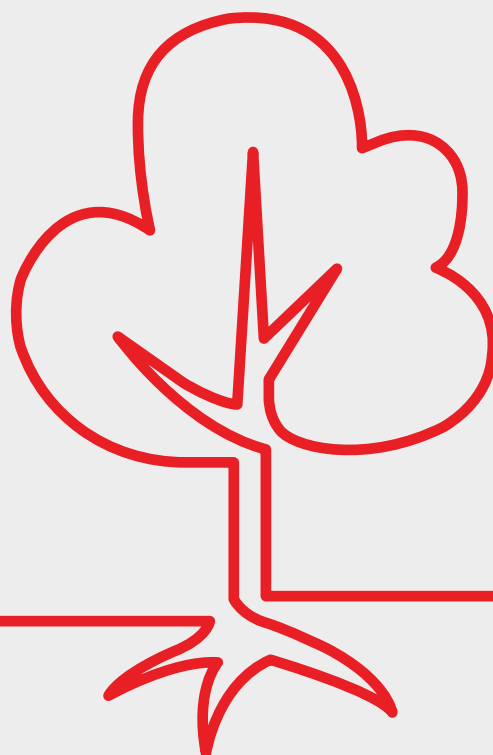


# 2021

## Supplement to the Annual Report

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



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# GRI content index

Since 2018, Raiffeisen has based its reporting on the standards of the Global Reporting Initiative (“comprehensive” option). This GRI content index refers to the relevant information in the Raiffeisen Annual Report 2021 ([📄 report.raiffeisen.ch/en-downloads](https://report.raiffeisen.ch/en-downloads)).

## Principles

GRI standard	Pages/URL	(Additional) information, omitted (incl. reasoning)
<b>GRI 101: Principles (2016)</b>		
<b>GRI 102: General disclosures</b>		
<b>Organisational profile</b>		
102-1 Name of the organisation	Annual Report, p. 212	
102-2 Activities, brands, products and services	Annual Report, p. 45–57	
102-3 Location of headquarters	Annual Report, p. 212	
102-4 Location of operations	Annual Report, p. 108–113	In addition, the Raiffeisen Group has operations throughout Switzerland. Raiffeisen Switzerland and the Raiffeisen banks do not have a sales network outside Switzerland. Relationships with clients domiciled abroad are in principle entered into reactively in line with the Raiffeisen Group’s basic strategy.
102-5 Ownership and legal form	Annual Report, p. 108–113	
102-6 Markets served	Annual Report, p. 81	
102-7 Size of the organisation	Employees: Annual Report, p. 62, p. 64; Branches: Annual Report, p. 108–113; Net sales: Annual Report, p. 151; Total capitalisation: Annual Report, p. 153; Scope of products and services provided: Annual Report, p. 150	
102-8 Information on employees and other workers	Annual Report, p. 62, p. 64	In addition, independent contractors do not represent a significant proportion of the workforce, except in the IT department.
102-9 Supply chain	Annual Report, p. 76	
102-10 Significant changes to the organisation and its supply chain	Annual Report, p. 6–9	
102-11 Precautionary principle or approach		The precautionary principle is a guiding principle of Swiss environmental law (Art. 1 (2) of the Environmental Protection Act). Raiffeisen observes the precautionary principle by respecting the Swiss legal framework. While the precautionary principle is not explicitly recognised, it is part of Raiffeisen’s self-image.
102-12 External initiatives	Annual Report, p. 73–74	
102-13 Membership of associations and interest groups	Annual Report, p. 74	In addition, Swiss Funds and Asset Management Association SFAMA, Swiss Structured Products Association SSPA, Coordination Domestic Banks, IG Genossenschaftsunternehmen, International Raiffeisen Union.
<b>Strategy</b>		
102-14 Statement from senior decision-maker	Annual Report, p. 70	
102-15 Key impacts, risks and opportunities	Annual Report, p. 17–19, Supplement to the Annual Report, p. 10–13	
<b>Ethics and integrity</b>		
102-16 Values, principles, standards and behavioural standards	Annual Report, p. 11–14, 70–71	
102-17 Mechanisms for advice and concerns about ethics		Client complaint process, banking ombudsman, whistleblowing process at Raiffeisen Switzerland.

GRI standard	Pages/URL	(Additional) information, omitted (incl. reasoning)
<b>Governance</b>		
102-18 Governance structure	Annual Report, p. 73, 128	
102-19 Delegating authority	Annual Report, p. 73	
102-20 Executive-level responsibility for economic, environmental and social topics	Annual Report, p. 73	
102-21 Consulting stakeholders on economic, environmental and social topics	Annual Report, p. 73 – 74	In addition, the Board of Directors does not maintain a systematic stakeholder management process regarding economic, environmental and social issues. However, members of the Board of Directors are free to engage with stakeholders.
102-22 Composition of the highest governance body and its committees	Annual Report, p. 117 – 127	In addition, with the exception of members of the Board of Directors of three Raiffeisen banks, no Raiffeisen Group executives sit on the Board of Directors of Raiffeisen Switzerland. Two members are female (22%); one member comes from Ticino and two from French-speaking Switzerland.
102-23 Chair of the highest governance body	Annual Report, p. 119	In addition, the Chairman of the Board of Directors of Raiffeisen Switzerland is not – and by law is prohibited from being – part of the Executive Board of Raiffeisen Switzerland.
102-24 Nominating and selecting the highest governance body	Annual Report, p. 117	In addition, the Board of Directors of Raiffeisen Switzerland submits nominations to the General Meeting; representatives of the Raiffeisen banks are involved in the nomination process. There is no explicit requirement for gender diversity, the representation of other stakeholders or expertise in economic, environmental and social issues, but these are typically taken into consideration when assessing candidates. Raiffeisen generally meets the requirements imposed by FINMA in Circular 2017/01 "Corporate governance – banks" regarding the independence of the Board of Directors as the top management body.
102-25 Conflicts of interest		Raiffeisen Switzerland's Terms and Conditions of Business set out the rules for avoiding conflicts of interest on the Board of Directors, Board committees and the Executive Board of Raiffeisen Switzerland. A similar provision set out in the Raiffeisen banks' Terms and Conditions of Business applies to the Raiffeisen banks. Under these Terms and Conditions of Business, people cannot be elected to the Board of Directors if professional or other circumstances expose them to conflicts of interest that would significantly impair their ability to exercise their mandate. Members of the same family and registered partners may not be members of the same Board of Directors at the same time. Members of the Board of Directors (and members of the Executive Board) recuse themselves from any transactions that affect their own interests or those of related parties or companies with which they are personally affiliated. At Raiffeisen Switzerland, the Board of Directors ensures compliance with these disclosure and recusal obligations. It reviews the personal affiliations of the members of the Board of Directors, Executive Board and Internal Auditing every year.
102-26 Role of highest governance body in setting purpose, values and strategies	Annual Report, p. 15, p. 117 – 127	
102-27 Collective knowledge of the highest governance body	Annual Report, p. 73	
102-28 Evaluating the highest governance body's performance	Annual Report, p. 73	In addition, the General Meeting assesses the performance of Raiffeisen Switzerland's Board of Directors by approving the annual report, ratifying the actions of the Board of Directors and electing and dismissing members of the Board of Directors. The Board of Directors also conducts a self-assessment annually. There is no specific assessment in terms of the management of economic, environmental and social topics.
102-29 Identifying and managing economic, environmental and social impacts	Annual Report, p. 70 – 71, Supplement to the Annual Report, p. 8 – 9	
102-30 Effectiveness of risk management processes	Annual Report, p. 73, 86; Supplement to the Annual Report, p. 10 – 13	In addition, the Board of Directors of Raiffeisen Switzerland bears responsibility for the adequacy and effectiveness review of the entire risk management process. It does not explicitly categorise economic, environmental and social factors. However, they are included in the regular review if they affect the risk management process.
102-31 Review of economic, environmental and social topics	Annual Report, p. 71; Supplement to the Annual Report, p. 8 – 9	
102-32 Highest governance body's role in sustainability reporting	Annual Report, p. 73	Sustainability reports are approved first by the Executive Board and then by Raiffeisen Switzerland's Board of Directors as part of the annual report.
102-33 Communicating critical concerns	Annual Report, p. 73 – 74	In addition, as part of the annual Legal & Compliance reporting to the Board of Directors.
102-34 Nature and total number of critical concerns		The relevant information is not available and cannot be recorded. Various types of critical concerns can be brought to the attention to the Board of Directors of Raiffeisen Switzerland. These may be addressed by the committees of the Board of Directors and the Board of Directors. But concerns are not categorised as critical or non-critical.

GRI standard	Pages/URL	(Additional) information, omitted (incl. reasoning)
102-35 Remuneration policies	Remuneration Report, p. 149	
102-36 Process for determining remuneration	Remuneration Report, p. 140 – 145	
102-37 Stakeholders' involvement in remuneration	Remuneration Report, p. 139	In addition, the General Meeting of Raiffeisen Switzerland unanimously accepted the remuneration regulations for the Board of Directors and approved the total remuneration framework for the Board of Directors and Executive Board of Raiffeisen Switzerland in a consultative vote.
102-38 Ratio of total annual compensation of the highest-paid person in the organisation to the median annual total compensation for all employees (excluding the highest-paid person).		Omitted: disclosure is not possible this year due to the availability of data. The ratio will be disclosed in the Annual Report 2022.
102-39 Ratio of percentage increase in total annual compensation of the highest-paid person in the organisation to the median percentage increase in annual total compensation for all employees (excluding the highest-paid person).		Data not available due to the structure of the Raiffeisen group and the associated autonomy of the Raiffeisen banks.
<b>Stakeholder involvement</b>		
102-40 List of stakeholder groups	Annual Report, p. 73 – 74	In addition, cooperative members, clients, employees, strategic partners, business associations, NGOs, media, public sector.
102-41 Collective bargaining agreements	Annual Report, p. 63	
102-42 Identifying and selecting stakeholders	Annual Report, p. 73 – 74	
102-43 Approach to stakeholder engagement	Annual Report, p. 73 – 74	
102-44 Key topics and concerns raised	Annual Report, p. 73 – 74	
<b>Reporting procedure</b>		
102-45 Entities included in the consolidated financial statements	Annual Report, p. 113	
102-46 Defining report content and topic boundaries	Annual Report, p. 70 – 71, Supplement to the Annual Report, p. 8 – 9	
102-47 List of material topics	Annual Report, p. 71; Supplement to the Annual Report, p. 8 – 9	
102-48 Restatements of information		No relevant reformulations.
102-49 Changes in reporting		No material changes, content has been added.
102-50 Reporting period		1 January 2021 to 31 December 2021.
102-51 Date of most recent report		April 2021.
102-52 Reporting cycle		Annually.
102-53 Contact point for questions regarding the report		Raiffeisen Switzerland, Corporate Responsibility & Sustainability <a href="mailto:nachhaltigkeit@raiffeisen.ch">nachhaltigkeit@raiffeisen.ch</a> .
102-54 Declaration of reporting in accordance with the GRI standards	Annual Report, p. 72	This report was prepared in accordance with the GRI standards using the “comprehensive” option.
102-55 GRI content index		This document.
102-56 External assurance		No other external assurance was provided. A qualified external partner was brought in to help develop the 2018 report. The GRI materiality disclosures service was also used for the 2018 GRI content index, which this index follows closely.

## Material disclosures

GRI standard	Pages/URL	(Additional) information, omitted (incl. reasoning)
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### Series 200 (Economic disclosures)

#### Economic performance

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

103-1	Explanation of the material topic and its boundaries	Annual Report, p. 76–77	
103-2	The management approach and its components	Annual Report, p. 76–77	
103-3	Evaluation of the management approach	Annual Report, p. 76–77	

##### GRI 201: Economic performance (2016, FSS requirements for EC1, 2013)

201-1	Direct economic value generated and distributed	Annual Report, p. 77	Omitted: 201-1 b, not applicable, Raiffeisen transacts almost all of its business in the Swiss market.
201-2	Financial implications of climate change for the organisation and other risks and opportunities due to climate change	Annual Report, p. 76, p. 86; Supplement to the Annual Report, p. 10–11	
201-3	Defined benefit plan obligations and other retirement plans	<a href="http://raiffeisen.ch/pensionskasse/de/service/publikationen/jahresberichte">raiffeisen.ch/pensionskasse/de/service/publikationen/jahresberichte</a> Annual Report, p. 81	
201-4	Financial assistance received from government	Annual Report, p. 76–77	

#### Anti-corruption

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

103-1	Explanation of the material topic and its boundaries	Annual Report, p. 75–76	
103-2	The management approach and its components	Annual Report, p. 75–76	
103-3	Evaluation of the management approach	Annual Report, p. 75–76	

##### GRI 205: Anti-corruption (2016)

205-1	Operations assessed for risks related to corruption	Annual Report, p. 75–76	
205-2	Communication and training about anti-corruption policies and procedures	Annual Report, p. 75–76	In addition, members of the Board of Directors of Raiffeisen Switzerland receive an annual report on legal and compliance topics. In addition, a quarterly report is submitted to the Risk Committee of the Board of Directors. This is where corruption issues would be addressed.
205-3	Confirmed incidents of corruption and actions taken	Annual Report, p. 76	

### Series 300 (Environmental disclosures)

#### Emissions (GHG)

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

103-1	Explanation of the material topic and its boundaries	Annual Report, p. 83–86	
103-2	The management approach and its components	Annual Report, p. 83–86	Electricity mix: 100% renewable. Breakdown in 2021: hydro 95.3%, solar 3.5%, wind 0.3%, biomass 0.9%, geothermal 0.0%, nuclear 0.0%
103-3	Evaluation of the management approach	Annual Report, p. 83–86, Supplement to the Annual Report, p. 10–11.	

GRI standard	Pages/URL	(Additional) information, omitted (incl. reasoning)
<b>GRI 305: Emissions (GHG) (2016)</b>		
305-1 Direct (Scope 1) GHG emissions	Annual Report, p. 83 – 86	In addition, the disclosures cover the following greenhouse gases (GHG) from the Greenhouse Gas (GHG) Protocol (or Kyoto Protocol): carbon dioxide (CO <sub>2</sub> ), methane (CH <sub>4</sub> ), nitrous oxide (N <sub>2</sub> O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF <sub>6</sub> ) and nitrogen trifluoride (NF <sub>3</sub> ). There are no biogenic emissions. The base year is 2012, which is when Group-wide data collection and modelling began. Changes in the SAP evaluation method and the sale of several subsidiaries (Vescore, Notenstein La Roche, various companies with small energy footprints) required a recalculation of emissions in the 2012 baseline year. The ecoinvent 3.1 factors are used to calculate the global warming potential. Consolidation is based on the operational control approach. The calculation used Vfu indicators of 16.11.2015 – Vfu indicators 16.11.2015 – Version 1.0 of the 2015 update with greenhouse gas conversion factors from ecoinvent 3.1.
305-2 Energy indirect (Scope 2) GHG emissions	Annual Report, p. 83 – 86	In addition, see 305-1.
305-3 Other indirect (Scope 3) GHG emissions	Annual Report, p. 83 – 86	In addition, see 305-1. The disclosures include transports of precious metals and banknotes based on settlement amounts (expenses, charges) and paper consumption.
305-4 GHG emissions intensity	Annual Report, p. 83 – 86	In addition, see 305-1. The parameter used for the calculation is full-time equivalents (FTEs). All the emissions included in Scope 1 to 3 were used for the calculation: building energy (electricity, heat), business travel (passenger and freight), fresh water and paper.
305-5 Reduction of GHG emissions	Annual Report, p. 83 – 86	In addition, see 305-1.
305-6 Emissions of ozone-depleting substances (ODS)		Omitted: Not applicable, material topic is CO <sub>2</sub> emissions.
305-7 Nitrogen oxides (NO <sub>x</sub> ), sulphur oxides (SO <sub>x</sub> ) and other significant air emissions		Omitted: Not applicable, material topic is CO <sub>2</sub> emissions.

## Series 400 (Social topics)

### Training and continuing education

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

103-1 Explanation of the material topic and its boundaries	Annual Report, p. 65 – 67	
103-2 The management approach and its components	Annual Report, p. 65 – 67	
103-3 Evaluation of the management approach	Annual Report, p. 65 – 67	

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

404-1 Average hours of continuing education per year per employee		Partially met; only internal offerings recorded. Although independent forms of self and peer learning are rising sharply and cannot be recorded in terms of time, on average Raiffeisen employees took part in 9.7 hours of training and continuing education (2020: 8.1). This is equivalent to 887 (2020: 695) courses held. 241 (2020: 394) people achieved certification as an advisor.
404-2 Programmes for upgrading employee skills and transition assistance programmes	Annual Report, p. 65 – 67	
404-3 Percentage of employees receiving regular performance and career development reviews	Annual Report, p. 64	

GRI standard	Pages/URL	(Additional) information, omitted (incl. reasoning)
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## Diversity and equal opportunity

### GRI 103: Management approach (2016)

103-1	Explanation of the material topic and its boundaries	Annual Report, p. 61	
103-2	The management approach and its components	Annual Report, p. 61	
103-3	Evaluation of the management approach	Annual Report, p. 61	

### GRI 405: Diversity and equal opportunity (2016)

405-1	Diversity of governance bodies and employees	Annual Report, p. 61 – 62	
405-2	Ratio of basic salary and remuneration of women to men	Annual Report, p. 61	Partially: as required by law an equal pay analysis was carried out in 2021 for Raiffeisen Switzerland and the Raiffeisen banks where this was necessary under the Gender Equality Act (GEA). This showed that there is equal pay for men and women. The methodology used means it is not possible to derive/draw more in-depth conclusions at Group level or broken down by categories.

## Marketing and labelling

### GRI 103: Management approach (2016)

103-1	Explanation of the material topic and its boundaries	Annual Report, p. 81 – 83	
103-2	The management approach and its components	Annual Report, p. 81 – 83	
103-3	Evaluation of the management approach	Annual Report, p. 81 – 83	

### GRI 417: Marketing and labelling (2016)

417-1	Requirements for product and service information and labelling	Annual Report, p. 82	
417-2	Incidents of non-compliance concerning product and service information and labelling	Annual Report, p. 83	
417-3	Incidents of non-compliance concerning marketing	Annual Report, p. 83	

## Protecting client data

### GRI 103: Management approach (2016)

103-1	Explanation of the material topic and its boundaries	Annual Report, p. 82	
103-2	The management approach and its components	Annual Report, p. 82	In addition, the information security management system (ISMS) includes an instruction and control system with technical and organisational measures to protect (client) data. In addition to the general level of protection, the internal regulations and processes of the Raiffeisen Group define explicit and risk-based actions to protect client data.
103-3	Evaluation of the management approach	Annual Report, p. 82	

### GRI 418: Protecting client data (2016)

418-1	Substantiated complaints concerning breaches of client privacy and losses of client data	Annual Report, p. 83	
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GRI standard	Pages/URL	(Additional) information, omitted (incl. reasoning)
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## Socioeconomic compliance

### GRI 103: Management approach (2016)

103-1	Explanation of the material topic and its boundaries	Annual Report, p. 75 – 76	
103-2	The management approach and its components	Annual Report, p. 75 – 76	
103-3	Evaluation of the management approach	Annual Report, p. 75 – 76	

### GRI 419: Socioeconomic compliance (2016)

419-1	Non-compliance with laws and regulations in the social and economic area	Annual Report, p. 76	
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## Financial services sector supplement

### Product portfolio

#### GRI 103: Management approach (2016, including FSS requirements, product portfolio FS 1 to FS 5, 2013)

103-1	Explanation of the material topic and its boundaries	Annual Report, p. 78 – 80	
103-2	The management approach and its components (including FS 1 to FS 5)	Annual Report, p. 78 – 80	
103-3	Evaluation of the management approach	Annual Report, p. 78 – 80	

#### Product portfolio (FSS requirements, product portfolio FS 6 to FS 8, 2013)

FS 6	Composition of the portfolio in percentages	Annual Report, p. 80	
FS 7 and FS 8	Products and services designed to deliver a specific social/environmental benefit	Annual Report, p. 80	

### Active ownership

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

103-1	Explanation of the material topic and its boundaries	Annual Report, p. 79	
103-2	The management approach and its components	Annual Report, p. 79	
103-3	Evaluation of the management approach	Annual Report, p. 79	

#### Active ownership (FSS requirements, active ownership FS 10 and FS 11, 2013)

FS 10	Percentage and number of companies held in the institution's portfolio with which the organisation has interacted on environmental or social issues		Omitted: not available (will be disclosed by 2022)
FS 11	Percentage of assets subject to positive and negative environmental or social screening	Annual Report, p. 80	

# Materiality analysis

The materiality analysis, which was first conducted in 2018, is based on a survey of internal and external stakeholders as well as sustainability experts. The choice of stakeholders and experts was validated with a consulting firm. Since then the materiality analysis has been carried out annually as part of an exchange with stakeholders; this was the case in 2021. The materiality matrix below shows the results of the analysis in the form of a matrix. The stakeholder survey axis shows how much a topic affected the internal and external stakeholders' view of Raiffeisen. The sustainable development impact axis quantifies how much the surveyed experts believe Raiffeisen can or could drive sustainable development with regard to a particular topic.

## Materiality matrix

2021



Experts – In which topics are the (potential) effects on Raiffeisen particularly high?

The following topics are particularly important for Raiffeisen based on the analysis (the guiding principles of the sustainability strategy that incorporate these topics are mentioned in brackets):

- Active ownership (guiding principle: create sustainable products and services)
- Training and continuing education (guiding principle: promote employee expertise and diversity)
- CO<sub>2</sub> emissions (guiding principle: stem climate change)
- Anti-corruption (guiding principle: observe the legal framework)
- Marketing and labelling (guiding principle: open and fair interaction with clients)
- Product portfolio (guiding principle: create sustainable products and services)
- Protecting client data (guiding principle: open and fair interaction with clients)
- Socioeconomic compliance (i.e. complying with financial regulations and regulations in the social and economic area) (guiding principle: observe the legal framework)
- Diversity and equal opportunity (guiding principle: employee expertise and diversity)
- Economic performance (guiding principle: ensure long-term economic success)

For more information on the guiding principles and measures implemented, please see the chapter on sustainability in the Annual Report starting on [x](#) page 69.

The Principles for Responsible Banking of the United Nations Environment Programme Finance Initiative (UNEP-FI) and considerations regarding UN development goals of relevance for Raiffeisen have also been incorporated into the guiding principles. The United Nations' Sustainable Development Goals (SDGs) are primarily aimed at countries, but also call on all actors worldwide to contribute to sustainable development. Raiffeisen is one of the largest real estate lenders in Switzerland. The portfolio of buildings financed by Raiffeisen accounts for roughly one-quarter of the relevant Swiss CO<sub>2</sub> emissions. Raiffeisen is therefore particularly affected by SDG 7 (affordable and clean energy) and SDG 13 (climate action). Raiffeisen now intends to delve further into these interrelationships. Climate protection is, therefore, a particularly important topic for Raiffeisen.

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

## Governance

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

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

For more details, please refer to the Raiffeisen Group Annual Report, starting on [page 70](#).

## Strategy

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

The Raiffeisen 2025 Group strategy focuses on the retail business and the Swiss market. It contains a clear commitment to sustainability. In October 2020, Raiffeisen Switzerland's Executive Board adopted a strategic sustainability framework that bases its "Net zero by 2050" and "Net zero in operations by 2030" goals on this commitment. In 2021 Raiffeisen set science-based climate targets and defined additional actions to be implemented in operations. The intention is to have these targets validated by the Science Based Targets Initiative in 2022.

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

Raiffeisen set **science-based climate targets** in 2021.

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

### Physical risks

- In the mortgage business, increased risks caused by climate change would not increase defaults in the short term due to the de facto obligation to take out building insurance (including against natural disasters) in Switzerland. In the medium to long term, regions with increased losses would be faced with declining property values alongside rising insurance premiums and specific design specifications for new buildings that could increase construction and operating costs. However, the portfolio would not be significantly affected due to the focus on the Swiss market and the broad regional diversification. In terms of transition risks, factors such as a high CO<sub>2</sub> tax or ambitious limits could drive up operating costs or tighten investment requirements, which could also lower property values and increase default rates under certain circumstances. However, Switzerland's political system of direct democracy makes the adoption of drastic climate regulations that could significantly influence property values or affordability in mortgage business fairly unlikely, as was demonstrated in connection with the revision to the CO<sub>2</sub> legislation in early 2021. Plus, according to an externally commissioned study, the buildings financed by Raiffeisen have a slightly below-average emissions intensity and would therefore not be overly affected by any such regulations.
- In the corporate clients business, physical risks can cause direct damage to operating buildings and equipment and result in business interruptions and consequential costs. Although some of the damage can be insured, non-existent or limited insurance cover or underinsurance could affect debt serviceability in isolated cases. However, the restricted local focus and smaller volume compared to mortgage business mean that only a small part of the portfolio would be affected.

### Transition risks

- With respect to transition risks, Raiffeisen has a relatively low exposure to emission-intensive sectors in its **corporate clients** business. Very few corporate loans have been granted to companies in particularly emission-intensive sectors (electricity generation, road freight, airborne transport, waterborne transport, cement, lime and plaster production, metal production and metalworking) according to initial NOGA code-based surveys. Excluding electricity generation, which emits relatively little CO<sub>2</sub> in Switzerland, the figure is only 0.6%. Raiffeisen does not finance companies that extract fossil fuels or operate coal-fired power plants. Raiffeisen would therefore feel relatively little impact from a higher default rate in emission-intensive sectors.
- Agricultural exposures, by contrast, are more significant for Raiffeisen. Cattle farming in particular has a special position in agriculture. As the CO<sub>2</sub> legislation mainly targets the use of fossil fuels, the dairy industry and beef production are not covered, even though common statistics indicate these are responsible for a relatively high amount of CO<sub>2</sub>-equivalent emissions (methane).
- Transition risks may affect the **market** values of investments in equities and bonds controlled by Raiffeisen (Raiffeisen investment and retirement products, asset management and proprietary investments). An analysis carried out into the emission intensity of investments held in equities and corporate bonds at the end of 2021 showed, however, that Raiffeisen has only minor investments in exposed sectors, so as a consequence the potential market losses are only very small.

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

- In terms of operational risks, climate change can initially manifest itself through increased physical risks, such as building damage or business interruptions, and through new regulations related to the transition to a climate-friendly financial system. These threats are actively managed through comprehensive operational risk management and business continuity management. The potential for events to become more frequent is taken into consideration in the regular review of operational risks.
- With regard to **reputational risk**, expectations for sustainable business practices grow with the increasing awareness of clients and other stakeholders. If expectations are disappointed, the public reputation of the Raiffeisen Group may be harmed. Raiffeisen sees its reputational risk as limited, due to its strategic focus on sustainability initiatives. By publishing specific targets, Raiffeisen is committing to a traceable reduction in CO<sub>2</sub> emission which will be reported in a transparent manner and provide Raiffeisen with tangible management input for the operating business.

## Managing climate risks

### Identification of climate risks, assessment and management

Raiffeisen has a comprehensive risk management framework in place that is not only based on common best practices but also meets the regulatory requirements for an institution of Raiffeisen's size and complexity. The physical and transition risks associated with climate change and other ESG risks are not mapped as a separate risk type but as risk drivers for existing risk types and are integrated into the existing risk framework as such. During the year under review Raiffeisen further developed the analysis of its climate risks and integrated them more fully into risk management.

- Risk management uses three lines of defence. The front-office units form the first line of defence. Raiffeisen Switzerland's Risk & Compliance department forms the second line of defence and is advised by Corporate Responsibility & Sustainability as the coordinating specialist unit for sustainability and ESG. Internal Auditing forms the third line of defence.
- The risk strategy defines the key aspects for risk management on the basis of the business strategy and is put into operation by the Raiffeisen Group's risk appetite and risk policy. Environmental changes and climate change are explicitly considered as potentially relevant risk drivers according to risk policy.
- The risk register was subjected to a detailed qualitative analysis with regard to the effect of climate change on the existing risk types and supplemented with climate-related risk drivers and transmission pathways.
- The analysis from 2020 formed the basis in 2021 for running scenario calculations estimating the impact of climate risks from transition and physical risks for the next five years on the materially most important portfolios at Raiffeisen. Bottom-up scenario analyses were also used to determine the overall impact for the period considered and included as an additional component in risk reporting (Annual Supplement to the BoD Risk Report, first produced Q1/2022).
- Using conservative assumptions, the changes calculated in the scenarios to default<sup>1</sup> on private mortgages and corporate clients can be described as low to moderate overall for the period considered. The result for the overall portfolio was minor. In 2022 a long-term (30-year) perspective based on the NGF scenario framework will be added to the scenario calculation, to derive more indications for managing new business. Together with the science-based targets, which are included as key risk indicators (KRIs) from the point of view of reputational risk, from 2022 onwards the allocation of CO<sub>2</sub> reduction objectives will be more important.
- In addition, more work will be done in 2022 on developing the risk quantification of ESG risks.

Risks linked to climate change are **treated as drivers of existing types of risk** and integrated into the existing risk framework.

<sup>1</sup> Changes to defaults in the sense of changes to expected loss based on assumptions about the impact on probability of default and loss given default.

## Metrics and targets

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

In 2021 Raiffeisen focused on running **scenario calculations** to analyse the **potential impact** within the next five years.

In 2021 Raiffeisen evaluated the relevant climate-related risks and opportunities by means of scenario calculations. Taking this as a basis, it defined the first key risk indicators (KRIs) for more detailed observation of further trends over the next few years. The trend in overall bank risk was also described using climate risk scenarios in 2021; the intention is to investigate this further from 2022 onwards by adding further perspectives (in particular a 30-year scenario).

An overall figure for CO<sub>2</sub> emissions was calculated, too; this is to be reduced to net zero by 2050. A target pathway is being derived from the science-based targets to require the realisation and monitoring of specific potential savings from 2021 onwards, so as to ensure the self-imposed targets announced are met.

#### Climate risk-related key risk indicators

	Unit	31.12.2021
Change in share of loans in CO <sub>2</sub> -intensive sectors <sup>1</sup>	Percentage points	-0.95
Change in share of Raiffeisen volume in CO <sub>2</sub> -intensive sectors in financial investments and the trading book <sup>2</sup>		
Equity	Percentage points	-2.1
Corporate bonds	Percentage points	-0.6

1 CO<sub>2</sub>-intensive sectors are defined taking the PCAF classification and reconciled with the internal system using the general methodology for economic sectors of the Federal Statistical Office (the NOGA classification). Corporate loans were deemed to belong to the PCAF asset class "Business loans". Negative number = decrease; positive number = increase in loans to CO<sub>2</sub>-intensive sectors.

2 Calculated under the PACTA test for climate-friendliness. The final figures for running the calculations for 2021 were not available at the time of publication. This is an approximation. Negative number = decrease; positive number = increase in the share of Raiffeisen volume in CO<sub>2</sub>-intensive sectors.

# UNEP Principles for Responsible Banking

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

Raiffeisen signed up to the UNEP Principles for Responsible Banking in 2021. The six principles are already largely part of the strategic sustainability framework that Raiffeisen defined in 2020. The following section shows where the principles are already reflected in disclosure today. Raiffeisen intends to strengthen disclosure further in the years ahead based on the UNEP Principles for Responsible Banking. Raiffeisen is currently at the first stage of conducting the impact analysis. This should be published in 2022.

## Principle 1: Alignment

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

References:

- Strategy 2021, Annual Report, p. 21–27
- Important events, Annual Report, p. 6–9
- Key figures, Annual Report, p. 30
- Sustainability: Strategy, Annual Report, p. 69–79

## Principle 2: Impact and target setting

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

References:

- Sustainability: Strategy, Annual Report, p. 69–71
- Sustainability: Strategic goals, Annual Report, p. 72

## Principle 3: Clients and customers

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

References:

- Sustainability, clients: Annual Report, p. 81–83
- Sustainable products and services, Annual Report, p. 80

## Principle 4: Stakeholders

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

References:

- Stakeholders, Annual Report p. 73–74



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

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

References:

- Governance, Annual Report, p. 73, 105–135
- Observing the legal framework, Annual Report, p. 75–76
- Sustainable products and services, Annual Report, p. 78–81
- Stemming climate change, Annual Report, p. 83–86

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

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

References:

- Transparent reporting, Annual Report, p. 74–75
- Sustainability strategy: Annual Report, p. 70–71
- Strategic sustainability targets, Annual Report, p. 71

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