



Responsible performance

Banking services that meet the highest ethical and environmental criteria

BCGE follows social changes closely and takes its clients wishes seriously. For this reason, BCGE 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 such as those used in “green washing”. The following considerations 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.

A consensus has emerged that portfolio investments should be composed of companies or institutions that make a contribution to society. Everyone agrees that companies must respect the environment (E), demonstrate exemplary social behaviour (S) and have best corporate governance (G) practices (ESG criteria).

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 overriding sentiment is that ESG (or SRI or sustainable) investments are very popular nowadays. However, a truly serious private or institutional investor cannot be satisfied with rhetoric², he needs to have proof.

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, which must not be exploited by such considerations. ESG is situated in a rather narrowly defined area between the two poles of regulation and ideology, from which it must dissociate 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. However, global regulatory developments are very rapid which limits the scope of the ESG approach accordingly.

The desire to integrate ESG guidelines and political, ideological and even religious tendencies is of paramount importance but a complex undertaking. Take the subject of the environment: how far can ecological constraints go? Should fossil fuels be completely banned? Should we tolerate nuclear power in the context of global warming? On the subject of geopolitics: which countries should be sanctioned in addition to those that have already been sanctioned? Are all sanctions justified? Are trade war measures justified or purely opportunistic and protectionist? On the subject of governance: are gender diversity quotas appropriate? What should be the dividing line between the responsibilities of the shareholders' general meeting and those of the 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 are primarily made by investors and do not have to be taken up by well-meaning private or public think tanks. For example, the carbon-wind-power-nuclear controversy divides many investors. Each investor will articulate his or her vision and it is his or her 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 coerce

The most militant ESG investors are rising to the forefront and using a vocabulary that is deliberately combative. They make eloquent speeches at general meetings to exert pressure. Some index fund managers, caught up in their all-inclusive approach, recycle ESG rhetoric and resort to power demonstrations to justify holding certain positions they should be selling according to their own criteria. 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... Instead, we advise investors to use their feet and be very selective, and leave the investors who are forced by their investment style, such as the index-linked fund, to struggle with problematic companies...

5. Evaluate a company as a whole

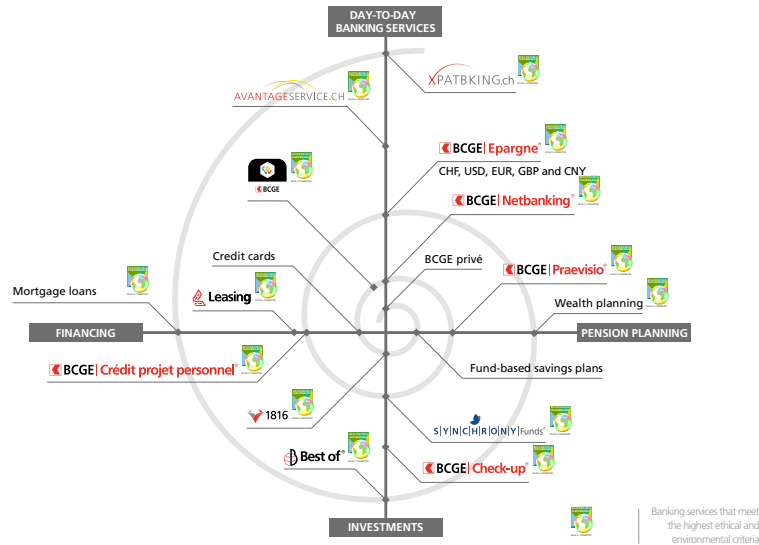
Active management consists of a strict selection of equities in a portfolio. Analysts must assess the company as a whole. It makes little sense to look at the financial aspect without looking at the corporate governance or strategy aspects. The expert analyst must make a recommendation to buy, hold or sell the security based on a multitude of criteria and in very different contexts depending on the company. 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.

Green washing is a reality. It is now firmly established and boasts an impressive promotional strategy because the commercial stakes are high. Banks must choose between turning their backs on this issue, or endorsing the prevailing rhetoric or, as a third option, engaging critically and pragmatically in this process while ensuring the greatest transparency and humility. Your bank has opted for this approach.



³ “ESG data: growing popularity and associated risks” N. Jamet, Senior Analyst, RAM, Agefi, 18.07.18, p16.

A range of essential services available to private clients



Day-to-day banking services

BCGE|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.

AVANTAGESERVICE.CH

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 acquire, build or renovate a property while reducing your energy costs.

Leasing

A preferential rate is available for the financing of clean new vehicles that consume little or no fuel. This preferential rate applies to vehicles classified by the Canton of Geneva as being the least polluting.

Pension planning

S|Y|N|C|H|R|O|N|Y|Funds®

Synchrony LPP 40 SRI

This fund invests only in assets (equities, bonds and investment funds) that are generally recognised as sustainable or socially responsible. These similar terms refer to a management approach that does not focus solely on economic performance, but also on respect for the environment and human and ethical values.

Investments

Best of®

Best of Dynamic ISR

The focus is on generating capital gains, while at the same time investing a portion in bonds and real estate. Investments are made primarily in Swiss assets that are considered sustainable.

S|Y|N|C|H|R|O|N|Y|Funds®

Synchrony Swiss Small and Mid Caps (CH) et Synchrony (LU) Swiss Small and Mid Caps CHF

These funds invest for the long term in approximately 30 Swiss secondary securities (listed companies outside the SMI) selected on the basis of sustainable criteria. To be selected, companies must have financial, social and environmental qualities that are both globally balanced and individually above average.

S|Y|N|C|H|R|O|N|Y|Funds®

Synchrony Swiss Government Bonds

This fund invests in federal bonds for at least two thirds of its value. The balance may be invested in bonds or other debt securities issued or guaranteed by a Swiss public-sector entity or by a central mortgage bond institution.

1816

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.