

The Ties Binding Philipp Rickenbacher and Grégoire Bordier

Written by Samuel Gerber | Deputy Editor-in-Chief

There is no shortage of Swiss banking sustainability initiatives. But now with the «Progress Report», local private banks created a common element connecting them to the topic and beyond.

At first glance, Julius Baer CEO **Philipp Rickenbacher** and Bordier & Cie partner **Grégoire Bordier** don't have much in common. They are separated by the fierce competition for clients and assets, the divide between Geneva and Zurich as well as fundamentally different corporate philosophies.

And yet here they are now sitting side by side in harmony in a meeting room at the headquarters of the private bank Bonhôte in Neuchâtel. To underscore the mood, a pendulum ticks away on the wall while outside on the lake, while a paddle steamer announces its presence with a blast from its horn. A blast from the past? It feels a bit anachronistic.

Expanding the Circle

But it is progress that has brought the two bankers to Neuchâtel for an interview with finews.com, along with the release of the «Progress Report». The first edition was published today and intends to provide a benchmark for the sustainability efforts of Swiss private banks.



(Picture: Julius Bär)

As it turns out, a lot has happened in the past twelve months since the initiative was launched. Starting with the members of the Association of Swiss Asset Management and Wealth Management Banks (VAV), the institutions behind the Association of Swiss Private Banks (VSPB) and the Liechtenstein-based LGT Bank have since joined the initiative. Rickenbacher chairs the VAV, Bordier the VSPB.

Taken together 23 banks with 2.2 trillion Swiss francs (\$2.3 trillion) in customer assets are now involved in the project.

«I can say that I am satisfied with the development,» Rickenbacher says. «First, how the priorities were implemented within the banks; second, how the institutions cooperated in the process. And third, that the group of participants was significantly expanded.»

Wanting to and Having to



(Picture: Bordier & Cie)

Bordier, representing the last «real» private bankers in Switzerland, is also pleased. «What convinced us about the initiative is the opportunity for exchange among the institutions.» That creates a link between the people who deal with the issue at the private banks, and the dialogue is fundamental, says the fifth-generation partner at Bordier & Cie which was founded in 1844. «Especially as we continue to wait for firm sustainability standards.»

Swiss banking is currently vacillating between wanting to and having to do sustainable finance. Here, reporting requirements on environmental, social, and governance (ESG) risks have already been tightened. In recent months, the industry attempted to self-regulate with various initiatives. This fall, government response to greenwashing, can be expected.

Billion-Dollar Business

But there is also money to be made, and players in Swiss banking have recognized sustainability as a business. Orienting financial products to sustainable criteria is intended to consolidate the reputation of the financial center as an international hub for «sustainable finance». According to industry projections, the volume of investments classified as sustainable in this country will increase by 30 percent to nearly 2 trillion Swiss francs in 2021 alone.

The financial center now needs to keep up the pace. The Progress Report uses twelve «priorities for action» for the member institutions to show how this can be achieved. At least for the private banks.

It quickly becomes clear there is still much to do. The institutes as a whole are well on their way when it comes to adopting recommendations, standards, and international principles. More than half the member banks have increased the proportion of assets under sustainable management in recent months. What becomes difficult is navigating the business towards the net zero emissions target in 2050.

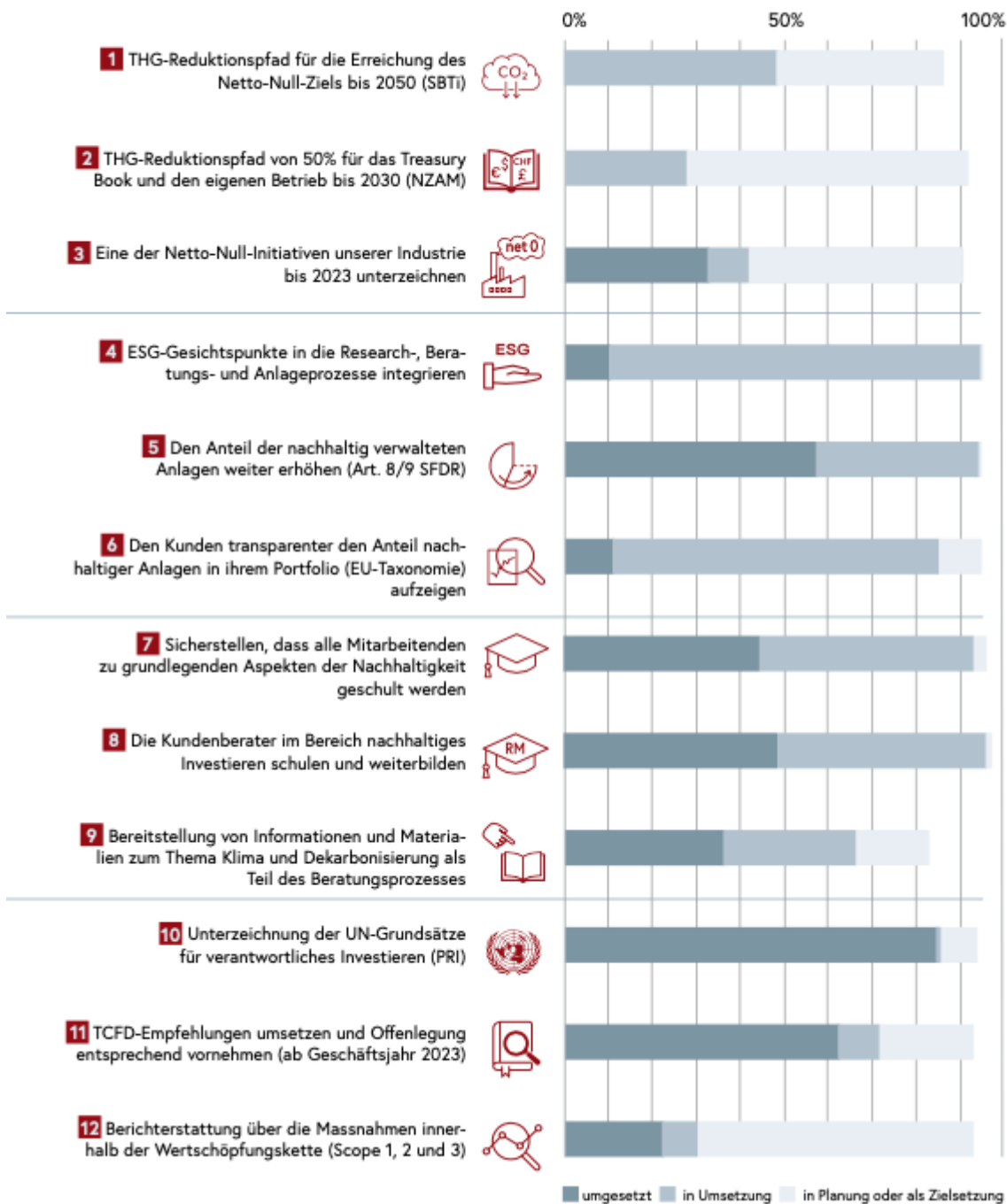
Customers Present a Challenge

When it comes to greenhouse gas criteria, in addition to reducing the institution's emissions, it's obvious to focus on the assets you can influence, says Rickenbacher. «For investments held by clients, this is much more difficult, as investment decisions are ultimately at the discretion of the clients.»

It is still very early days when it comes to breaking down sustainability throughout the corporate value chain. «Banks are at the very end of this chain, mind you,» he says.

Accordingly, the founders have allowed themselves more time for this topic. While priorities have been checked off and others added in recent months, such flexibility is possible because the Progress Report is not self-regulating, as Bordier and Rickenbacher emphasize. Accordingly, there are no sanctions if members fall behind in implementing sustainability measures, as the emphasis is on voluntary action.

Umfrageergebnisse in Prozent der abgedeckten verwalteten Vermögen



Lowest Common Denominator?

But given the competitive nature that is the DNA of the banking world, even if action is voluntary it can act as an incentive.

«Looking at other institutions and improving transparency about respective performance has a quasi-normative effect - no bank wants to look like a laggard in front of the public and, in particular, customers,» says Bordier. «It's both a competition and a learning process, with performance measured every year.»

Flexible priorities, no penalties, voluntary adherence, sounds like Swiss private banks are agreeing on the lowest denominator. Bordier, however, does not see it this way. «The initiative is a unifying element that allows for an intense debate among the banks.»

As wealth management specialists, private banks could show the rest of the industry what practices and standards make sense in that business. This is another reason why they see their efforts as «highly complementary» to those of the Swiss Bankers Association's (SBA) self-regulating sustainability.

Welcoming the Cantonal Banks

Now that the foundation has been set, the hope is to find more like-minded people among the members of the umbrella organization. «I would be delighted if other institutions were to adopt the priorities,» says Rickenbacher. All institutions active in asset management are conceivable, including domestic and cantonal banks.

Participation means providing resources and taking part in the working groups. Each participant must give something of themselves and evaluate their progress. To be sure, larger institutions are advantaged in implementing the various metrics because they have to adopt many standards in principle and have the corresponding resources.

The Pendulum Swings Back

Sustainable concerns are currently taking a back seat in the debate over electricity shortfalls and that sustainable finance is being deliberately resisted in the USA does not seem to be dissuading the Swiss private banks from leaving the path they are beating. «The fact that the pendulum is currently swinging back in terms of sustainability, for example in some US states, should not divert us from our path,» says Bordier.

«We allow ourselves to maintain that ESG risks have always been part of a good investment process - and the financial industry has a contribution to make for the future.» Efforts toward sustainable finance require a long-term commitment, Bordier continues. That «process can't be reversed.»