



Responsible performance

A choice of banking services tailored to meet the highest ethical and environmental criteria

BCGE follows social changes closely and takes its clients wishes seriously. For this reason, it has been developing a range of services based on the principles of “sustainable development” for several years now. The following text explains in more detail how the bank implements these principles in this extremely broad area, subject to numerous ideological and political influences. The bank aims to provide its clients with services that truly respect ethical and environmental requirements, while being useful, competitive and efficient. The bank distances itself from exaggerated promises embodied in “green washing”. The following reflections relate in particular to the field of investments. There is also a similar approach to other services such as financing or day-to-day banking services.

There is a consensus that portfolio investments should be made in companies or institutions that contribute to society. Everyone agrees that companies must respect the environment (E), demonstrate exemplary social behaviour (S) and have best corporate governance (G) practices.

The financial industry has long understood that it must address any criticism relating to a lack of a sense of responsibility regarding the impact of its investments. Labels¹ are abundant, the rhetoric is almost convincing, so much so that the prevailing sentiment is that sustainable or green investments are very popular today. However, a truly serious private or institutional investor cannot be satisfied with rhetoric², he needs to have proof to back it up.

Where is the dividing line between superficial concepts and products and authentic content? Which companies are worthy of investment and which are dirty businesses?

Bankers and portfolio managers, such as BCGE, who visit companies, who finance them, who sometimes experience their difficulties, cannot reduce these complex realities to a simplistic or black and white vision or even to a puritanical moralism. As Vauvenargues said: “Men have great ambitions but small projects.” The ambition to identify only the best companies by taking into account not only their internal behaviour, but also their behaviour towards their stakeholders is one that everyone shares. The project of implementing this selection in concrete terms, on the other hand, is far more complex.

The first challenge is to define corporate behaviour. Compliance with the normative framework, applicable laws and rules is of course a fundamental prerequisite. But this is the responsibility of compliance and its control missions and does not apply to ESG. Likewise, ideological or political orientations have no place when it comes to ESG standards. They should not be used as instruments. ESG is situated in a rather narrowly defined area between the two poles of regulation and ideology, from which it must distinguish itself.

¹ CDP (example: Carbon Disclosure Project, Green Bond Index).

² “Investors are not immune to these illusions, for example in the ESG management trend, which no one can ignore but which for some is nothing more than a very superficial, thin coat of varnish with no real consequences”, A. Piacentini, CEO, Decalia AM SA, Le Temps, 16.08.2018, p. 8.



Limiting the sphere of influence of ESG and the normative-legal framework is relatively simple. It should be noted that there are some delays in legislation in some countries and ESG standards can then be used as a substitute. Lastly, the evolution of regulations at a global level is very rapid and tends to limit the scope of application of a voluntary ESG approach.

Separating ESG guidelines from political, ideological and even religious inclinations is of paramount importance but a complex undertaking. Take the environment: how far can ecological constraints go? Should fossil fuels be completely banned? How long should we tolerate them? Should we accept nuclear power because of global warming? On the subject of geopolitics: which countries should be sanctioned in addition to those already sanctioned? Are all sanctions justified? Are trade war measures justified or purely opportunistic and protectionist? In the area of governance: where do we draw the line between shareholder meetings and boards of directors?

At this stage, there is still a significant need for clarification in the eyes of those who require ESG-certified investments to be truly authentic and credible. A simple coat of varnish is not enough to fool investors who will not tolerate another "dieselgate".

The bank has a pragmatic approach. Some guiding principles govern this approach:

1. It is not the technocracy but the investor who decides on his selection criteria for sustainable investments

Choices must be made in the face of the multitude of restrictions and requirements that can be applied to a company. These choices belong first and foremost to the investor client and should not be appropriated by well-meaning private or public think tanks. For example, the carbon-wind-power-nuclear controversy divides many investors. Each investor will articulate his vision and it is his preferences that will shape the portfolio. It is then up to the manager to look for selection and filtering solutions.

2. ESG filtering must lead to better long-term financial performance

The applications of the ESG approach are very diverse. Therefore, the different issues need to be identified and priorities set, with the main focus on improving the performance of the portfolio. This often leads to tricky situations in which a decision has to be made. For example, what about impact investing, which is an effective investment that serves a good cause but then leads to a deterioration in the performance of a pension fund? In our opinion, a case like this goes beyond the scope of ESG and approaches philanthropy, which is a completely different approach (gratuitous, anonymous).

In addition, “countless academic studies investigating the relationship between corporate social responsibility and share performance have come to contradictory conclusions on the subject”³. In the absence of scientific evidence, positive or negative, we continue to believe that good corporate governance helps improve a company’s chances of performing well. Corporate governance must therefore be carefully examined by the analyst when assessing the company and its shares.

3. Promote rather than oppose

The most militant ESG investors like to use combative language and speak out at general meetings. They may also simply be some index-oriented asset managers who, as prisoners of their method, justify holding certain positions that their own principles would require them to sell. In reality, shareholder activism has a rather mixed record. In any case, it should remain in the realm of incentive rather than coercion and confrontation.

4. Vote with your feet

An expression attributed to Ronald Mc Donald; the best way to express your financial or ethical dissatisfaction with a listed company is to refrain from buying its shares. Fundamentalist activism, on the other hand, is based on a contradiction: it encourages investors to buy as many shares as possible of a questionable company. The purpose is to bring together as many votes as possible: logical. But in doing so, it exposes the very same investors to the risk of the weak position throughout the duration of the deal and if it fails to implement the desired change, the risk is greater... We advise investors to use their feet instead and be very selective, aligning their beliefs with their portfolio.

5. Evaluate a company as a whole

Active management consists of a strict selection of equities in a portfolio. Analysts must assess the company as a whole. It makes little sense to look at the financial aspect without looking at the corporate governance or strategy aspects. The expert analyst must make a recommendation to buy, hold or sell the security based on a multitude of criteria and in contexts that differ significantly from one company to another. Different filters and scoring models are used, but only as a decision-making aid. Ultimately, he must use his judgement and reputation as an expert.

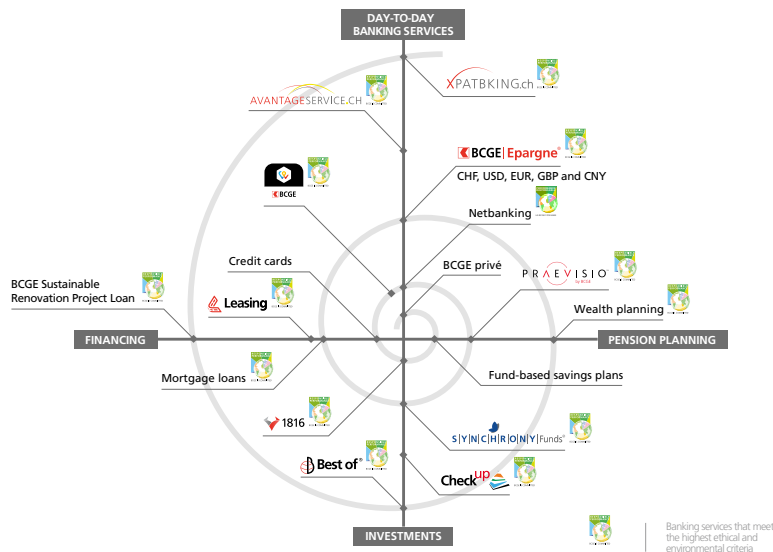
6. Submit ESG performance to external assessment

Rather than labelling its investment instruments itself, the bank has opted for a policy of external rating in terms of ESG criteria. This is to avoid any accusation of a lack of objectivity, or even the risk of overly optimistic rhetoric about the supposed environmental effects of an investment approach. The bank has selected a very advanced and comprehensive rating system. It is gradually extending this rating principle to all its investment products, primarily funds and certain mandates. This will provide clients with a tool to monitor and measure “ESG performance” on a regular basis for the products concerned. This enables a concrete and factual dialogue between investor and adviser in order to align and adjust the portfolio to ESG qualitative objectives.



³ “ESG data: growing popularity and associated risks” N. Jamet, Senior Analyst, RAM, Agefi, 18.07.18, p. 16.

A range of essential private services



Day-to-day banking services

Netbanking

BCGE's online banking solution makes an active contribution to protecting the environment by reducing the amount of paper used and the number of postal items sent.



Avantage service is a loyalty programme that consumes no paper, does not offer cumbersome gadgets as rewards but rather offers an additional interest bonus on savings, with no environmental impact.

The range of day-to-day banking services provided by BCGE is available online and in branches in a completely digital form.

This facility is intended to ensure sustainability and to maintain a very high level of quality.

Financing

Mortgage loan

The mortgage loan intended for private individuals can also be used to finance investments that meet the requirements of the "Minergie®" label. This "green" option makes it possible to optimise comfort while respecting the environment and obtaining a preferential rate. The "Minergie®" home loan enables you to buy, build or renovate a property while reducing your energy costs.

Leasing

A preferential rate is available for financing clean new vehicles that consume little or no fuel. This preferential rate applies to the least polluting vehicles, according to the list drawn up by the canton of Geneva (<https://www.ge.ch/voiture-plus-propre>).

BCGE Sustainable Renovation Project Loan

The personal loan for sustainable renovations is a quick and inexpensive solution to finance your sustainable renovation work or energy-efficient installations without increasing your mortgage.

Investments and pensions



ESG performance assessment by an independent third party

Rather than labelling its investment instruments itself, the bank has opted for a policy of external rating in terms of ESG criteria.

To this end, the bank has selected a rating system provided by the rating agency MSCI ESG Research LCC. It is already being applied to investment funds and will be gradually extended.



Best of ESG

A discretionary management mandate starting at CHF 50,000, applying BCGE's investment philosophy and taking ESG criteria into account.



The 1816 platform allows you to manage your investments independently on the stock exchange. Integrated into Netbanking and BCGE Mobile Netbanking, 1816 is paperless, simple, practical and competitive.