Jeanne Martin
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August 13, 2021

Re: Response to your letter regarding Credit Suisse's plans to align financing activities with the 1.5°C goal of the Paris Agreement

Dear Ms. Martin,

We thank you for the letter you sent to Credit Suisse jointly with 115 investors on July 5, 2021. We appreciate the efforts you and investors are making to encourage and support financial institutions in their endeavors to address the challenges of climate change and energy transition, including targets to achieve net zero emissions and aligning financing with the goal of the Paris Agreement, as well as address biodiversity loss.

We are convinced that banks can be – and must be – agents for sustainable change. Credit Suisse is committed to becoming a sustainability leader in the field of financial services and to contributing to a more sustainable global economy that focuses on long-term solutions – for our clients, society, and the bank. Our sustainability strategy is based on three equally important principles: sustainable disruption, supporting disruptors in making step changes; transition to better, enabling clients to transition from current operations and outdated business models; and protect the future for what is precious today and tomorrow. The recent creation of the Sustainability, Research & Investment Solutions (SRI), an Executive Board-level function, embeds sustainability, including climate and biodiversity, at the core of Credit Suisse's operations and strategy. We believe our award of the Terra Carta Seal by HRH The Prince of Wales' Sustainable Markets Initiative is a testament to our sustainability progress and leadership.

As you are well aware, Credit Suisse has committed to develop science based targets to achieve net zero emissions from our internal operations, our supply chain, and our financing activities by no later than 2050, with interim targets for 2030. We aim to get these targets officially accredited by the Science Based Targets Initiative by the end of 2022. We are describing our ongoing work developing science based targets and are responding to the five demands raised in your letter in the following.

1. **Publish short-term (5-10 years) climate-related targets covering all relevant financial services ahead of your 2022 AGM.**

We are vigorously working to fulfil our commitments expressed at Investor's Day in December 2020[1]. The commitment covers the development of Science Based Targets within the next 24 months (starting from December 2020), including our commitment to achieve net zero emissions from our financing no later than 2050, with intermediate emissions goals for 2030. We believe it is of paramount importance to define methodologies and set targets in an accurate, transparent and conservative manner; hence we are keen on spending the necessary time in the design phase to minimise the risk of frequent restatements which would arise with an accelerated delivery.

As per the Science Based Targets Initiative guidelines for the financial sector (initially released in October 2020, subsequently revised in April 2021[2]), we are working to cover a set of key sectors on a materiality-based approach, ensuring that our focus is spent where it matters most. On a technical note, we are finding complexities in the selection of credible scenarios on a sectorial basis, and in the processing of emission data, which is often scarce. We prefer the use of actual data, as opposed to proxy data, which by nature could lead to inaccuracies and artificial volatility in our trajectories. It is therefore our intention to adhere to the previously defined scope in terms of coverage and timelines; however, we are considering whether we could start publishing our first trajectory for oil, gas and coal in our TCFD 2021 report, ahead of the 2022 AGM. This will depend on the positive outcome of the ongoing phases of the implementation project. Other aspects, such as the inclusion of investments alongside financing, and the expansion to more sectors outside of the top materiality sectors, are also being actively considered with associated timelines.

2. Integrate the findings of the IEA Net-Zero scenario and/or another 1.5° C scenario with low overshoot and minimal reliance on Negative Emission Technologies into your climate strategy.

We have welcomed the release of the IEA Net Zero by 2050 Roadmap for the Global Energy Sector, as it provided an industry-wide consistent version of a credible 1.5° C pathway which seems to be accepted by most practitioners, including NGOs. The roadmap lacks some details in terms of regional differentiation, and for this reason we are considering the use of alternative scenarios for 1.5° C, with limited use of Negative Emission Technologies, such as those presented by NGFS and SBTi.

For avoidance of doubt, we are comparing different scenarios together (including the IEA Net Zero Roadmap) in order to take an informed choice, and ensure that the overall ambition is not diluted. When it comes to power generation, we have started analyses against the IEA Net Zero Roadmap, and we have a positive preliminary view in terms of possible alignment. This is however work-in-progress as per the caveats mentioned under Question 1. We are reviewing sectorial policies and company plans to understand how they can be driven toward the 1.5° C ambition.

3. Phase out from coal by 2030 in OECD countries and by 2040 in non-OECD countries at the latest.

Over time, we have introduced increasingly tightened financing restrictions for coal mining and coal power. Starting with prohibitions of asset-specific financing for new thermal coal mines and the least efficient

[1] For reference, see Credit Suisse Investor Update 2020: Delivering our Sustainability Aspirations, https://www.credit-suisse.com/media/assets/about-us/docs/events/investor-events/iu20-delivering-our-sustainability-aspirations.pdf
[2] Science Based Targets Initiative: Financial Sector Science-Based Targets Guidance, Pilot version 1.1 (April 2021), https://sciencebasedtargets.org/resources/files/Financial-Sector-Science-Based-Targets-Guidance-Pilot-Version.pdf

types of coal-fired power plants in 2016, this was followed by a financing exclusion for any new coal-fired power plant worldwide in 2019. In 2020, we introduced corporate level financing restrictions for companies deriving more than 25% of their revenues from thermal coal extraction or coal-power generation in 2020; exceptions are only permitted if the specific transaction supports the client's climate transition. As a result, the bank's exposure to thermal coal mining coal power generation is gradually being reduced.

In connection with our net zero 2050 commitment and as part of the current strategic review process initiated by our new Chairman, we are evaluating our current exclusions and policies, in particular with respect to coal. The Science Based Targets Guidance for the financial sector contains a recommendation for a thermal coal phase-out policy that would result in a full phase out of financial support to companies deriving more than 5% of their revenues from thermal coal mining and coal-fired electricity by 2030[3]. As we are developing our science based targets, this guidance is strongly considered and we anticipate that we will be in a position to make an announcement post-strategy review in the second half of 2021.

4. Ensure your financial statements are drawn up in alignment with a 1.5° C-pathway.

We take as reference the Guidance provided by the Climate Financial Risk Forum* to develop and implement climate scenarios across different purposes for the organization. We would like to use this opportunity to clarify the following concepts:

- **Baseline scenario**: from an accounting perspective, this must be selected to be the most "likely" scenario upon which our financial projections are based. The fact that Credit Suisse's ambition is for 1.5C does not mean that such scenario is the most likely for the whole planet at this point in time, given that its realization depends on the acts of numerous stakeholders.
- **Target scenario for CS' portfolio**: as highlighted in Question 2, Credit Suisse has chosen to align its financing portfolio to a credible 1.5C scenario. This will be a "cog in the wheel" for an overall world alignment to 1.5C, but does not by itself imply that this will be the direction of the planet.
- **Risk Scenarios**: these scenarios are meant to explore different realizations, including an accelerated disorderly transition (e.g. with implication on viability of carbon-intensive firms) and hot house scenarios (e.g. showing the tragic impact of acute and chronic physical events). We are planning to provide more detail on those scenarios as part of our TCFD 2021.

When considering climate risk, we are looking at intersections across traditional risk categories (e.g. market, credit and operational risk) in accordance with guidance from the Basel Committee.[4]

5. Commit to protect and restore biodiversity

Credit Suisse has been an early and strong advocate for biodiversity considerations in financial markets. In order to provide more transparency about our approach to biodiversity, in 2020 we developed a comprehensive Statement on Biodiversity[5]. Our Statement on Biodiversity describes how we already

[3] Science Based Targets Initiative: Financial Sector Science-Based Targets Guidance, Pilot version 1.1 (April 2021, link see above), pp. 33-34, 93-95.

[4] As reference, see for example Climate Financial Risk Forum Guide 2020: Scenario Analysis Chapter (June 2020), https://www.fca.org.uk/publication/corporate/climate-financial-risk-forum-guide-2020-scenario-analysis-chapter.pdf and Basel Committee on Banking Supervision: Climate-related risk drivers and their transmission channels (April 2021), https://www.bis.org/bcbs/publ/d517.pdf.

[5] "We are committed to playing our part in addressing biodiversity loss through our role as an intermediary between the economy, the environment and society. We recognize the need to protect the range of habitats and species on earth and to safeguard the natural

address biodiversity by embedding it into our sustainability risk assessments as well as in our sector-specific policies and guidelines, by facilitating investments into biodiversity protection, and through the physical footprint of our own operations.

Credit Suisse has long been integral to the creation of new, long-term and diversified sources of revenue that can play a role in protecting and restoring terrestrial as well as marine biodiversity conservation and the health of natural ecosystems. Credit Suisse launched a Nature Conservation Note in 2014, the first bank to develop a conservation investment product making it possible to support conservation activities and the economic development of local communities.[6] In 2019, we partnered with The World Bank to issue a structured note aimed at financing the protection and restoration of fresh and saltwater resources and habitats.[7] We have contributed to and commissioned several biodiversity-related research studies including 'Investors and the Blue Economy'[8] and 'Engaging for a Blue Economy'[9] which informed the launch of the Credit Suisse Rockefeller Ocean Engagement Fund[10], a listed equities fund now over $600m in size, providing retail and institutional investors with the opportunity to seek to generate alpha and engage for a sustainable blue economy along three key ocean themes: pollution prevention, carbon transition, and ocean conservation. Credit Suisse Research Institute's 'The global food system: Identifying sustainable solutions'[11] report provides a deep dive into the health and environmental issues with the current global food supply system and new approaches and solutions to make it more sustainable. This research is informing the development of a sustainable nutrition investment strategy that will seek to address some of the food system drivers of ecosystem and biodiversity loss. We have several other biodiversity-linked transactions under development with partners, some to be announced in 2021, which will serve to mobilize additional investor capital into conservation. To further market development and crowd in additional private capital, in 2016 Credit Suisse partnered with leading organizations in the non-governmental, public and private finance, and academic sectors to launch the Coalition for Private Investment in Conservation[12]. Linked to this scope of work and aligned with the UN's decade of landscape restoration, we host the annual Credit Suisse Conservation Finance Conference[13], now in its 8th year, providing a forum where investors, practitioners and philanthropists can discuss solutions to catalyze investments in the conservation finance sector.

Credit Suisse is committed to developing and disclosing a strategy to address the systemic risk posed by biodiversity loss by 2024 at the latest. Credit Suisse is mapping its exposure to priority industries that carry the highest biodiversity risk and will assess the levels and types of this biodiversity risk, with an initial focus on production to prioritise direct drivers of ecosystem and biodiversity loss. Credit Suisse will use the results of this analysis to develop appropriate, science-based biodiversity targets and key performance indicators

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ecological processes and the livelihoods they support. We are also committed to helping our clients understand the risks and seize opportunities associated with the conscientious management of natural capital and the conservation of biodiversity." See https://www.credit-suisse.com/media/assets/corporate/docs/about-us/responsibility/banking/credit-suisse-statement-on-biodiversity.pdf.

[6] See https://www.credit-suisse.com/ch/en/family-offices-und-hochvermoegende/philanthropie-und-nachhaltige-anlagen/nachhaltige-zukunft/naturschutz.html

[7] https://www.credit-suisse.com/about-us-news/en/articles/media-releases/world-bank-blue-economy-201911.html

[8] See https://www.responsible-investor.com/reports/responsible-investor-and-credit-suisse-or-investors-and-the-blue-economy

[9] See https://www.responsible-investor.com/reports/credit-suisse-or-engaging-for-a-blue-economy

[10] https://www.credit-suisse.com/about-us-news/en/articles/media-releases/credit-suisse-raises-usd-212-million-for-the-first-impact-fund-d-202009.html?t=521_0.5963113529306749

[11] See https://www.credit-suisse.com/media/assets/corporate/docs/about-us/research/publications/the-global-food-system-identifying-sustainable-solutions.pdf

[12] See http://cpicfinance.com/about/governance/

[13] See https://www.credit-suisse.com/microsites/americas/annual-conservation-finance-conference/home.html

as well as informing the appropriate monitoring, reporting and verification framework for tracking our biodiversity progress and disclosures. In this vein, CS participates in the Principles for Responsible Banking Biodiversity working group which developed the 'Guidance on Biodiversity Target-setting'[14] published in June 2021. The scope of our targets will inform the adaptations to be implemented in our financing and investment activities. With respect to the management of biodiversity-related risks and impacts for clients in high-impact sectors, we would like to refer to the public summaries of our sector-specific policies[15], which contain financing restrictions for activities with significant adverse biodiversity impacts and stated expectations towards clients in terms of minimizing their impacts on biodiversity, the wider environment, and indigenous rights. These policies are applied in sector-, client- and/or transaction-specific due diligence assessments of biodiversity risks, including deforestation and degradation of ecosystems. As part of our regular strategic and policy review and consolidation process, Credit Suisse will continue to refine its biodiversity strategies, approaches, disclosures and sector-specific policies in line with advancements in science and the evolution of best-practice and regulations.

Credit Suisse's commitment to biodiversity and such collaboration has been further reinforced in 2021 with the establishment and appointment of a Biodiversity Lead within the Sustainability Strategy, Advisory and Finance Group, an external subject matter expert from a leading international conservation organisation, to work with colleagues across the firm, as well as with external stakeholders, to further our integration of biodiversity considerations into the firm's business activities and decision-making. To further illustrate our continuing commitment to biodiversity we are pleased to share some supplementary information contained in the appendix of this letter.

We welcome the ongoing dialogue with you, and would be happy to have a discussion about these points. We look forward to future interactions with you and the co-signatories of your letter.

Sincerely

Lydie Hudson
CEO of Sustainability, Research and Investment Solutions of and Executive Board Member

Marisa Drew
Chief Sustainability Officer and Global Head Sustainability Strategy, Advisory and Finance

CC:

Thomas Gottstein, CEO of Credit Suisse
Michele Cubic, Head of Investor Relations Americas and Asia Head of Business Development, SRI

[14] See https://www.unepfi.org/publications/guidance-on-biodiversity-target-setting/
[15] See https://www.credit-suisse.com/media/assets/corporate/docs/about-us/responsibility/banking/policy-summaries-en.pdf.

Appendix – supplementary information on Credit Suisse's commitment to biodiversity

We acknowledge that the biodiversity regulatory framework, disclosure guidance and joined industry action are less advanced than those with respect to climate change. This is why Credit Suisse engages in a number of initiatives which drive measurement, disclosure and integration of biodiversity considerations in business processes within the financial sector and beyond. Credit Suisse was an active Member of the Informal Working Group of the Task Force on Nature-related Financial Disclosures (TNFD), we publically endorsed[16] its formal launch and we are committed to continuing to engage with TNFD to support the development of a framework which we expect to provide equally valuable guidance to inform biodiversity strategies, approaches and disclosures as the TCFD did for climate. Our biodiversity-related research also includes 2020's 'Unearthing investor action on biodiversity' report[17] in which data was voted the biggest hurdle for investors trying to address biodiversity, supporting the need for and role of the TNFD. Other examples include road-testing the ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure)[18] tool for financial institutions as well as participating in "The financial sector and the post-2020 Global Biodiversity Framework" workshop[19] hosted by the Convention on Biological Diversity in June 2021, the outputs of which will inform the third meeting of the Open-ended Working Group on the Post-2020 Global Biodiversity Framework (GBF) in preparation for COP15 in October and the Financial Sector Guide for the Convention on Biological Diversity[20]. Credit Suisse will seek to integrate relevant aspects of the agreed and adopted post-2020 GBF into its corporate, sustainability and biodiversity strategies, processes, policies and activities such that Credit Suisse is aligned to support the implementation and delivery of the GBF and the Sustainable Development Goals. Similarly, Credit Suisse acknowledges the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services and Intergovernmental Panel on Climate Change Co-Sponsored Workshop Report[21] published in June 2021 which highlights that "Biodiversity loss and climate change are inseparable threats to humanity that must be addressed together." In this light, we will seek to systematically and synergistically align our climate and biodiversity strategies whilst integrating social considerations such as human rights safeguards. Credit Suisse is committed to continue to collaborate with stakeholders to develop and advocate both market and sectoral expectations on the management of biodiversity-related risks and impacts which will include for clients in high-impact sectors.

We feel it is worth noting that Credit Suisse is also a proud member of the United for Wildlife Illegal Wildlife Trade (IWT) Financial Taskforce convened by The Royal Foundation of the Duke and Duchess of Cambridge and is a signatory to the Mansion House Declaration on Illegal Wildlife Trade as well as being one of the founding members of the Wolfsberg Group, which commits that its members "will not knowingly facilitate or tolerate financial flows that are derived from IWT and associated corruption". We believe this also to be a critical aspect of the financial sector's role in addressing biodiversity loss.

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[16] See https://tnfd.info/who-we-are/endorsements/

[17] See https://www.responsible-investor.com/reports/responsible-investor-and-credit-suisse-or-unearthing-investor-action-on-biodiversity

[18] See https://encore.naturalcapital.finance/en

[19] See https://www.cbd.int/article/finance-and-global-biodiversity-framework-webinar

[20] UNEP FI et al.: Financial Sector Guide for the Convention on Biological Diversity (2021), https://www.cbd.int/doc/c/fb30/ab6e/2ba026651408d804167b8540/cbd-financial-sector-guide-f2-en.pdf.

[21] See https://ipbes.net/events/launch-ipbes-ipcc-co-sponsored-workshop-report-biodiversity-and-climate-change