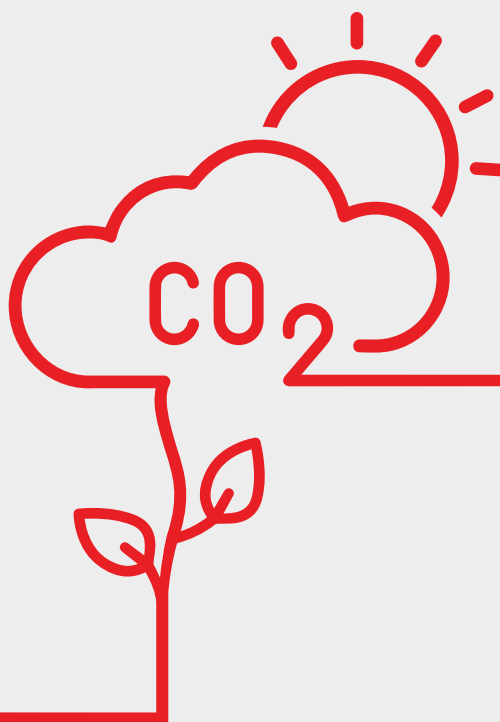


# 2023

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



**Key abbreviations**

Term/abbreviation	Definition
BCG	Boston Consulting Group
CHF	Swiss franc
CO <sub>2</sub>	Carbon dioxide
eq	Equivalent
ESG	Environment, Social, Governance
ECB	European Central Bank
FINMA	Swiss financial market supervisory authority
GHG Protocol	Greenhouse Gas Protocol
GRI	Global Reporting Initiative
LE	Large enterprise
ISO	International Organization for Standardization
IT	Information Technology
kg	Kilogram
km	Kilometre
SME	Small and medium-sized enterprises
KPI	Key Performance Indicator
KRI	Key Risk Indicator
kWh	Kilowatt-hour
m <sup>2</sup>	Square metre
m <sup>3</sup>	Cubic metre
Million	Million
n/a	not available
NDC	Nationally determined contributions
NGFS	Network for Greening the Financial System
NOGA	Nomenclature Générale des Activités économiques (general methodology for economic sectors)
NZBA	Net Zero Banking Alliance
PACTA	Paris Agreement Capital Transition Assessment
PCAF	Partnership for Carbon Accounting Financials
RUZ	Raiffeisen Business Owner Centre
SBT	Science Based Targets
SBTi	Science Based Targets Initiative
SBA	Swiss Bankers Association
SDA	Sectoral Decarbonization Approach
SNBS	Standard for Sustainable Building Switzerland
t	Tonnes
TCFD	Task Force on Climate-related Financial Disclosures
GHG emissions	Greenhouse gas emissions
UNEP FI	United Nations Environment Programme Finance Initiative
WWF	World Wide Fund for Nature

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## Non-financial reporting

The non-financial reporting of the Raiffeisen Group consists of a chapter on Sustainability and a chapter on Employees in the management report of the annual report of the Raiffeisen Group, disclosure of climate information according to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the GRI content index.

The full structure of the reporting is presented in the Imprint of this publication. All published reports are also available online at

[report.raiffeisen.ch/downloads](https://report.raiffeisen.ch/downloads)

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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. The Raiffeisen Group causes greenhouse gas (GHG) emissions, which are the main driver of climate change, directly through its operating activities and indirectly through its financing and investment activities. Contributing towards climate change mitigation is of strategic importance for Raiffeisen, which sees this as part of its corporate social responsibility. Stakeholder surveys and an impact analysis carried out as part of our membership of UNEP FI Principles for Responsible Banking have reiterated the importance of this topic for Raiffeisen. Raiffeisen is actively involved in various climate initiatives, and in the year under review, it has joined the Net Zero Banking Alliance (NZBA).

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## Importance of climate change

Climate initiatives supported by Raiffeisen

Initiative	Member since
<b>International</b>	
Partnership for Carbon Accounting Financials (PCAF)	2020
Net-Zero Banking Alliance (NZBA)	2023
<b>National</b>	
Swiss Climate Foundation	2008
CEO4Climate	2021

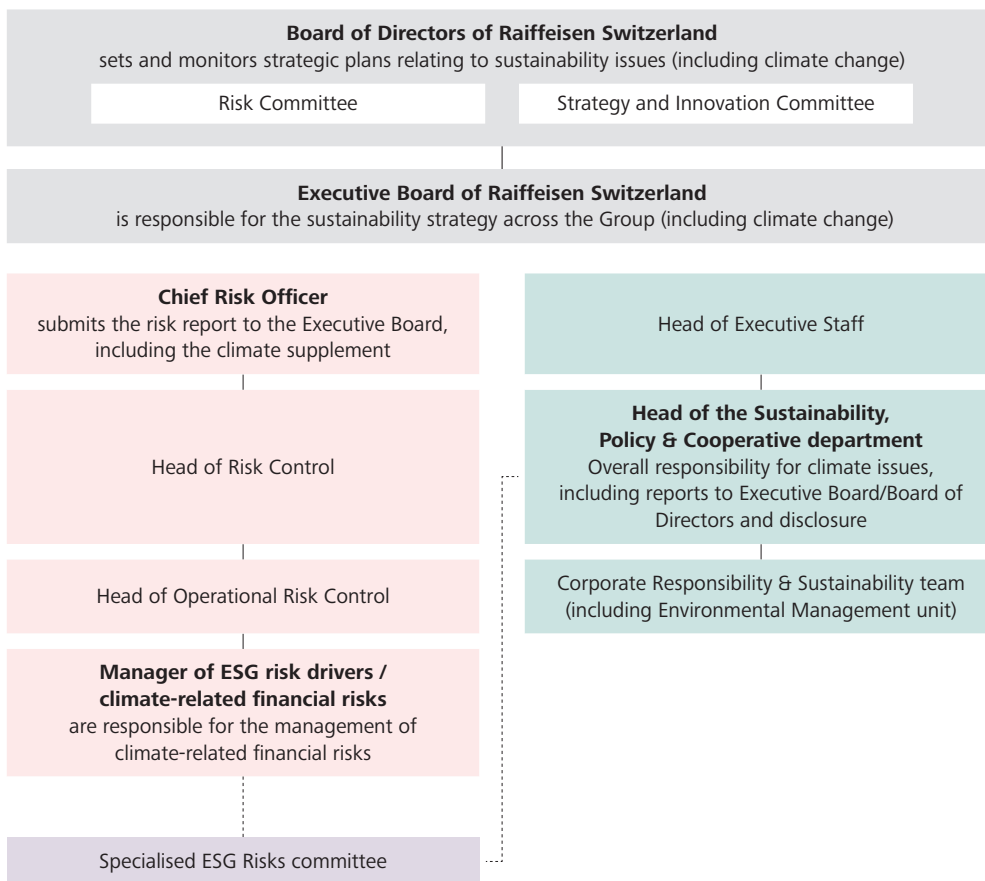
The following report shows how Raiffeisen deals with climate change, focusing on the four thematic areas of 1) governance, 2) strategy, 3) risk management, and 4) metrics and targets in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The report thus addresses the transparency provisions on climate issues in the Swiss Code of Obligations (Article 964a et seq.) and at regulatory level (Ordinance on Reporting on Climate Issues), 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, including climate change and the associated opportunities and risks (see the section on "Sustainability governance" in the Sustainability Management Report).

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 existing committees of the Board of Directors, with the Risk Committee and the Strategy and Innovation Committee primarily responsible for climate change. The policies of the Board of Directors are implemented by the Executive Board of Raiffeisen Switzerland with the support of the various departments. In this context, the Executive Board adopted a specific climate strategy in 2020.

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



The Sustainability, Policy & Cooperative department, which along with the Corporate Responsibility & Sustainability team reports to the Chair of the Executive Board (Head of Executive Staff), 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 specific 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". Once a year, a report is submitted to the Board of Directors of Raiffeisen Switzerland. The reporting on climate issues to the Strategy and Innovation Committee and the Board of Directors of Raiffeisen Switzerland has been stepped up for the 2023 year under review.

The management of climate-related financial risks is integrated into the management of ESG risks<sup>1</sup> for the Raiffeisen Group. The Board of Directors of Raiffeisen Switzerland provides the conceptual and regulatory framework for the risk policy and the principles of institution-wide risk management.

The risk control function, which is part of the Chief Risk Officer's remit, is responsible for the ongoing monitoring of the risk profile, taking into account the ESG risk factors. The risk control function is also responsible for internal risk reporting on ESG risks to the Executive Board and the Board of Directors, which takes place at least once per year. Furthermore, the function is responsible for the conceptual and methodological integration of ESG risks into the risk management framework and takes on a lead role in the risk management process (cf. Chapter 3 Risk management, [☒](#) pages 19–22). In addition, it provides assistance to the Sustainability, Policy & Cooperative department to help it comply with its obligation to disclose climate-related financial risks. The operational responsibility for ESG matters within the risk control function lies with the Operational Risk Control department.

The specialised ESG Risks committee is an expert body that supports the risk management process, including risk identification, assessment and management. Members are representatives of the risk and compliance units at Raiffeisen Switzerland and the Sustainability, Politics & Cooperative department. The specialised committee is overseen by the head of the Operational Risk Control department.

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, including on an ad hoc basis where necessary. See also the "Sustainability governance" section in the "Sustainability" chapter of the annual report of the Raiffeisen Group, [☒](#) pages 54-55.

**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 x per year	Board of Directors
	2 x per year	Board of Directors' Strategy and Innovation Committee
	2 x per year	Executive Board
"ESG risk drivers" supplement to the risk report, including climate-related financial risks	1 x per year	Board of Directors
	1 x per year	Risk Committee of the Board of Directors
Information on developments and findings of an acute nature relating to climate-related financial risks (as required) <sup>1</sup>	ad hoc	Board of Directors
	ad hoc	Risk Committee of the Board of Directors
	ad hoc	Executive Board

<sup>1</sup> Since the introduction of climate reporting, this has never been necessary.

<sup>1</sup> ESG risks are events or conditions arising from environmental, social or governance areas that could negatively impact Raiffeisen. Climate-related financial risks are included in the environmental risk factor

# 2 Climate strategy

## Five strategic areas

Mitigating climate change is part of Raiffeisen’s sustainability strategy. To achieve this objective, the Executive Board of Raiffeisen Switzerland issued a climate strategy for the first time in 2020, and has continually developed it ever since. The strategy has the overall targets of net zero by 2050 and net zero in operations (Scope 1 and Scope 2) by 2030. This means that the Board of Directors and the Executive Board of Raiffeisen Switzerland are committed to the targets of the Paris Climate Agreement. To reach these targets, action is taken in five subject areas:

### 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
GHG emissions and climate change-related opportunities and risks are measured using best practices. This also includes emissions related to financing and investment.	Disclosure of climate information based on best practices	GHG emissions will be reduced systematically, with science-based climate targets indicating the appropriate paths to achieve this.	Any remaining operational emissions (Scope 1 and 2) are offset by purchasing CO <sub>2</sub> certificates or emission credits from climate protection projects that meet the Gold Standard <sup>2</sup> .	Raiffeisen is involved in various initiatives for a climate-friendly Switzerland, such as the Swiss Climate Foundation or CEO4Climate.
GHG Protocol, PCAF, TCFD recommendations	TCFD recommendations, GRI standards	Reduction in line with "science-based targets"	Gold Standard	Swiss Climate Foundation, CEO4Climate, NZBA

1 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).  
 2 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.

Emissions are measured using the methodology of the Greenhouse Gas Protocol (GHG) and the Partnership for Carbon Accounting Financials (PCAF). Raiffeisen follows the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) 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 and disclosure of GHG emissions as well as opportunities and risks related to climate change, and incorporates them as appropriate.

Beyond accurate measurements, Raiffeisen is also committed to consistently reducing its greenhouse gas emissions, which is also reflected in the two net-zero targets. In 2022, Raiffeisen calculated the science-based reduction targets and the associated reduction pathways using the methodology of the Science Based Targets Initiative (SBTi) for the first time (see chart "Estimate of the path to reduce emissions in the buildings financed by Raiffeisen", [📄](#) page 29). In the year under review, Raiffeisen recalculated its CO<sub>2</sub> reduction targets using ambitious calculation methods, a more recent base year and an adjusted target horizon up to 2030. The reduction will be achieved through specific measures and attainment of the associated operational targets. For more detailed information, please refer to the "Metrics and targets" section, [📄](#) pages 23–31 and the "Transition plan" in the Annex, [📄](#) page 31.

The direct emissions in Scope 1 and 2 caused by the operation of all Raiffeisen Group branches that could not be avoided despite efforts to reduce them, will be offset by Raiffeisen. Emission credits (CO<sub>2</sub> certificates) from climate protection projects are used for this offsetting. In addition to the existing carbon avoidance projects, Raiffeisen has also been supporting projects to remove carbon dioxide from the atmosphere and store it using natural or technical solutions ("removals") by purchasing CO<sub>2</sub> certificates since 2023.

Raiffeisen is a founding partner of the Swiss Climate Foundation. Through this commitment, the banking group 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 small and medium-sized enterprises (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 around CHF 4.65 million to the Climate Foundation since the partnership began in 2008. In the year under review, Raiffeisen also provided financial support to the "Go for Impact" association to ensure that it can continue to raise awareness among Swiss SMEs about carbon footprinting and target setting.

At the end of October 2023, Raiffeisen joined the Net-Zero Banking Alliance (NZBA), committing to the goal of reducing greenhouse gas emissions of its loan and investment portfolio to net zero by 2050 at the latest. An important reason for Raiffeisen to join was the NZBA's explicit recognition that the transition to net zero can only succeed if clients and all other stakeholders contribute their fair share. This approach helps prevent inflated expectations of the financial sector and places its responsibility realistically within the overall context.

As part of the climate strategy, the Board of Directors of Raiffeisen Switzerland resolved in 2020 that Raiffeisen will not finance companies that exploit the particularly emission-intensive energy sources coal, oil or natural gas, or operate coal-fired power plants themselves. This limitation was already in line with Raiffeisen's practice at the time. A due diligence process with the possibility of escalation to the management of Raiffeisen Switzerland, which is directly integrated into the banking application, ensures compliance with this principle. The due diligence process, which was initially only applied to Raiffeisen Switzerland transactions, has been in place for the entire Raiffeisen Group since autumn 2023.

As will 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. If the assessment of opportunities and risks changes, the climate strategy will be adjusted accordingly.

## **Opportunities and risks**

### **Introduction**

In this 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 represent the latest assessment based on current 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 4 years, the medium-term time horizon up to 9 years, while the long-term time horizon covers 10 to 30 years.



### Breakdown of selected financing by time horizon for climate-related assessments

Raiffeisen Group as at 31 December 2023	years	Corporate clients financing (other)	Mortgages <sup>1</sup>
Storage limitation			
Short-term	0–4	71%	57%
Medium-term	5–9	24%	40%
Long-term	10–30	5%	3%

<sup>1</sup> This is based on fixed-rate mortgages for private and corporate clients. Variable-rate and SARON mortgages are not included.

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 (2023: CHF 3.27 billion). The second most important income category is the securities and investment business, or the associated commission business (2023: CHF 0.4 billion). Accordingly, mortgage loans (31 December 2023: CHF 211.01 billion) are by far the most important item on Raiffeisen's balance sheet. On the expense side, personnel expenses (2023: CHF 1.53 billion) are by far the most important item, which is not significantly affected by climate change. In line with the Group's Raiffeisen 2025 strategy, Raiffeisen's focus remains on the Swiss retail business. In addition to the mortgage business, 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, Raiffeisen has come to the conclusion that digitalisation and new technologies neither present any significant opportunities, nor pose any considerable risks for the Raiffeisen Group with respect to climate change.

Based on its business model and strategy, Raiffeisen focuses primarily on the mortgage business and the securities and investment business when analysing the opportunities and risks associated with climate change (see table "Main sources of income, expenses and assets", [☞](#) page 8). The corporate clients business (with corporate clients largely covered already by the mortgage segment) or Raiffeisen operations (e.g. branch offices) have a lower priority in terms of opportunities and risks. From an impact perspective, it is important not to overlook Raiffeisen's own operations, as Raiffeisen can directly influence certain emissions (more on this in the section "Greenhouse gas emissions", [☞](#) page 23). It should be emphasised that the climate strategy and the associated transition plan (see "Transition plan" in the Annex, [☞](#) page 31) serve as a mitigation strategy with the primary objective of mitigating climate change. Based on the opportunities and risks currently identified in connection with climate change – as shown in the following sections – there is no need for further action beyond the measures taken in the climate strategy (e.g. guidelines, budgets, action plans). Raiffeisen also does not currently consider it necessary to make any adjustments or to develop any relevant strategies.

Main sources of income and expenses as well as assets		
CHF billion	2022	2023
<b>Income (income statement)</b>		
Interest income from mortgage loans	2.52	3.27
Commission income from securities trading and investment activities	0.39	0.40
Result from trading activities and the fair value option	0.25	0.26
Commission income from other services (account maintenance, payments, etc.)	0.32	0.40
<b>Expenditure (income statement)</b>		
Personnel expenses	1.43	1.53
Tax expenses	0.20	0.27
IT expenses	0.12	0.12
Office space expenses	0.08	0.10
	31.12.2022	31.12.2023
<b>Assets (balance sheet)</b>		
Mortgage loans	203.66	211.00
Amounts due from clients	10.91	11.59
Financial investments	15.15	10.85
Bank buildings and other real estate	2.40	2.45

## 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) and the Boston Consulting Group (BCG) in 2021 indicates that the annual investment requirements for Switzerland from 2020 to 2050 amount to a<sup>2</sup> total of CHF 12.9 billion per year - mostly for light road transport (CHF 5.7 billion) and heavy road transport (CHF 1.9 billion), buildings (CHF 2.1 billion), energy (CHF 1.2 billion) and international air transport (CHF 1.0 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 2.1 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 17.8%, Raiffeisen is a major mortgage lender in Switzerland. Of the above-mentioned CHF 2.1 billion, 17.8% is required to make the building stock more climate-friendly, which corresponds to CHF 374 million. Raiffeisen does not consider financing in 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 also supports the Swiss federal government's "renewable heating" campaign. Raiffeisen's commitment is aimed primarily at developing and optimising prudent home financing solutions together with its clients to secure the sustainable value of real estate (for further details, please refer to the chapter on "Sustainability" in the Raiffeisen Group's annual report under "6 Creating sustainable products and services", [☞](#) pages 65–69). 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.

<sup>2</sup> SBA/BCG (2021): Sustainable Finance – investment and financing requirements for a climate-neutral Switzerland by 2050, see: [swissbanking.ch/\\_Resources/Persistent/b/9/c/1/b9c1a91aeb941845873bd97ae92943dbee24699f/SBVg\\_Sustainable\\_Finance\\_2021.pdf](https://www.swissbanking.ch/_Resources/Persistent/b/9/c/1/b9c1a91aeb941845873bd97ae92943dbee24699f/SBVg_Sustainable_Finance_2021.pdf)

Investment and pension clients in Switzerland are aware of climate change and increasingly want to align their own investment and retirement planning accordingly, based on 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 at the end of 2023, 94.6% of investments within the scope of mandates or investment and pension funds have been made in line with the Futura sustainability approach.<sup>3</sup> The approach systematically takes into account ESG criteria, 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 some years now, Raiffeisen has noticed a growing interest in sustainable financing options, especially among larger corporate clients, and advises them on this as and when required.

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

By increasing the energy efficiency of its own banking operations, Raiffeisen will be able to reduce not only emissions, but also costs 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 784 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 environmental management. This motivates the Raiffeisen banks to take measures that save resources and reduce costs 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 Switzerland's climate fund was set up back in 2017 to provide financial incentives to promote operational measures to reduce carbon dioxide (CO<sub>2</sub>) emissions and increase energy efficiency as widely as possible within the Raiffeisen Group. Depending on the relevant energy consumption (in Scope 1 and 2), the climate fund supports the replacement of fossil fuel heating systems and the expansion of photovoltaic systems in addition to targeted energy consulting and the scaling of charging infrastructure for electric vehicles. Attention is paid to climate compatibility of new developments and renovations. The Standard for Sustainable Building Switzerland (SNBS) is applied to new development and renovation projects worth more than CHF 7 million. Any new vehicles purchased must either comply with the statutory emission regulations (max. 118 grams of CO<sub>2</sub>/km) or be fully electric. As a general rule, Raiffeisen wants to continue reducing its ecological footprint.

<sup>3</sup> For more information on the Futura sustainability approach, please visit:  
[raiffeisen.ch/rch/de/privatkunden/anlegen/nachhaltigkeit/futura-regelwerk.html](https://www.raiffeisen.ch/rch/de/privatkunden/anlegen/nachhaltigkeit/futura-regelwerk.html)

**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 and is convinced that, despite the limited earnings prospects, it is worthwhile to take measures to mitigate climate change. 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, resilience can also be strengthened in this respect. From a reputational perspective, the commitment to mitigating climate change represents an opportunity, as proactive measures are now expected and demanded from stakeholders across society. The efforts to mitigate climate change are also in line with Raiffeisen's objective of positioning itself as a responsible cooperative bank in the Swiss financial marketplace. By combining various measures, such as reducing operational emissions or continuously expanding the range of sustainable products and services, Raiffeisen is taking responsibility for climate change.

**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.

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**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 rainfall, hail, floods, droughts or 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 real estate. 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 real estate 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 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 clients 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.	– Damage repair: Physical damage to fixed assets at directly affected companies – Reduction in sales: Damage due to business interruption (for firms affected directly and indirectly).	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 simulated another scenario involving 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 the following 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", [☞](#) pages 17–18). 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.

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

<sup>5</sup> 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). Data imputations and assumptions were applied.

<sup>6</sup> 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). Data imputations and assumptions were applied.

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

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

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

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

### 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 has around 784 bank buildings, which are all located in Switzerland, and they all have the standard 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. Examples include 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 impact 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 decrease 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 essential 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 real estate 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 (17.8% market share in 2023).

### 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		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 clients 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	31.12.2023
<b>Proportion of industry in corporate clients business<sup>1</sup></b>		
Operation of coal-fired power plants	0.0%	0.0%
Extraction of oil, natural gas, coal	0.0%	0.0%
Agriculture <sup>2</sup>	10.6%	10.1%
Electricity	1.8%	1.8%
Other emission-intensive sectors (according to PACTA <sup>3</sup> )	1.4%	1.3%

1 Calculation is based on credit limits and includes mortgages.

2 An inaccuracy in the previous year's data was identified and corrected when preparing the data for 2023. The new figure of 10.6% differs only slightly from last year's published figure of 11.2%.

3 PACTA = Paris Agreement Capital Transition Assessment.

Moreover, the abrupt adoption of drastic climate-related legislation, regulations and other policies that significantly affect real estate 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 clients 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 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).<sup>8</sup>

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> Act 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.

<sup>8</sup> While no bans or levies that would have an impact on credit risk have been discussed as part of the current political discourse accompanying the CO<sub>2</sub> Act and the Climate and Innovation Act, this process is far from over.



### 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 change in probability of default and in 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 of 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 change in probability of default and in 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 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, the exposure to market risks is only limited. 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. 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 22.0% and 3.0% 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	6.0	5.0
Bonds involving the production of coal, oil and gas <sup>2</sup>	–	0,3
Equities in carbon-intensive sectors	2.0	3.0
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	3.0	–
Value loss in carbon-intensive sectors relative to all bond investments	0.02	–
Equities in carbon-intensive sectors	22.0	–
Value loss in carbon-intensive sectors relative to all equity investments	0.7	–

1 PACTA = Paris Agreement Capital Transition Assessment; analysis carried out every two years.

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 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, along with the inherent risks of reputational loss. Reputation could be damaged, for example, if investment and pension products recommended by the Bank negatively impact climate change. This risk is low at Raiffeisen. As at the end of 2023, 94.6% 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 impact 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. The relevant risks are mitigated by various measures, especially in connection with the implementation of the new SBA "Guidelines for the financial service providers on the integration of ESG-preferences and ESG-risks into investment advice and portfolio management". It addresses, for example, the integration of ESG issues into the advisory processes and the training of advisors, compliance with relevant climate protection standards, such as the measurement of GHG emissions or disclosure of climate information, as well as the review of the ESG ratings used and their providers. Raiffeisen's objective approach to communication on climate change and broader sustainability issues has a risk-mitigating effect. Taking into account the above-mentioned mitigation measures, the residual reputational risk is assessed as low.

## 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	Higher income	Low
Costs		x	x	Lower costs	Low
<b>Physical risks</b>					
Credit risks		x	x	Value adjustments	Low to moderate
Market risks		x	x	Value loss	Negligible
Operational risks		x	x	Higher costs, loss of value	Low
<b>Transition risks</b>					
Credit risks	x	x		Value adjustments	Low to moderate
Market risks	x	x		Value loss	Negligible
Operational risks	x	x		Higher 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. Based on current knowledge, 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 and are taken into account in capital planning. The main reason for the overall low impact is Raiffeisen's business model (a retail banking group with a cooperative structure and focus on the Swiss market). The Group strategy Raiffeisen 2025 does not represent any fundamental shift in this direction. 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. Raiffeisen continuously reviews and develops 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.

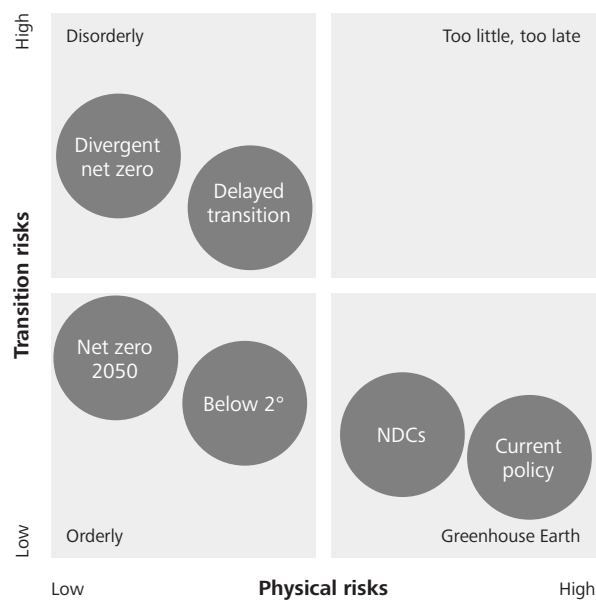
The two NGFS Hot house world scenarios and the two NGFS Disorderly scenarios would also have a more negative impact on Raiffeisen than the other two Orderly transition scenarios. Raiffeisen consequently has an interest in ensuring that an effective climate protection policy is introduced at an early 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 world 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

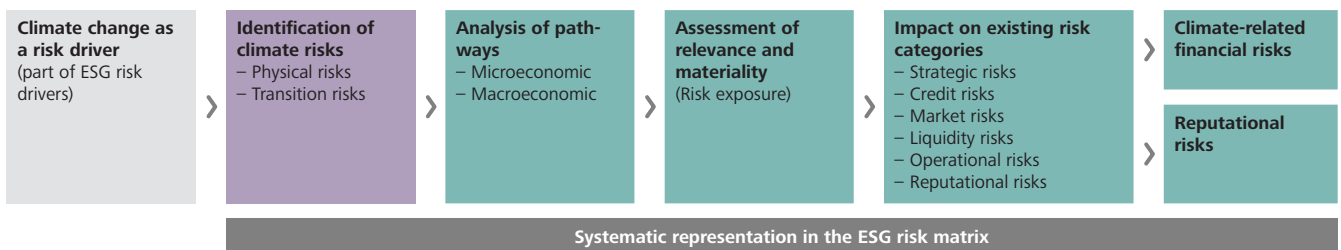
# 3 Risk management

## 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 risks associated with climate change are not viewed as a separate risk category, but as risk drivers of the existing risk categories in the context of ESG risk management and are thus integrated into the existing risk management framework.

To this end, climate risks are periodically analysed along the entire cause-effect chain. This analysis is based on available climate scenarios. It takes into account the physical and transition risks as well as their microeconomic and macroeconomic pathways to the existing risk categories. The aim is to assess the relevance and materiality of the risk driver based on the current risk exposure in each of the risk categories. For example, it analyses whether and to what extent credit risks could potentially change as a result of physical natural hazards caused by climate change, such as flooding. Reputational risks are also taken into account, in addition to the financial impact of climate-related financial risks.

### Analysis of climate risks along the cause-effect chain



The management of climate-related financial risks is integrated into the defined ESG risk management process. This covers the steps of identification, measurement and evaluation, management, monitoring and reporting.

**Management of climate-related financial risks 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. In 2023, special emphasis was placed on evaluating options to enhance the risk assessment process.

**Identification of climate-related financial risks**

The purpose of identification is to recognise and understand the relevant risk drivers in terms of the risks to which Raiffeisen is exposed. To identify risks, considerations include environmental trends, policy and regulatory developments, technological change, and market sentiment.

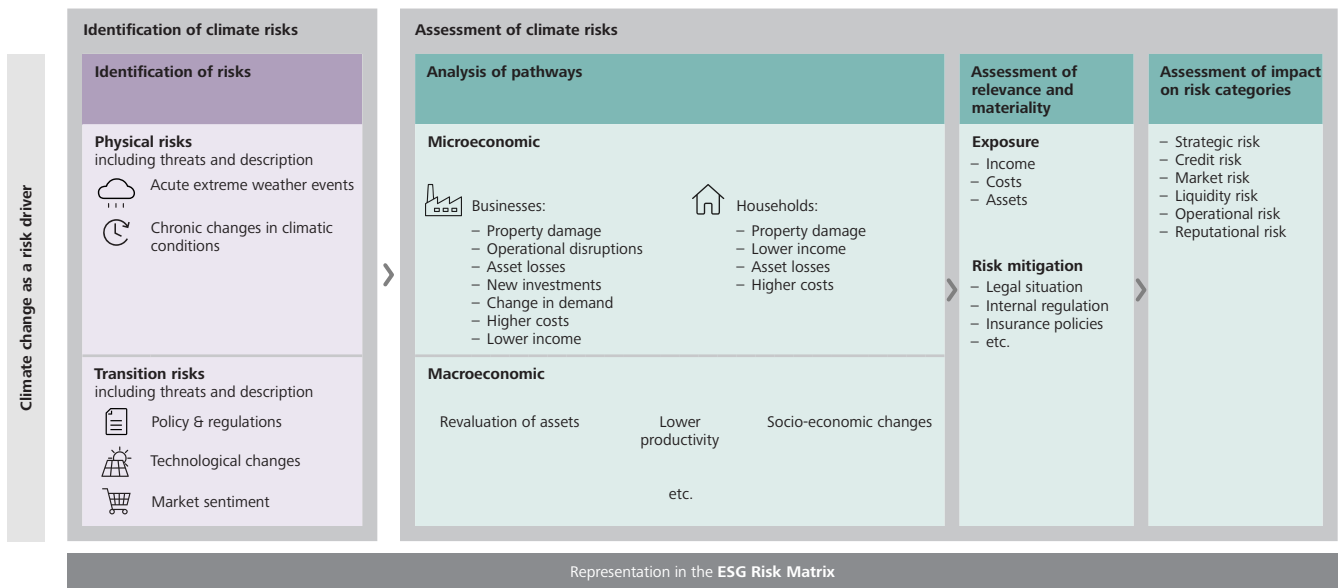
The risk identification is documented together with the risk assessment (see section below) in a comprehensive ESG risk matrix, updated at least once a year and reviewed by the internal experts in the specialised ESG Risks committee.

**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.

The assessment is carried out qualitatively in the ESG risk matrix for the identified risks and the existing risk categories. The assessment is also updated annually and reviewed by the ESG Risks committee.

**Qualitative assessment of climate risks (ESG risk matrix)**



To carry out a qualitative assessment in the ESG risk matrix, the relevance of the risks along the pathways and in terms of risk exposure is first assessed to exclude any non-relevant risks. Next, the materiality of the risks is assessed, factoring in risk exposures, in particular, in relation to sources of income and expenses, assets, and considering potential risk mitigation strategies. Finally, the extent of the impact on the existing risk categories and their respective sub-categories is assessed, using defined qualitative risk assessment categories.<sup>9</sup>

For a more in-depth analysis and to support the qualitative assessments, quantitative scenario calculations are carried out in some cases (see chapter "Opportunities and risks", section "Impact on credit risks", pages 10–11), which take the climate scenarios into account (see information box "NGFS climate scenarios" in the chapter "Resilience of the Raiffeisen strategy taking various climate scenarios into account", pages 17–18).

**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.

The individual measures for managing climate-related financial risks are generally defined and implemented by risk managers using existing risk categories.

In addition, the existing measures for climate-related financial risks are compared with the risk assessments in the ESG risk matrix to identify any necessary action and to make risk strategy decisions. This is done periodically by the specialised ESG Risks committee.

The existing risk management measures are essentially the measures set out in the climate strategy as well as internal guidelines and processes, which are listed in detail in the chapter "Opportunities and risks", pages 6–18.

As climate-related financial risks are currently classified as low to moderate, no need for additional measures beyond the existing measures has been identified so far. If the situation is reassessed, management measures may need to be defined, which would then be implemented by the risk manager.

<sup>9</sup> Range: negligible, low, moderate, material and critical

## **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 23). 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.

Monitoring specifically involves updating the ESG risk matrix at least once a year with input from the specialised ESG Risks committee, which also reviews risk management and KRI.

## **Reporting of climate-related financial risks**

Every year, the Board of Directors of Raiffeisen Switzerland receives information about the impact of climate-related financial risks on Raiffeisen's risk profile as part of ESG risk reporting. The report also contains information on the need for further action. If there are any significant and acute developments or findings relating to climate-related financial risks, the Executive Board and the Board of Directors will be notified during the year as part of regular risk reporting (for further details, please refer to chapter "Governance", [☞](#) pages 3–4).



## 4 Metrics and targets

Raiffeisen has been collecting data on its operational 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 Switzerland pays all employees variable remuneration in the form of a collective profit-sharing element. The collective profit-sharing element is a voluntary, variable benefit provided by Raiffeisen Switzerland as the employer. Apart from financial performance, Raiffeisen also takes into account sustainability criteria when determining the bonus. The criteria for determining the profit-sharing element are primarily applied by Raiffeisen Switzerland, but can also be adopted voluntarily by the Raiffeisen banks.

### 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 has also been audited every year by external consulting firms since 2021, and then further enhanced on that basis. A new method was introduced in 2023 to improve the recording and calculation of operational emissions.<sup>10</sup>

Total operational emissions in the year under review decreased compared to the previous year. This reduction is mainly due to the above-mentioned change in methodology.<sup>11</sup> As a result, the figures for 2023 can only be compared with those of previous years to a limited extent. The reported figures for the years 2019 to 2021 are based on the same former calculation method, so they remain comparable with one another.

CO<sub>2</sub> emission intensity in connection with the operation of infrastructure and related activities has been 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 significant increase in kilometres travelled for business purposes (compared to the previous years) is also largely due to the improvement in the method.<sup>12</sup> On a positive note, it should be emphasised that the use of public transport is generally trending upwards. Raiffeisen remains committed to increasing the use of public transport.

<sup>10</sup> The method of recording the operational infrastructure has been significantly improved by the systematic recording and referencing of floor space instead of full-time equivalents. Starting from 2022, the company records data on company vehicles, heating system types and construction, and refrigerant leaks for each building. These improvements enhance the data quality of Scope 1 and 2. The figures for 2022 were recalculated and adjusted retrospectively based on the improved method.

<sup>11</sup> The reduction is mainly due to the conservative initial recording of refrigerants (2022).

<sup>12</sup> Starting from 2022, both unarmoured and armoured road transport has been included in courier trips. As more comprehensive data is now collected, more kilometres are also recorded.

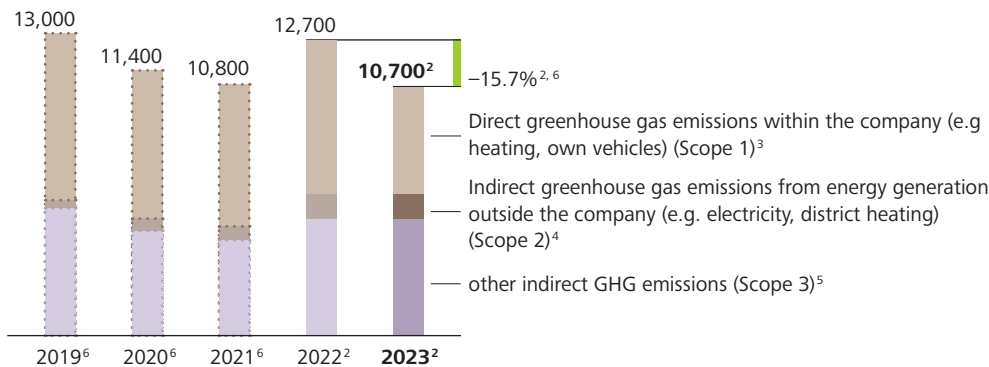
**Direct and indirect operational greenhouse gas emissions<sup>1</sup>**

Category	Unit	2021	2022 <sup>2</sup>	2023 <sup>3</sup>	Change to previous year in %	per FTE <sup>4</sup>
<b>Greenhouse gas emissions from energy, transport, paper and water<sup>5</sup></b>	t CO <sub>2</sub> eq	<b>10,800</b>	<b>12,700</b>	<b>10,700</b>	<b>-15.7</b>	<b>0.880</b>
Direct GHG emissions (Scope 1)	t CO <sub>2</sub> eq	6,100	6,600	4,600	-30.3	0.378
Indirect GHG emissions (Scope 2)	t CO <sub>2</sub> eq	600	1,100	1,100	0.0	0.090
Other indirect GHG emissions (Scope 3) <sup>6</sup>	t CO <sub>2</sub> eq	4,100	5,000	5,000	0.0	0.411

- All figures in this table have been rounded to the nearest hundred. This may result in rounding discrepancies.
- The emissions for 2022 were recalculated retrospectively based on the new method introduced in the year under review (e.g. new metrics, filling of data gaps or updating of emission factors). This leads to divergences from the figures in last year's report (total: 13,100 tonnes; Scope 1: 6,900 tonnes; Scope 2: 900 tonnes; Scope 3: 5,300 tonnes). The recalculated year 2022 is the new base year for the purposes of GRI.
- The operational greenhouse gas emissions of Scopes 1 and 2 (5,800 tonnes CO<sub>2</sub>-equivalent) 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.
- In this context, per personnel unit means per full-time equivalent including apprentices and trainees (12,163). This is why the number of FTEs used here differs from the other FTE figures in the annual report.
- The important emissions sources are recorded, based if possible on consumption data and, where necessary, on estimated figures. The three system limits are as follows.  
 Scope 1 (73% estimated values, 27% collected values): Direct greenhouse gas emissions from stationary sources in the company itself, in this case, oil and gas heating, own vehicles and refrigerant leakage.  
 Scope 2 (61% estimated values, 39% collected values): Indirect greenhouse gas emissions from energy generation outside the company, in this case, 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.  
 The organisational system limits are defined based on the principle of control, i.e. data is recorded about relevant emissions resulting from activities over which Raiffeisen can exercise operational control, in other words the buildings of the fully consolidated Group companies Raiffeisen Switzerland Cooperative, Raiffeisen Unternehmerrzentrum AG and Raiffeisen Immo AG.  
 The metrics are collected monthly for all Raiffeisen business properties and external ATMs. Data gaps are filled with master data stored in the system (e.g. floor area, heating system, etc.) and default figures (consumption per square metre of floor area).  
 The emission factors used for calculating greenhouse gas emissions were defined in conjunction with partners specialising in environmental performance and checked by external parties.
- The Scope 3 operational emissions disclosed here include the categories as defined in the GHG Protocol: "Fuel and energy-related emissions", "Transport and distribution", "Waste" and "Business travel" 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 26-27.

**Greenhouse gas emissions from energy, transport, paper and water consumption<sup>1</sup>**

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



⋮ dotted bars = values not comparable with 2022 and 2023

- All figures in this table have been rounded to the nearest hundred. This may result in rounding discrepancies. The Scope 3 operational emissions disclosed here 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", pages 26 and 27.
- The emissions for 2022 were recalculated retrospectively based on the new method introduced in the year under review (e.g. new metrics, filling of data gaps or updating of emission factors). This leads to divergences from the figures in last year's report (total: 13,100 tonnes; Scope 1: 6,900 tonnes; Scope 2: 900 tonnes; Scope 3: 5,300 tonnes). The recalculated year 2022 is the new base year for the purposes of GRI.
- Scope 1 (73% estimated figures, 27% recorded figures): Direct greenhouse gas emissions from stationary sources in the company itself, such as oil and gas heating systems, own vehicles and refrigerant leakage.
- Scope 2 (61% estimated figures, 39% recorded figures): 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.
- The figures from 2019 to 2021 are comparable. Due to a change in the calculation method and the resulting recalculation, however, they are not comparable with the figures for 2022 and 2023.

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 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<sup>1</sup>

Category	Unit	2021	2022 <sup>2</sup>	2023	Change to previous year in %	per FTE <sup>3</sup>
<b>Building energy</b>	kWh	<b>65,636,000</b>	<b>63,443,000</b>	<b>62,464,000</b>	<b>-1.5</b>	<b>5,136</b>
Electricity <sup>4</sup>	kWh	41,796,000	36,652,000	36,023,000	-1.7	2,962
Heating energy <sup>5</sup>	kWh	23,840,000	26,791'000	26,441,000	-1.3	2,174
<b>Business travel</b>	km	<b>9,717,000</b>	<b>18,815,000</b>	<b>18,616,000</b>	<b>-1.1</b>	<b>1,531</b>
Public transport (rail, bus, tram)	km	2,140,000	3,079,000	3,909,000	27.0	321
Road transport	km					
Private cars	km	1,645,000	2,234,000	2,400,000	7.4	197
Company cars	km	2,168,000	3,218,000	2,210,000	-31.3	182
Courier deliveries	km	3,406,000	9,778,000	9,523,000	-2.6	783
Passenger transport by air	km	11,000	19,000	25,000	31.6	2
Air freight	km	347,000	487,000	549,000	12.7	45
<b>Paper and water consumption</b>						
Paper consumption	t	699	698	639	-8.5	0.05
Water consumption	m <sup>3</sup>	131,000	348,000	364,000	4.6	30

1 All figures in this table have been rounded to the nearest thousand. This may result in rounding discrepancies.

2 The emissions for 2022 were recalculated retrospectively based on the new method introduced in the year under review (e.g. new metrics, filling of data gaps or updating of emission factors). This leads to divergences from the figures in last year's report. The recalculated year 2022 is the new base year for the purposes of GRI.

3 In this context, per personnel unit means per full-time equivalent including apprentices and trainees (12 163). This is why the number of FTEs used here differs from the other FTE figures in the annual report.

4 Only purchased electricity is included in electricity consumption. Electricity generated by the company's own photovoltaic systems is not included.

5 In the case of oil-fired heating systems, the delivery quantities are recorded. These may differ slightly from actual consumption.

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 (residential property and commercial real estate), business loans and 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.

#### Calculation of CO<sub>2</sub> emissions using PCAF methodology

The calculation of CO<sub>2</sub> emissions is based on the asset class-specific methods defined in the PCAF standard. In the first step, Raiffeisen financing is allocated to the PCAF asset classes. GHG emissions of the asset classes residential property and commercial real estate are calculated using CO<sub>2</sub> emission factors that are tailored to the Raiffeisen building portfolio. These CO<sub>2</sub> emission factors were developed by a specialist consulting firm based on the characteristics of properties such as the year of construction and the type of building, such as single-family homes or commonhold ownership, as well as location-specific metrics such as the energy source mix. Where necessary, the internally available data are supplemented with public data from the Register of Buildings and Dwellings. The CO<sub>2</sub> emissions per building are equal to the product of the energy reference area and the respective emission factor. The sum of the CO<sub>2</sub> emissions of all buildings in an asset class, weighted by the loan-to-value, is in line with financed emissions. For the asset classes of corporate loans and non-listed equity investments, the CO<sub>2</sub> emissions are calculated as the product of the outstanding amounts and the NOGA code-specific emission factors. These emission factors are available in the PCAF emissions database and are based on sectoral averages.

**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 property)	76,167	524,100	n/a	6,9	94	4
<b>2022</b>						
Mortgages (Residential property) <sup>4</sup>	123,145	517,300	n/a	4,2	100	4
Mortgages (Commercial property) <sup>4</sup>	79,697	533,800	n/a	6,7	94	4
Loans to corporate clients <sup>5</sup>	9,386	713,600	872,600	169,0	100	5
Mining and extraction of stones and earth	3	300	300	200,0		
Coking and mineral oil processing	0	0	0	n/a		
Production of chemical products	68	12,000	31,000	632,4		
Manufacture of food products, beverages and tobacco products	141	6,300	80,800	619,3		
Manufacture of textiles, apparel, leather and related products	4	100	1,200	350,0		
Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials, paper and paper products, printing and service activities related to printing, reproduction of recorded media	83	6,200	14,200	245,3		
Manufacture of basic pharmaceutical products and pharmaceutical preparations	37	6,600	17,000	631,9		
Manufacture of rubber and plastics products, manufacture of other non-metallic products	51	7,000	8,500	305,5		
Manufacture of basic metals, manufacture of fabricated metal products, except machinery and equipment	97	9,800	52,200	639,7		
Manufacture of computer, electronic and optical products	43	600	7,800	195,0		
Manufacture of electrical equipment	48	1,100	13,800	309,4		
Manufacture of machinery and equipment n.e.c.	56	600	11,700	220,5		
Manufacture of motor vehicles, trailers and semi-trailers, and other transport equipment	7	200	3,000	426,9		
Manufacture of furniture, other goods, repair and installation of machinery and equipment	114	3,800	35,300	342,8		
Construction of buildings, civil engineering, specialised construction activities	441	7,400	160,900	382,1		
Transportation and storage	112	6,200	11,000	153,6		
Services to buildings and landscape activities	37	100	900	29,2		
Unlisted participations <sup>7</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 property) and 'mortgages' (commercial property). 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 property) relates to Scope 1 and 2; in the case of loans to corporate clients and unlisted participations, to Scope 1, 2 and 3.

4 Adjustments were made to building area data in the internal systems in mid-2022. The figures were re-calculated on the basis of the new areas. The divergence from the previously published figures is around 1%.

5 In line with the "general methodology for economic sectors" of the Federal Statistical Office (NOGA classification). The latest findings indicate that the emission factor used in 2022 for NOGA code 3530 is too high an estimate. It can therefore be assumed that the emissions calculated on that basis are too high.

6 Does cover non-consolidated participations.

**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)
2023						
Mortgages (Residential property)	125,796	522,900	n/a	4,2	100	4
Mortgages (Commercial property)	83,979	550,400	n/a	6,6	95	4
Loans to corporate clients <sup>6</sup>	10,256	251,200	848,900	107.3	100	5
Mining and extraction of stones and earth	3	400	400	266.0		
Coking and mineral oil processing	0	0	0	0.0		
Production of chemical products	69	300	8,200	123.2		
Manufacture of food products, beverages and tobacco products	144	3,800	44,000	331.5		
Manufacture of textiles, apparel, leather and related products	3	100	400	173.8		
Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials, paper and paper products, printing and service activities related to printing, reproduction of recorded media	75	6,300	12,900	257.5		
Manufacture of basic pharmaceutical products and pharmaceutical preparations	38	200	4,500	122.4		
Manufacture of rubber and plastics products, manufacture of other non-metallic products	62	10,200	20,200	487.4		
Manufacture of basic metals, manufacture of fabricated metal products, except machinery and equipment	92	8,700	21,600	328.7		
Manufacture of computer, electronic and optical products	44	500	19,000	446.2		
Manufacture of electrical equipment	47	500	20,000	438.9		
Manufacture of machinery and equipment n.e.c.	49	1,200	6,700	159.8		
Manufacture of motor vehicles, trailers and semi-trailers, and other transport equipment	8	100	1,800	237.5		
Manufacture of furniture, other goods, repair and installation of machinery and equipment	97	2,100	36,100	395.1		
Construction of buildings, civil engineering, specialised construction activities	432	7,400	70,800	181.3		
Transportation and storage	165	1,300	3,000	26.5		
Services to buildings and landscape activities	32	400	2,000	72.7		
Unlisted participations <sup>7</sup>	253	61	410	1.9	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 property) and 'mortgages' (commercial property). 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 property) 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 Classification of Economic Activities of the Federal Statistical Office (NOGA classification). The emission factors were updated by PCAF in 2023. This results in a reduction in the calculated emissions compared to the emission factors that were previously used. In addition, a plausible emission factor for NOGA code 3530 is not available at the time of preparing this report. It can be assumed that the emissions calculated on that basis are too low. We reserve the right to update the 2023 calculation if a more accurate emission factor becomes available. In addition, the sectors shown here comply with PCAF disclosure requirements and are therefore not exhaustive.

5 Does cover non-consolidated participations.

## 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 operational GHG emissions is expected to already be achieved by 2030. On that basis, Raiffeisen calculated science-based reduction targets for the first time in 2022. In the year under review, Raiffeisen recalculated its CO<sub>2</sub> reduction targets using ambitious calculation methods, a more recent base year and an adjusted target horizon up to 2030. These targets are complemented by key performance indicators (KPI), operational targets and measures, which are summarised in a "transition plan" (see Annex, [☞](#) page 31). 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.

Reduction targets			
Topics	Targets	Figures in base year 2022	Method
Financed buildings	Reduction in GHG emissions (kg CO <sub>2</sub> eq) by 2030		Sectoral decarbonisation approach <sup>2</sup>
	– for mortgages (commercial real estate) by 61% per m <sup>2</sup>	– Mortgages (commercial real estate); <sup>1</sup> 19.8 kg CO <sub>2</sub> eq per m <sup>2</sup>	
	– for mortgages (residential real estate) by 45% per m <sup>2</sup>	– Mortgages (residential property): <sup>1</sup> 17.1 kg CO <sub>2</sub> eq per m <sup>2</sup>	
Operations <sup>3</sup>	Reduction in GHG emissions (t CO <sub>2</sub> eq) Scope 1 and Scope 2 by 2030 by 42%	7,878 t CO <sub>2</sub> eq	Absolute contraction <sup>4</sup>

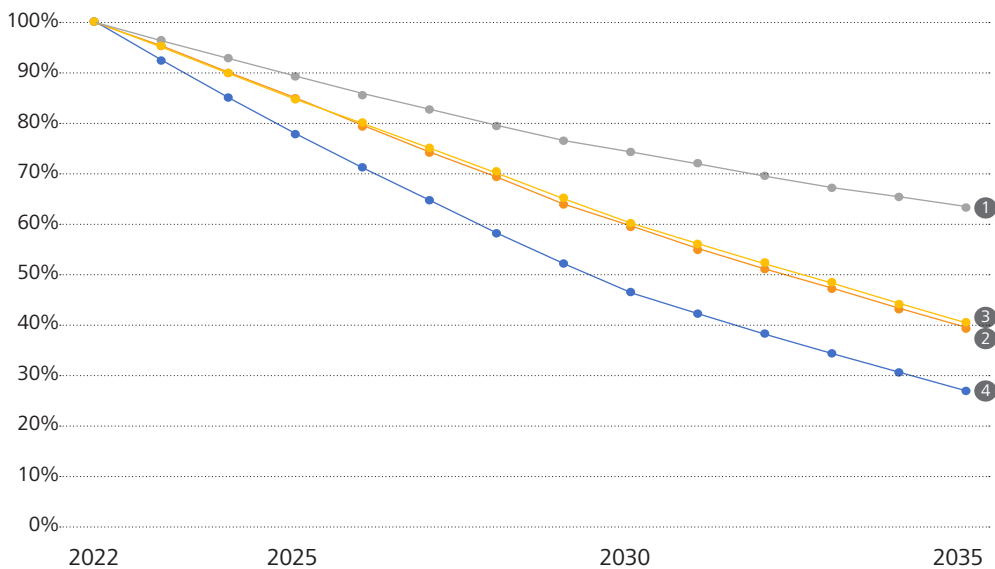
- 1 In the case of the asset class mortgages (residential property), 100% of the mortgage volume can be evaluated, for mortgages (commercial real estate), the figure is 94%. The calculation was also retroactively adjusted and the intensities are now calculated on the basis of the financed square metres.
- 2 The Sectoral Decarbonization Approach (SDA) is a method of setting physical intensity targets that uses convergence of emission intensity. An intensity target is defined by a reduction in emissions relative to a specific business metric, such as production output of a company (e.g. metric tonnes of CO<sub>2</sub>eq per tonne of product produced). The SDA assumes global convergence of key sectors' emissions intensity by 2050.
- 3 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.
- 4 The approach requires an annual linear reduction in absolute emissions of at least 4.2% for the 1.5°C targets.

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 emission reductions of the buildings financed by Raiffeisen as required by the SBT method with a "business as usual" and a "net zero" scenario based on Energy Perspectives 2050+. The "net-zero" scenario represents energy system development that is compatible with net-zero GHG emissions by 2050, while also ensuring that the energy supply is secure (see chart "Assessment of the path to reduce emissions in the buildings financed by Raiffeisen", [☞](#) page 29).

The chart shows that the reduction required by SBT to limit global warming to below 2°C (Raiffeisen SBT 2 °C) corresponds approximately to the "net zero" scenario based on Energy Perspectives 2050+. On the other hand, the path to reduce emissions in the buildings financed by Raiffeisen would be clearly below the "net zero" scenario if a 1.5 °C reduction pathway is calculated for only some of these buildings, namely the commercial real estate ("Raiffeisen SBT partial 1.5 °C"). According to the assessment of the external consulting firm, it would then be very challenging for Switzerland to develop its building stock in such a way that an ambitious 1.5 °C reduction pathway could be realised.

Raiffeisen will nevertheless continue to compare the actual GHG intensity of the commercial properties it finances through mortgages with the 1.5 °C reduction pathway calculated in line with the SBT method. Raiffeisen will also continue the steps it is taking to reduce GHG emissions in the building stock it finances. This includes the political commitment to effective CO<sub>2</sub> regulations. In view of the various dependencies, however, we consider it unrealistic that we will achieve the 1.5 °C reduction pathway calculated using the SBT method with the building stock that we finance through mortgages.

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



- ① **"Business as usual" scenario**  
in buildings financed by Raiffeisen while continuing existing energy and climate policy measures
- ② **Net zero scenario**  
Reduction in emission intensity 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)
- ③ **Raiffeisen SBT 2°C**  
Reduction in emission intensity in buildings financed by Raiffeisen, by 40% by 2030 / by 59% by 2035
- ④ **Raiffeisen SBT partial 1.5°C**  
Reduction in emission intensity in buildings financed by Raiffeisen, by 53% by 2030 / by 73% by 2035

## Metrics

To monitor implementation of the climate strategy and the risk situation, the metrics listed in the following 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 the CO<sub>2</sub> intensity or carbon footprint of Raiffeisen funds, financial investments and the trading book is calculated and reported, 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	31.12.2023	Deviation from previous year
<b>Financed buildings (mortgages)</b>					
Emission intensity for mortgages					
residential properties <sup>1</sup>	kg CO <sub>2</sub> eq /m <sup>2</sup>	17.1	17.1	17.1	0%
commercial properties <sup>1</sup>	kg CO <sub>2</sub> eq /m <sup>2</sup>	19.8	19.8	19.8	0%
Deviation from the reduction path of CO <sub>2</sub> emissions for financed					
residential properties <sup>2</sup>	%	n/a	0.0	7.6	n/a
commercial properties <sup>2</sup>	%	n/a	0.0	11.8	n/a
Proportion of buildings at high risk level <sup>3</sup>	%	10.3	10.3	10.7	0.4%pt.
<b>Corporate loans</b>					
Emission intensity of the loans					
Scope 1 and Scope 2	t CO <sub>2</sub> eq /million CHF	70.2	76.0	24.5	-67.8%
Scope 3	t CO <sub>2</sub> eq /million CHF	104.4	93.0	82.8	-11.0%
Loans to large companies with science-based climate targets in relation to total lending to large companies	%	0.0	0.0	4.3	4.3%pt.
Proportion of financing in CO <sub>2</sub> -intensive sectors <sup>4</sup>	%	2.7	3.2	3.2	0.0%pt.
<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> eq /million CHF	0.31	0.31	0.31	0%
financial investments, Scope 3 <sup>5</sup>	t CO <sub>2</sub> eq /million CHF	0.04	0.06	0.23	283%
Investments in bonds of companies with science-based climate targets in relation to total investments(financial investments)	%	0.0	0.0	0.0	0.0%pt.
<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	15.5	-26.0	n/a
Deviation from the reduction path of CO <sub>2</sub> emissions in operations <sup>2</sup>	%	n/a	0.0	-22.6	n/a
<b>Other</b>					
Average CO <sub>2</sub> footprint of Raiffeisen funds <sup>7</sup>	t CO <sub>2</sub> eq /invested CHF million	n/a	159.1	278.6	75.1%
Average CO <sub>2</sub> intensity of Raiffeisen funds <sup>7</sup>	t CO <sub>2</sub> eq /CHF million in sales	n/a	596.3	873.0	46.4%

1 The emission intensities for residential property and commercial real estate are to be regarded as estimates, due to the existing data quality and the use of emission factors. The emission factors that were used were kept constant for calculation of the years 2021 to 2023. 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. The calculation was also adjusted retrospectively for all the years and the intensities are now calculated on the basis of the square metres that are financed.

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 The emission factors were updated by PCAF in 2023. This results in a reduction in the calculated emissions compared to the emission factors that were previously used.

5 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.

6 The emission intensities for corporate bonds 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. The figures for 2021 and 2022 were adjusted on the basis of the classification applied in 2023, which is in line with the SBTi method.

7 As the method was developed and defined with more precision in 2022 and 2023, the reported figures are not directly comparable.

8 Excluding gold and real estate funds. The data for the calculation as at 31 December 2021 is not available. The deviation between 2022 and 2023 is due to an adjustment in the emission factors used by external partners. 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 61% by 2030 per m<sup>2</sup> for mortgages (commercial properties) and 45% per m<sup>2</sup> for mortgages (residential properties) compared to 2022

KPI	Operational targets	Measures
<ul style="list-style-type: none"> <li>Emission intensity (kg CO<sub>2</sub> eq/m<sup>2</sup>) for mortgages (residential real estate) and mortgages (commercial real estate)</li> </ul>	<ul style="list-style-type: none"> <li>Awareness of climate compatibility raised among more than 3,000 additional homeowners per year</li> </ul>	<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 compatibility</li> <li>Political commitment to climate protection, including an effective buildings programme</li> <li>Further development of eco-mortgages</li> </ul>

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

KPI	Operational targets	Measures
<ul style="list-style-type: none"> <li>Loans to large companies with science-based climate targets in relation to total lending to large companies (%)</li> <li>Emission intensity (t CO<sub>2</sub> eq/million CHF) of loans (Scope 1, Scope 2, Scope 3)</li> <li>Share of financing in CO<sub>2</sub>-intensive sectors</li> </ul>	<ul style="list-style-type: none"> <li>No investment in companies that mine coal, extract oil or natural gas, or operate coal-fired power plants</li> <li>Less than 6% financing in climate-damaging sectors excluding agriculture</li> <li>Mediated or self-conducted dialogue with at least 10% of existing corporate clients (large companies) regarding science-based climate targets per year</li> </ul>	<ul style="list-style-type: none"> <li>Defined exclusions of climate-intensive sectors</li> <li>Raising companies' awareness of the potential for increasing climate compatibility in their operations and for science-based climate targets</li> <li>Support for an ambitious climate policy</li> </ul>

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

KPI	Operational targets	Measures
<ul style="list-style-type: none"> <li>Investment in companies with science-based climate targets in relation to total investment in corporate bonds (financial investments) (%)</li> <li>Emission intensity (t CO<sub>2</sub> eq/million CHF) of corporate bonds held (financial investments, Scopes 1 and 2, Scope 3)</li> </ul>	<ul style="list-style-type: none"> <li>Mediated or self-conducted dialogue with at least 10% of the invested companies covered by the target, per year</li> </ul>	<ul style="list-style-type: none"> <li>Raising companies' awareness of the potential for increasing climate compatibility in their operations and for science-based climate targets</li> <li>Financial support for the Go for Impact association to raise awareness among Swiss SMEs about carbon footprinting and target setting.</li> </ul>

### Reduction in GHG emissions in operations by 42% by 2030 compared to 2022

KPI	Operational targets	Measures
<ul style="list-style-type: none"> <li>Reduction in absolute emissions (t CO<sub>2</sub> eq) Scope 1 and Scope 2, based on defined reduction pathway compared to previous year (%)</li> </ul>	<ul style="list-style-type: none"> <li>7% annual renewal rate for the 382 (of 800) fossil-fuel-heated 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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Thank you for the trust you have placed in us.