

# Greenwashing

We are conscious of our responsibility towards the environment, society and future generations. With our holistic approach, we are committed to underpinning our business with ethical principles as well as social and environmental responsibilities, thereby fostering sustainable and beneficial development. By doing so we create added value – for our stakeholder groups and for the environment.

## General definition

Greenwashing describes an attempt by a company or organisation to present itself as more sustainable than it actually is. Suitable terms or images are used to give the impression of sustainable products, services or corporate practices. The aim of greenwashing is therefore to improve the image of a company and appeal to responsible consumers without actually taking appropriate measures. Tendencies towards greenwashing can be found in all areas of daily life. Targeted awareness-raising can enable both consumers and investors to identify misleading information and make informed decisions.

Greenwashing refers to the attempt by companies to present themselves as more sustainable than they actually are. This is often done by providing misleading or inaccurate information while failing to take the appropriate measures.

## Greenwashing in the financial sector

Demand for sustainable financial products and services has risen significantly in recent years. Consequently, the number of financial products making reference to sustainability has also increased, along with the associated risk of greenwashing. In order to avoid this risk, the key sustainability features of an investment product must be presented in a transparent and comprehensible manner so that it can be shown that the claims in the marketing documents are being upheld. Furthermore, during the process of approval and supervision, the Swiss Financial Market Supervi-

sory Authority FINMA pays particular attention to the explanations of the advertised sustainability characteristics. It ensures that these are adequately disclosed and checks that investors are not misled about sustainable characteristics.<sup>1</sup>

## Levels of greenwashing

There are three levels of a bank's operations that are particularly exposed to the risk of greenwashing. They are defined by the Swiss Bankers Association as follows:

- **Company level:** Greenwashing occurs when a financial service provider positions itself as sustainable both internally and externally (for example, on social media or in its advertising, in statements of support, or in sustainability reports) but its internal practices contradict the image it is communicating.
- **Product level:** Greenwashing also occurs when false or misleading information is provided about a product's characteristics or composition. Financial market law already contains concrete principles that sanction false or misleading conduct.
- **Sales level:** Bank officers must ensure that environment, social and governance (ESG) criteria are incorporated into their advisory processes (such as by conducting regular customer preference surveys and providing in-house training for staff) and that customers' expectations regarding sustainability are appropriately met. Greenwashing can be a consequence if this is not ensured.

<sup>1</sup> FINMA Guidance 05/2021 on preventing and combating greenwashing

### Regulatory measures in Switzerland

The integrity of financial products and financial services is of vital importance to the Swiss financial centre. At present, the Federal Council does not implement government regulation in the area of greenwashing. Rather, it welcomes the fact that each of the three industry associations – the Asset Management Association Switzerland (AMAS), the Swiss Bankers Association (SBA) and the Swiss Insurance Association (SIA) – uses self-regulation to take appropriate measures for the prevention of greenwashing.

The core element of their self-regulation includes the definition of a uniform minimum standard specifying the conditions under which selected investment products and financial services may be described as sustainable. To achieve this, these products must have, in addition to financial objectives, at least one of the following investment objectives:

- **Compatibility** with one or more specific sustainability goals: This would include, for example, the application of a positive screening approach, the use of themed investments or the implementation of a climate strategy.
- **Contributing** to the achievement of one or more sustainability goals: This would include stewardship as a component of the portfolio engagement strategy, and impact investing.

All investment funds of Zuger Kantonalbank fall into the category of compatible products.

### Implementation

Zuger Kantonalbank rejects any form of greenwashing. It therefore takes great care to formulate and implement its ESG approach as transparently as possible. For this reason, a number of informative publications are published on the ESG website (sustainability reports, reports on stewardship activities, factsheets, etc.). Zuger Kantonalbank is also a member of the Asset Management Association Switzerland (AMAS) and the Swiss Bankers Association (SBA). It is therefore subject to each of these bodies' self-regulation, which it implements in accordance with the requirements.

### Publications

Other publications on the subject of ESG can be found on our web page [www.zugerkb.ch/en/esg](http://www.zugerkb.ch/en/esg).

### We are signatories to or members of the following organisations

Signatory of:



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