>2</sub>-intensive sectors increases, transition risks may have a greater impact on Raiffeisen, as companies in the relevant sectors are likely to adapt more in the future. If the KRIs were to develop in a negative direction, an appropriate need for action or control would be analysed and discussed from a risk viewpoint.

The trend in CO<sub>2</sub> intensity or carbon footprint of Raiffeisen funds, financial investments and the trading book is monitored, but Raiffeisen does not define any target figures at this time, due to various methodological challenges in these areas.

## Indicators for monitoring climate strategy implementation and risk situation

Topic	Indicator	Unit	31.12.2021	31.12.2022	Deviation from previous year
<b>Financed buildings (mortgages)</b>	Emission intensity for mortgages (residential properties) <sup>1</sup>	kg CO <sub>2</sub> e/m <sup>2</sup>	9.0	9.0	0%
	Emission intensity for mortgages (commercial properties) <sup>1</sup>	kg CO <sub>2</sub> e/m <sup>2</sup>	10.3	10.2	-0.3%
	Deviation from the reduction path of CO <sub>2</sub> emissions for financed residential properties <sup>2</sup>	%	4.6	9.6	n/a
	Deviation from the reduction path of CO <sub>2</sub> emissions for financed commercial properties <sup>2</sup>	%	5.0	10.3	n/a
	Proportion of buildings at high risk level <sup>3</sup>	%	10.3	10.3	0.0 percentage points
<b>Corporate loans</b>	Emission intensity of the loans (Scope 1 and Scope 2)	t CO <sub>2</sub> e/million CHF	70.2	76.0	8.3%
	Emission intensity of the loans (Scope 3)	t CO <sub>2</sub> e/million CHF	104.4	93.0	-10.9%
	Loans to large companies with science-based climate targets in relation to total lending to large companies	%	0	0	0.0 percentage points
	Proportion of financing in CO <sub>2</sub> -intensive sectors <sup>4</sup>	%	2.7	3.2	0.5 percentage points
<b>Corporate bonds</b>	Emission intensity of corporate bonds held (financial investments, Scope 1 and Scope 2) <sup>5</sup>	t CO <sub>2</sub> e/million CHF	0.04	0.04	0.0 percentage points
	Emission intensity of corporate bonds held (financial investments, Scope 3) <sup>5</sup>	t CO <sub>2</sub> e/million CH	0.3	0.3	0.0 percentage points
	Investments in bonds of companies with science-based climate targets in relation to total investments (financial investments)	%	0	0	0.0 percentage points
<b>Operations<sup>6</sup></b>	Change in absolute emissions for Scope 1 and Scope 2 compared to previous year <sup>6</sup>	%	-2.8	n/a	n/a
	Deviation from the reduction path of CO <sub>2</sub> emissions in operations	%	1.5	n/a	n/a
<b>Other</b>	Average CO <sub>2</sub> footprint of Raiffeisen funds <sup>7</sup>	t CO <sub>2</sub> e/ invested CHF million	n/a	159.1	n/a
	Average CO <sub>2</sub> intensity of Raiffeisen funds	t CO <sub>2</sub> e/ CHF million in sales	n/a	596.3	n/a

1 Calculation based on financed emissions. The emission intensities for residential and commercial properties are to be regarded as estimates, due to the existing data quality and the use of emission factors. Emission factors define GHG emissions for different building categories, and change over time. The emission factors that were used were nevertheless kept constant for calculation of the years 2021 and 2022. This may contribute significantly to the small change in emission intensity. Raiffeisen generally assumes that the emission factors will decline over the years. This is due to the replacement of fossil heating systems, higher electricity consumption from renewable sources, and additional energy-efficient renovation.

2 Negative number = reduction target exceeded; positive number = reduction target missed. A deviation from the previous year is not shown as the figures are difficult to interpret due to changing reference values.

3 The risk maps for water as a natural hazard from geodienste.ch were used as a basis, if available and licensed.

4 Calculation based on credit limits and including mortgages. According to the PACTA sectors: coal, oil, gas, electricity, automotive, cement, steel, aviation. The increase is driven by economic activities in the electricity sector, which have low emission factors in Switzerland.

5 The emission intensities for loans are to be regarded as an initial approximation, due to the existing data quality and the use of average emission factors per sector. Appropriate measurement and disclosure is nevertheless the first important step in analysing the financed GHG emissions in more depth.

6 The reduction path for 2020 was calculated on the basis of the method previously used. As the figures for the year were calculated using the more precise method, it is not possible to make any disclosures for 2022, nor to make a comparison with the previous year.

7 Excluding gold and real estate funds. The data for the calculation as at 31 December 2021 is not available. Further information on footprint and intensity is available at: [raiffeisen.ch/rch/de/privatkunden/anlegen/nachhaltigkeit/nachhaltigkeitsreporting.html](https://www.raiffeisen.ch/rch/de/privatkunden/anlegen/nachhaltigkeit/nachhaltigkeitsreporting.html).

## Annex: Transition plan

### Reduction in GHG emissions by 64% by 2035 per m<sup>2</sup> for mortgages (commercial properties), and 62% per m<sup>2</sup> for mortgages (residential properties)

KPI	Operational target figures	Measures
– Emission intensity (kg CO <sub>2</sub> eq/m <sup>2</sup> ) for mortgages (residential properties) and mortgages (commercial properties)	– Awareness of climate compatibility raised among more than 3,000 additional homeowners per year	<ul style="list-style-type: none"> <li>– Initiatives to raise awareness among clients of the potential for increasing the climate compatibility of their own homes (e.g., advice on renovation, support for the "renewable heating" campaign)</li> <li>– Initiatives to raise awareness among corporate clients of the potential to increase climate sustainability</li> <li>– Political commitment to climate protection, including an effective buildings programme</li> <li>– Eco-mortgages</li> </ul>

### Reduction in GHG emissions for companies financed by loans (no reduction target defined)

KPI	Operational target figures	Measures
– Loans to large companies with science-based climate targets in relation to total lending to large companies (%)	– No investment in companies that mine coal, extract oil or natural gas, or operate coal-fired power plants	– Defined exclusions of climate-intensive sectors
– Emission intensity (t CO <sub>2</sub> e/million CHF) of loans (Scope 1, Scope 2, Scope 3)	– Less than 6% financing in climate-damaging sectors excluding agriculture	– Raising companies' awareness of the potential for increasing climate compatibility in their operations and for science-based climate targets
– Proportion of financing in CO <sub>2</sub> -intensive sectors	– Mediated or self-conducted dialogue with at least 10% of existing corporate clients (large companies) regarding science-based climate targets per year	– Support for an ambitious climate policy

### Reduction in GHG emissions in connection with investments in corporate bonds (no reduction target defined)

KPI	Operational target figures	Measures
– Investment in companies with science-based climate targets in relation to total investment in corporate bonds (financial investments) (%)	– Mediated or self-conducted dialogue with at least 10% of the invested companies covered by the target, per year	– Raising companies' awareness of the potential for increasing climate compatibility in their operations and for science-based climate targets
– Emission intensity (t CO <sub>2</sub> e/million CHF) of corporate bonds held (financial investments, Scopes 1 and 2, Scope 3)		

### Reduction in GHG emissions by 63% by 2035 compared to 2020 (by 42% by 2030)

KPI	Operational target figures	Measures
– Reduction in absolute emissions (t CO <sub>2</sub> e) Scope 1 and Scope 2, based on defined reduction path compared to previous year (%)	<ul style="list-style-type: none"> <li>– 7% annual renewal rate for the 382 (of 800) fossil-fueled Raiffeisen buildings</li> <li>– 15% annual renewal rate for the vehicle fleet (225 vehicles) with vehicles below the CO<sub>2</sub> threshold specified by the Swiss government</li> <li>– 100% electricity from renewable energy</li> <li>– 2% reduction in energy consumption per year</li> </ul>	<ul style="list-style-type: none"> <li>– Raising awareness and financial support for heating replacement and installation of photovoltaic systems through internal climate fund</li> <li>– Purchase of "renewable electricity" guarantees of origin</li> <li>– Promoting low-emission business travel</li> <li>– Promoting climate-compatible construction through compliance with relevant standards (SNBS, Minergie)</li> </ul>

# Imprint

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