



## Paper of discussion of the Swiss climate strike

Why do we send Swiss financial institutions to the “final audit”?



Figure 1: Paradeplatz in July 2020, Zurich

Unlike the 2008 financial crisis, the financial industry now has an opportunity to be part of the solution, and not part of the problem. To stop trying to sustain the unsustainable. To rebuild the economy so it is resilient to the next shock coming our way. Because unlike COVID-19, we won't be able to self-isolate from climate change and environmental degradation. And we won't be able to say we didn't see it coming.

-Frank Elderson, Governor niederländische Zentralbank



## Table of contents

Abstract:	2
What's happened so far:	3
What does the climate strike request in general?	4
What do we demand of Swiss financial institutions?	4
What is the purpose of our list?	5
Findings through the exchange and further action:	6
Final audit and new list	7
1. TRANSPARENCY	8
2. CLIMATE NEUTRALITY until 2030	10
3. PATHWAY	13
4. EXCLUSION CRITERIA	14
Tips for customers:	16
Authors:	17



## Abstract

In summer 2019, the climate strike movement set itself the goal of creating a list of Swiss financial institutions with regard to their climate (in-)action. Indeed, the link between Swiss financial institutions and climate change has been recognised by the movement and is considered highly alarming. After all, the Swiss financial sector is fueling a 4 to 6 degree global warming with its financial flows<sup>1</sup>. On the one hand, the list of climate strike is intended to increase the pressure for action on the largest "climate lever" or "climate sinners" in Switzerland. On the other hand, the climate movement and the public want to have their savings with a "green financial institution", although this choice is difficult to make due to extensive greenwashing and the prevailing lack of transparency. The list is intended to simplify this choice.

Various meetings with financial actors, desktop research and the discussion of the topic showed, that - in order to be able to compile an objective list of financial institutions with regard to their climate action - we need additional information about the financial institutions. For this reason, each financial institution contacted so far was sent a questionnaire, alias "Abschlussprüfung", on 07.07.2020. The final audit contains questions on transparency, climate targets and measures and must be completed by November 1, 2020, accompanied by supporting documents and returned to us (financial\_centre@climatestrike.ch). The respective answers will be used for the classification of the final list, which will be published at the beginning of November 2020. The purpose of the present paper of discussion is to explain our approach and to explain our demands, so that on the one hand, financial players can better understand what the climate strike movement requests and on the other hand, that private individuals can confront their financial institutions themselves with our questionnaire.

---

<sup>1</sup> [Carbon risks for the Swiss financial centre](#), FOEN 2015



## What's happened so far

On November 26, 2019, the CEOs and Chairpersons of the Board of Directors of the 47 largest Swiss banks and 37 largest insurance companies received a letter in which we drew attention to the role of the financial sector in the climate crisis and referred to our demands (see below). Those who will not meet our demands, we communicated, will end up on the "black list" of the climate strike, those who publicly declare themselves in favour of its implementation will end up on the green list. A few weeks later, on December 16 2020, we brought 263 letters to the Federal Parliament to draw the attention of politicians to our demands and also to point out to them that we expect them to regulate the Swiss financial sector more strictly with regard to its transparency and climate measures.

Of the financial institutions, only 22 had responded by beginning of April, 2020, some of which invited us to an exchange meeting. The rest received a reminder letter on 6 April 2020, in which we informed them that we had added a light grey and grey list in addition to the black list, and that we wanted a reply by the end of June. 2020.

So far, we have spoken with representatives of 15 financial institutions either online via video or in person, and we have exchanged e-mails with over 12 others. We have communicated our demands and also received feedback. Through this process we have accumulated a lot of knowledge and we have noticed that in the last two letters we had given too few explanations regarding our requests of how exactly the implementation of these requests must look like and what their content means in concrete terms.

Through the exchange with representatives of financial institutions as well as by obtaining specialist knowledge from financial experts, we have **clarified and formulated what is possible and necessary**. We now know exactly what we can expect from financial institutions.

The following paper describes our requests in more detail, with the aim of **clarifying ambiguities** among representatives of financial institutions, as well as **creating transparency** about our approach and **sharing knowledge** about our demands, their content and relevance. With these insights, customers can approach their banks, insurance companies, pension funds or asset management companies and demand what is urgently needed.



## What does the climate strike request in general?

We are people who care about the present and future of our societies and of our planet. Although the scientific facts about the climate crisis have been known for decades, decision makers refuse to act accordingly. This is why we are striking for a fairer and more sustainable society.

We have three general requests (background information can be found [here](#)):

### 1) Climate emergency:

Switzerland recognises the climate catastrophe as a crisis that must be overcome. It must therefore react to this crisis and inform society competently.

### 2) Net 0 greenhouse gas emissions by 2030:

We call for Switzerland to produce net 0 greenhouse gas emissions at home by 2030 without planning compensation technologies. Net greenhouse gas emissions must fall by at least 13% per year between 1.1.2020 and 1.1.2024, and thereafter by at least 8% per year until 1.1.2030. All shares are relative to 2018 emissions.

### 3) Climate justice:

Climate protection is also a question of social and global justice. The weakest groups in society should not suffer through the life styles of the more affluent. To this end, we call for the implementation of the polluter-pays principle: those who cause and benefit from greenhouse gas emissions and pollution should be held accountable. They must prevent damage, or repair damage already done.

## What do we demand of Swiss financial institutions?

As our call for climate justice demands, "[t]he people who cause and benefit from greenhouse gas emissions and pollution should be held accountable". As the Master Plan of the Climate Alliance shows, the Swiss financial sector is the largest "climate lever" in Switzerland, since the activities controlled by the Swiss financial sector cause at least 20 times the domestic greenhouse gas (GHG) emissions<sup>2</sup>. This is because Swiss institutions invest billions in climate-damaging companies and projects through investments, financing and insurance, often making them possible in the first place - or continuing to make them possible. All investment, credit and insurance decisions therefore have a major impact on the economy. They decide who gets how much money and at what conditions. The financial sector therefore has a major influence on the development of the economy. In simple terms: if the coal industry does not receive any more money, there will soon be no more coal industry. But the Swiss financial sector must also become climate neutral (net 0), as our second request demands. In order to **realise** our request for **climate justice and net 0, the Swiss financial sector must be very strongly called to account**. We have therefore drawn up specific requests for Swiss financial institutions:

---

<sup>2</sup> Klima-Allianz-Schweiz (2016). Klima-Masterplan Schweiz



## Our requests:

**1) Transparency:** We call for immediate transparent publication of the financial flows (financing, investments, and insurance services) of their financial institution and subsidiaries.

**2) Net 0 by 2030:** We call for a reduction of direct and indirect greenhouse gas emissions of their financial flows to net 0 by 2030, including domestic and foreign financing, investments and insurance services that indirectly or directly lead to greenhouse gas emissions.

- a) **From now on** no new investments, loans and insurance services for projects and companies active in fossil fuels! This includes the coal, tar sand, natural gas and oil industries.
- b) **Action plan:** Your financial institution submits clear plans by the end of 2020 with concrete targets and measures to bring your financial flows (loans, investments, financial and insurance services) to a net zero by 2030.

## Who appears on our list?

The financial institutions contacted by us appear on our list (available at <https://climatestrike.ch/de/how-green-is-your-financial-institution>). Among them are the largest banks, the largest insurance companies and some asset management companies. For resource reasons,<sup>3</sup> no pension funds have been contacted so far. Nevertheless, we see a great need for action there. At this point we would like to refer you to the pension fund rating of the Climate Alliance<sup>4</sup>.

## What is the purpose of our list?

On the one hand, we want to use the lists to **increase the pressure on the Swiss financial sector to act**. In discussions with representatives of financial institutions, we often heard that it is up to politicians to implement regulatory measures and ensure that costs are true, so that investments and financing in fossil fuels will automatically cease: Politicians, on the other hand, make excuses by saying that prohibitionist policies are not a solution, the private sector must move on its own. The time to avoid responsibility is long gone, action is now required. On the other hand, the list serves as a guide for climate-conscious customers to **choose their financial institution based on its climate action**. Individuals often find it difficult to orient themselves on the climate action of the financial institution in question, which is an important concern in the climate strike. We have noticed that even if financial institutions claim on their websites to be sustainable, very few of them provide concrete examples and implementation measures. Or there are measures which - without an in-depth examination of the topic - are not clear enough about how effective they really are. In short, most of us do not know which financial institutions are only pretending to be green and which are really green. It is precisely this confusion and disorientation that we want to counteract with our list.

---

<sup>3</sup> Limited time. We are all young people who voluntarily commit themselves to climate justice alongside school, studies and/or work.

<sup>4</sup> <http://www.klima-allianz.ch/klima-rating>



### **Findings through the exchange and further action:**

After an exchange with more than 25 banks, asset managers and insurance companies, we came to the conclusion that we **do not have enough information to objectively classify Swiss financial institutions in a list based on their climate action**. Green is clear: these are the institutions that have publicly committed themselves to implementing our demands. But what do we do with the rest? We want two additional grades: grey and black, so that we can distinguish between banks with medium ambitions and those that are harmful to the climate. But we found it difficult to classify grey and black. What objective criteria can we use? For the provisional list, institutions on the grey list have been listed which participate in initiatives. The black list included institutes that appeared in reports as "climate sinners". But we were not satisfied with these criteria.

### **Participation in initiatives is not enough:**

It was found that signed initiatives are not a sufficient criterion for assessing the climate friendliness of a bank. The problem is that they are not taken equally seriously by all financial institutions that sign them: This is because the initiatives are not binding and if the measures are not implemented, no sanctions will follow. Therefore, signing this initiative does not guarantee that the financial institution will actually implement climate protection measures. Furthermore, the administrative effort involved in participating in these initiatives is so great that many smaller financial institutions cannot afford to participate, although they could be just as ambitious, if not even more so. Moreover, for many domestic financial institutions, participation in international agreements is not appropriate for their financial activities. This is why we have not been able to assign many smaller financial institutions to any list. But no matter how big or small an institution is, anyone can do something for the climate.

### **We are interested in what the bank or insurance company actually does:**

What interests us is not what is written on paper, but to what extent the financial institution actually reduces its greenhouse gases: However, since we do not have the time to read through every sustainability report of financial institutions, nor are most of the reports even remotely informative (most of them only concern operational ecology and not financial flows!), we have decided to send the Swiss financial institutions to the **final audit**. We are giving everyone a chance - **until the first of November, 2020** - to show what their transparency, their climate goals and their measures are like. We have provided a questionnaire for this purpose.



## Final audit and new list

We will update the previous list based on the results of the audit. This will continue to be based on our requirements for Swiss financial institutions. Depending on the results of the audit, each institution will receive a rating: either "good", "sufficient" or "insufficient". Contacted institutions that we do not hear from are also considered "unsatisfactory". Obviously, the topic "climate" does not seem to be important enough to them. In order to receive the rating "good", a financial institution must meet all three of the criteria below, or commit itself to a written statement of implementing these criteria. For a financial institution to be "sufficient", it must meet criteria two and three. All others are classified as "unsatisfactory".

### Evaluation scheme:

Good	Sufficient	Insufficient
1) Transparency (see Chapter 1)		
Already implemented or underway and to be implemented by the end of 2020	Lack of transparency: individual results of the FOEN PACTA analysis reported by the end of the year	No transparency
2) Net 0 and measures (see chapters 2 and 3)		
Commits itself to net 0 by 2030 and submits a plan of action with reduction paths for achieving this goal end of 2020 at the latest	Commits itself to net 0 by 2050 at the latest and submits a plan of action with reduction paths for achieving this goal end of 2020 at the latest	Does not set a time by when to be climate neutral, or has no concrete reduction paths and measures to achieve climate neutrality
3) Exclusion of fossil fuels (see Chapter 4)		
From now on exclusion of investments and financing/insurance in fossil energy.	Fossil energy will be completely excluded from 2030 onwards. Until then, engagement is pursued with an escalation strategy.	No complete exclusion of fossil energies, no engagement with escalation strategy.

As we want to welcome and support progress, we will update the list when we are contacted. Furthermore, the content of the requirements can be adapted to developments. The assessment scheme can also be continuously developed and components such as biodiversity could be added.





## **Justification and execution of our claims:**

In the following chapter, the content and relevance of our requirements are explained in more detail.

### **1. TRANSPARENCY**

We demand immediate transparent publication of the financial flows (financing, investments and insurance services) of your financial institution and its subsidiaries.

#### **1.1 Relevance of transparency:**

As long as an institution does not know how high its contribution to climate warming is, it is difficult to formulate concrete reduction paths and measures and thus to effectively implement the Paris Agreement. This is also the way it is formulated on the PCAF website:<sup>5</sup>

"As a first step in this direction, harmonized and transparent carbon accounting becomes an imperative. Measuring and disclosing the GHG emissions associated with the lending and investment activities of financial institutions is the foundation to create transparency and accountability, and to enable financial institutions to align their portfolio with the Paris Climate Agreement".

Moreover, targets and commitments do not guarantee that they will be met. We therefore want to know to what extent the financial institution actually reduces its greenhouse gases. This requires transparency. Furthermore, it is our customers' right to know what happens to their money. After all, financial institutions influence the real economy and financial stability influences our social well-being. It is also important for the people living here to know whether, as in the past, stranded assets are turning the Swiss financial sector into a cluster risk for the entire Swiss economy.

#### **1.2 What exactly should be 'transparently published':**

##### *1.2.1 Transparency of financial flows*

We want to see how much money flows into which sectors, industries and countries. We assume that every financial institution is aware of this, both on the investment side and on the financing or insurance side. After all, good risk management involves knowing into which sectors, industries and countries the money is flowing in order to avoid possible cluster risks.<sup>6</sup>

Swiss financial institutions should be able to meet this requirement by the end of 2020, as we assume that the information is available or can be processed quickly.

Example:

- As of 30 December 2019, 25% of the portfolio consists of investments<sup>7</sup> in the energy sector:
  - 40% of which in renewable energy, 40% of which in hydropower
  - 40% in nuclear power,
  - 20% in fossil energy, of which 3% in the coal sector, etc.

---

<sup>5</sup><https://carbonaccountingfinancials.com/about#our-mission>

<sup>6</sup> a highly concentrated risk for money because a portfolio has an overweight of certain securities, sectors, countries, currencies or asset classes. To guarantee the stability of the financial centre, financial institutions must avoid this.

<sup>7</sup> Total assets under management



### *1.2.2 Measuring and disclosing the GHG footprint and disclosing the climate path of investments and financing*

We also want Swiss financial institutions to report annually on GHG emissions (carbon footprint) and how strongly they support climate warming with their financial flows (scenario analysis). We request this so that the public can assess how climate-friendly or harmful the financial flows of the financial institution in question are. This applies to both the investment and credit sectors. There are various ways to support this. For example, the free PACTA tool (Paris Agreement Capital Transition Assessment) is available for scenario analysis, which is also used in the FOEN study. There is also the [PCAF initiative](#), for example, which supports the banks in developing a carbon accounting standard

### *1.2.3 Climate measures*

Furthermore, as explained in more detail in Chapters 3 and 4, we demand that the climate measures, in particular exclusion criteria, of the respective financial institution are also made available to the public in a transparent manner. For us, it is insufficient if a financial institution commits itself to the 1.5 degree target of the Paris Agreement, but no plans with concrete measures for its implementation are available.

## **1.3 Time horizon**

### *1.3.1 Investment side:*

For most asset classes, different exposure measurement tools have existed for some time, both for the measurement of GHG emissions and for scenario analysis. We therefore expect Swiss financial institutions to report both GHG emissions and the scenario path on which the investments are located transparently with immediate effect. We expect the results of the PACTA analysis or similar analyses to be reported in their annual or sustainability reports with immediate effect.

### *1.3.2 The financing side:*

There are also a number of tools for GHG emissions measurement and scenario analysis for credit and other business areas (insurance). We therefore expect Swiss financial institutions to report transparently in this area as well, where possible. We expect at least the individual results of the PACTA analysis to be published by the end of this year. In addition, as soon as new tools become available, a decision will be made in favour of one of them, and such analyses will be carried out regularly (annually) and reported on transparently (results, scope and limitations of the analysis).

Since the Swiss climate strike reserves the right to adapt and tighten the requirements over time, this also applies to the availability of tools for measuring the financing side. If new measurement tools are available, they should be used and their results published. Swiss financial institutions are therefore called upon to be proactive in the development/further development of such tools.

### *1.2.3 Transparent publication of climate measures*

Climate measures should be published by the end of 2020 at the latest.



## 2. CLIMATE NEUTRALITY until 2030

We call for a reduction of the direct and indirect<sup>8</sup> greenhouse gas emissions of their financial flows to net 0 by 2030. This applies to domestic and foreign financing, investments and insurance services that lead directly or indirectly to greenhouse gas emissions.

### 2.1 Relevance of climate neutrality

In 2015, Switzerland has signed the **Paris Agreement** with a large number of other states. This obliges the contracting parties to help limit global warming to well below 2°C compared with the pre-industrial level, with the aim of keeping it below 1.5°C. According to the report of the IPCC (Intergovernmental Panel on Climate Change), a limitation to a warming of 1.5°C would lead to massively less negative consequences.

To achieve climate neutrality, the **main cause of global warming** must be addressed: GHG emissions. Based on this upper limit, science has been able to calculate an emissions budget that humankind should not exceed, otherwise global warming could exceed the 1.5°C mentioned above and thus endanger the survival of humankind. The IPCC assumes that if we want to have a chance to stay below 1.5°C warming, humanity can still emit 570 gigatons of CO<sub>2</sub> between 2018 and 2030. This means that no more CO<sub>2</sub> may be emitted into the atmosphere afterwards. We speak here of net 0 emissions (=climate neutrality).

FINMA<sup>9</sup> recognises climate risks as relevant long-term risks for the stability of the Swiss financial sector. Also, Mark Carney, Governor of the Bank of England warns: **“Companies and industries that are not moving towards zero-carbon emissions will be punished by investors and go bankrupt.** There will be industries, sectors and firms that do very well during this process because they will be part of the solution, but there will also be ones that lag behind and they will be punished.”<sup>10</sup>. He adds that the longer the measures to reduce THG Emissions are postponed, the bigger the risk of a financial collapse. “If we don’t have a planet, we’re not going to have a very good financial system. Ultimately, that is true.” he adds to the quote by James Gorman, CEO Morgan Stanley.

### 2.2 What does climate neutrality mean?

Climate neutrality means that no more greenhouse gas emissions may be emitted than can be permanently absorbed by natural storage in forests, water and soil. Currently, humanity emits about 40 gigatons of CO<sub>2</sub> per year<sup>11</sup>. Mathematically, it is no great art to find out that if 570 gigatons of CO<sub>2</sub> is the upper limit that must not to be reached (see above), the global community must reduce its annual CO<sub>2</sub> emissions as quickly as possible. The longer CO<sub>2</sub> emissions are not significantly reduced, the faster they have to be reduced in order not to exceed the limit. It is better for society, the economy and the climate if emissions are reduced now compared to the previous year and continue to decrease continuously, than to find out in 2049 that we have almost spent our remaining CO<sub>2</sub> budget and at the same time have not changed our way of life. Therefore, a

---

<sup>8</sup> Scope I to Scope III

<sup>9</sup> [Finma](#) (2019) Neuer FINMA-Bericht: Risikomonitor

<sup>10</sup> [The Guardian](#) (2019) Firms ignoring climate crisis will go bankrupt, says Mark Carney.

<sup>11</sup> <http://www.globalcarbonatlas.org/en/CO2-emissions>



significant reduction of emissions compared to the previous year must be achieved as soon as possible.

### 2.3 What does climate neutrality mean in concrete terms for the Swiss financial sector?

The financial sector itself causes relatively low direct CO<sub>2</sub> emissions compared to the cement and steel industry, for example. However, the financial sector has very high indirect CO<sub>2</sub> emissions. These are caused by the investments, financing and insurance of projects and companies. There is practically no company or project that does not receive money from a bank, insurance company, asset manager, pension fund, etc. **Financial intermediaries are not only passive vessels through which money flows, they can actively control where the money goes and therefore have a great responsibility and obligation.** The Swiss financial sector is thus indirectly related to companies that cause greenhouse gas emissions. Because what is important to us is not the operations themselves, but the financial flows. In order to become climate-neutral, the following steps are important:

- 1) The **exclusion of** investments, financing or insurance in fossil fuels, as well as of companies and projects that fuel the climate crisis and stand in the way of achieving climate neutrality.
- 2) The **cooperation** with sustainable companies by consulting services as well as through the exercise of voting rights (commitment) towards climate neutrality.
- 3) **Support for the net-0 economy** by the financial sector is to be expanded urgently. Since financial institutions are partly dependent on economic developments and the current economy in which they invest, finance or insurance is not yet climate neutral, the financial sector can only effectively have net zero emissions when all economic sectors become climate neutral. However, it has a lever and a clear co-responsibility to make the real economy carbon neutral.

### 2.4 Why do we demand climate neutrality by 2030 and not 2050?

- **Necessity aspect:** In order not to exceed the upper limit of max. 1.5 °C, only a limited [CO<sub>2</sub> budget](#) is available worldwide. If we carry on globally as before, this is used up already before 2030. If we cut emissions immediately, it will last into the 2030s. The net Zero 2050 target, on the other hand, postpones the urgently needed measures, so that they will no longer be consistent with limiting global warming to 1.5°C.
- **Equity aspect:** Since the highly industrialised, rich countries have had comparatively enormous per capita emissions in recent decades (including multinational companies, projects and their financiers, investors and insurers), they must now make a larger and faster contribution to combating global warming. According to the polluter-pays principle, it is the responsibility of those who cause emissions to do something. The highly industrialised countries have also been able to build up their wealth through emissions for decades, and are responsible for a large part of historical emissions, even if today's populous countries are catching up. This is why Switzerland, too, has a historical responsibility towards the climate crisis. As a country with the financial and technological



means to do so, the necessary measures are also easier for Switzerland to implement than for the destitute majority of countries around the world. Switzerland therefore has the great opportunity and the great responsibility to assume a pioneering role in global climate policy. This is further recognized in the Paris Agreement with the demand for the "Principle of Equity". Countries with less material prosperity will gain more time to reduce their emissions so that net zero can be achieved at global level by 2050. It is the world's poor societies, which are precisely not the main causes of anthropogenic climate change. However, they are the ones suffering much more from the effects than Switzerland, as demonstrated by natural catastrophes or, more recently, the plague of locusts in South Asia and the Middle East.

- **Risk aspect:** The complex climate system contains numerous processes that can reinforce themselves, so-called feedback or tipping points. For example, the thawing of the permafrost leads to methane emissions, which in turn heats up the climate more and thus lead to further thawing. According to current knowledge, a global tipping point is possible when the temperature rises by 2 degrees<sup>12</sup>. Uncertainty about the exact timing of such a catastrophe due to additional GHG emissions from feedback effects and their current acceleration compared to predictions, forces a 1.5 degree upper limit. The IPCC report<sup>13</sup> concludes: "Climate-related risks for natural and human systems are higher for global warming of 1.5°C than at present, but lower than at 2°C (*high confidence*). For this reason, global warming should be limited to 1.5°C, which is much less likely to happen with net 0 by 2050 (cf. necessity aspect).

## 2.5 Net zero by 2030 is also a matter of will:

Where there is a will, there is a way. "Net 0 2030" is technically<sup>14</sup> and socially possible and gives us ten years to enable a climate-compatible lifestyle.

"The financial industry now has an opportunity to be part of the solution, and not part of the problem. To stop trying to sustain the unsustainable. To rebuild the economy so it is resilient to the next shock coming our way".

- Frank Elderson, Governor Dutch Central Bank

There are others with similar goals, such as Adelaide, Oslo, Copenhagen, London, and Finland, which want to become climate neutral as a whole by 2035. Many companies have also set themselves ambitious targets, including world-famous and globally active corporations. Their targets range from CO<sub>2</sub>neutrality from 2020 to negative emissions in 2030 (see, for example, the 700 companies of the B Corp Climate Collective).

---

<sup>12</sup> [Steffen et al.](#) (2018). Trajectories of the Earth System in the Anthropocene

<sup>13</sup> [IPCC](#) (2019) Summary for Policymakers

<sup>14</sup> [Stanford](#) (2009) A path to sustainable energy by 2030



### 3. PATHWAY

We call for a reduction of the direct and indirect greenhouse gas emissions of your financial flows to net zero by 2030, and your financial institution commits itself to present clear plans by the end of 2020 with concrete targets and measures to bring your financial flows (credit, investments, financial and insurance services) to net zero by 2030.

#### 3.1 What is meant by 'pathways' for financial institutions?

GHG emissions from investments, financing and insurance are gradually reduced to net zero over a period of time, with the financial institution providing information on how much greenhouse gas is saved each year and how this affects the overall balance. The goal of a science-based reduction path is not to exceed the 1.5°C limit<sup>15</sup>. Each reduction path therefore has the same time horizon; net 0 to 2030. However, the reduction steps can be different. It is important that they are compatible with science (see for example the Science Based Targets Initiative).

Because greenhouse gases remain in the atmosphere for long periods of time, accumulate, and reductions thus become increasingly expensive and difficult over time, it is important to reduce greenhouse gas sources as quickly and as much as possible. Therefore, a linear reduction path that reduces emissions in equal steps each year is insufficient. Therefore, a steeper reduction path is needed at the beginning of the decade than in the second half.

#### 3.2 Relevance for the financial industry

We all often set ourselves goals in life. As a second step, we consider how we can best achieve these goals. To be able to follow this path, it is important to define intermediate goals and to approach the longer-term goals through short-term measures. Achieving the goal of climate neutrality for the Swiss financial industry by 2030 should be ensured by defining a reduction path for each financial institution. Defining a reduction path is therefore crucial to ensure that the emission reduction targets can be achieved in time. This also creates a certain liability. Commitments (such as net Zero by 2030) alone are therefore only decisive if they are defined in concrete targets and figures.

Moreover, financing in the fossil industry usually has a time span of several years, which is why long-term planning is absolutely essential. In addition, these financial flows have to be reallocated, for example within a bank, which also takes time. Furthermore, corporate financing usually runs into infrastructure projects that have a planned life time of several decades. So, the money flowing into the fossil industry today will, according to current planning, continue to cause GHG emissions for decades to come. A clear, transparent and comprehensible reduction contribution by the Swiss financial industry will also have a major impact on the international financial industry. If the Swiss

---

<sup>15</sup> Targets adopted by companies to reduce greenhouse gas (GHG) emissions are considered 'science-based' if they are in line with what the latest climate science says is necessary to meet the goals of the Paris Agreement – to limit global warming to well-below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C ([Science Based Targets](#))



financial sector plays a pioneering role in the fight against climate change, it can improve its international competitiveness and benefit from this in the long term.

#### 4. EXCLUSION CRITERIA

From now on, no new investments, loans and insurance services for projects and companies active in fossil fuels! This includes the coal, tar sand, natural gas and oil industries.

##### 4.1 Definition & Requirements

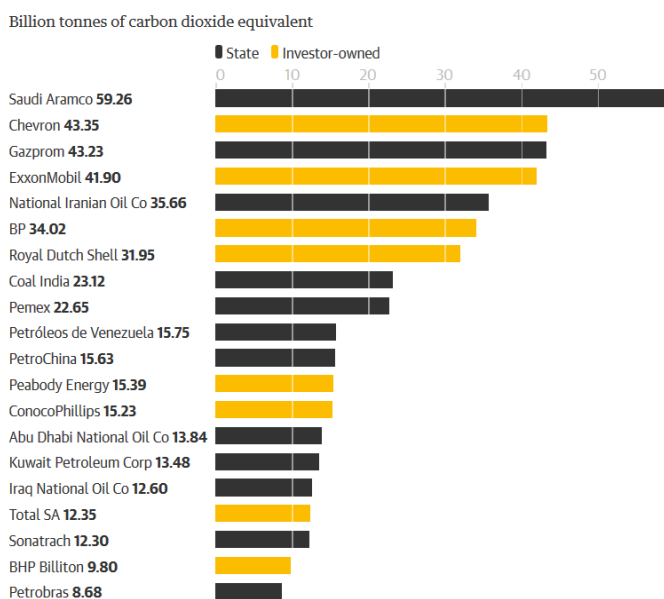
Since the beginning of the 2010s, financial institutions have been working with so-called ESG guidelines. These provide exclusion criteria for critical industries. In the case of the fossil industry, these exclusion criteria now have loopholes in almost all cases and do not sufficiently exclude fossil financial flows.

We base our definition of fossil fuels on the assessment of the financial services provider Bloomberg. In this sense, we include all companies that are assigned to the oil, gas or coal industry (downstream, middle and upstream) in the fossil industry.

Fossil energies, or the companies that produce them, make a significant contribution to global greenhouse gas emissions: For example, 20 companies that produce the fossil fuels coal, oil and gas alone are responsible for more than a third of all emissions since 1965 (see chart)<sup>16</sup>.

We therefore demand the exclusion of all fossil financial flows (investments, loans, trade finance,

**The top 20 companies have contributed to 480bn tonnes of carbon dioxide equivalent since 1965**



Guardian graphic | Source: Richard Heede, Climate Accountability Institute. Note: table includes emissions for the period 1965 to 2017 only

emissions and insurance services) with immediate effect. Existing fossil financial flows must not be renewed, but should be successively removed from the financial portfolios. This means selling the assets and not renewing existing financing.

**Conglomerates:** The vast majority of the above-mentioned companies (fossil industry as well as financial services providers, energy companies and conglomerates with fossil business branches) are conglomerates. This means that parts of the company cannot be attributed to the fossil industry. In these cases, it is therefore imperative that<sup>17</sup>:

<sup>16</sup> [The Guardian](#) (2019) Revealed: the 20 firms behind a third of all carbon emissions

<sup>17</sup> In the other cases the complete exclusion applies



1. **Financing and Insurance services:** The complete exclusion of corporate financing and insurance services for companies with fossil fuel industries (threshold 0%). Furthermore, we demand that only those branches of business that are not part of the fossil industry be financed/insured via project-specific financing/insurance.
  
2. **Investments:**
  - a. The complete exclusion of companies in the fossil sector (threshold 0%). We are aware that many companies will thus be removed from the investment portfolio, but we are convinced that their time has run out and that they will be replaced by even more growing new job opportunities<sup>18</sup>.
  - b. Engagement strategy (net 0 in 2030) for companies not from the fossil sector (cement, steel, aviation industry etc.) with the aim of encouraging companies to become net 0 by 2030. The engagement strategy must include a clear escalation strategy, from when an engagement is terminated and the company is thus excluded. The financial institution is also obliged to report transparently on progress. Escalation strategy: If, within a period of 2 years from the start of the engagement process, the measures taken (interventions at general meetings, submission of shareholder proposals, private dialogue etc.) do not bear fruit, the company should be excluded from all portfolios and, if necessary, legal action should be taken against the company.

### 3.2 Excursus engagement

By engagement we mean both seeking dialogue with companies and actively exercising voting rights and submitting shareholder proposals (also known as the active ownership approach). In contrast to exclusions, engagement is the approach of taking a climate-neutral path together with companies of the fossil industry - getting them to embark on this path by imposing conditions linked to financing. Engagement is currently the tool of choice in the financial industry. However, the last few years have shown that the conditions are far too soft and the fossil companies could not be brought to change their minds. Shell, for example, recently presented a climate plan that aims to achieve climate neutrality by 2060 and even then primarily with so-called sequestration, i.e. technologies with which CO<sub>2</sub> is to be filtered from the air and stored, technologies that do not exist today to the necessary extent. The aim is to remove CO<sub>2</sub> from the atmosphere through technical and natural processes (e.g. storage of CO<sub>2</sub> in soils or in wood from forests). According to the Swiss Academies of Arts and Sciences (2018), such compensations are possible in small quantities, but not on a large scale, or are very problematic. Both UBS and CS financed Shell in 2019 with USD 400 million each. UBS also financed Shell in 2018 with 750 million US dollars.

However, we consider engagements with companies that are not active in fossil fuels - but still have a carbon footprint - as reasonable as long as their business strategy is reported openly and transparently. In principle, it must always be transparent how the proxies have voted, in which direction the dialogue is moving and what measures will be taken if no significant changes are achieved.

---

<sup>18</sup> An expert report commissioned by energie-wende-ja and Greenpeace Switzerland shows how an impulse programme of CHF 16 billion and a demand support programme of CHF 15 billion will create around 70,000 jobs and bring Switzerland back on track with the Paris Convention. The investments of the Impulse Programme will lead to savings of several billion Swiss francs per year over 10 years, as they will reduce local environmental and health impacts, future climate costs and dependence on fossil fuels ([Greenpeace 2020](#))





## General information on the financial sector for customers

### What all belongs to the Swiss financial sector?

These are the Swiss banks (headquartered in Switzerland), the Swiss National Bank, pension funds, insurance companies, independent asset managers and foundations.

### How can the Swiss financial sector account for these greenhouse gas emissions?

Through *financing*: Banks provide loans to projects and companies in Switzerland and abroad, including those that are active in the fossil energy sector and thus drive the climate crisis.

Through *investment*: Customers can buy shares, bonds and other securities of environmentally harmful companies. Each bank is also an investor in its own right. This means that banks also make their own decisions about where they invest.

### What can we do?

It was explicitly mentioned by financial experts\*<sup>19</sup> that young people in particular are seen as the most important investment group, as this group wants to invest sustainably. And we, we can decide for ourselves HOW and WHERE (with which institute) we invest our money.

- Do you have a bank account? Do you have a third pillar?
- Do you invest in the stock market?
- Do you have life insurance?
- Do you have household insurance and/or liability?
- Do you have a regular salary and pay into the pension fund?

Become active and contact your financial institution! Ask what the financial institution in question is doing to counteract the climate collapse, express concern. Ask them the same questions as those from our questionnaire (linked). You can also already check their website and draw their attention to gaps, shortcomings or lack of transparency.

So we're ready:

- Build up pressure at our existing financial institution,
- When we invest, we only invest sustainably,
- if you are dissatisfied with your current bank, insurance company or pension fund, switch to a greener one<sup>20</sup>,
- Make others aware of this problem (e.g. politicians but also relatives, friends or journalists)

---

<sup>19</sup> [Swiss Sustainable Finance](#) (2017). Sustainable investments: A unique opportunity for Swiss private wealth management. Detailed summary of the ten arguments.

<sup>20</sup> [Account finder](#) (2020). Cancel account & change bank in 3 steps



**Authors:**

Annabelle Ehmann, Maya Tharian, Samuel Lüthi and Stephanie Wyss

Translated by deepl.com corrected by Elisabeth Stern

Members of the Swiss Financial Centre Working Group  
Climate Strike Switzerland

Published on 07.06.2020