

Media release

SSF Spotlight: The Role of Derivates in Sustainable Investing

Zurich, 11 December 2023

Asset and wealth managers use derivative instruments and structured products to fulfil financial objectives, optimise portfolio construction and manage liquidity efficiently. While these tools are integral components in both conventional and sustainable portfolios, Swiss Sustainable Finance (SSF) addresses the implications of derivatives on achieving sustainability objectives in its latest *Spotlight* publication. The report serves as a comprehensive guide, offering asset and wealth managers insights on aligning derivative usage with sustainability goals and improving transparency.

The Role of Derivatives in Sustainable Investment Products

In asset management, clients often invest in funds or mandates featuring a diverse mix of traditional assets, derivatives, and structured products. While derivatives play a pivotal role in realising financial objectives, asset managers offering sustainable investments bear the additional responsibility of aligning these instruments with defined sustainability objectives. In particular, transparency in the use of derivatives is seen as a cornerstone of good market practice, while it is also important to communicate transparently with clients about the influence of derivatives on their sustainability objectives.

Sustainability-Related Challenges Associated with Derivatives

The SSF *Spotlight* report identifies critical sustainability-related challenges associated with derivatives, with a particular focus on three client-relevant aspects: market signal and exposure to underlying assets, associated ownership rights, and transparency in reporting. Developed in collaboration with an SSF Focus Group, the new SSF *Spotlight* publication titled “The Role of Derivatives in Sustainable Investing” provides concrete guidance on aligning derivative usage with sustainability objectives and enhancing transparency in sustainable investing. Sabine Döbeli, CEO of SSF, notes that “while derivatives play a key role in portfolio management not only for traditional, but also for sustainable products, discussions about challenges and transparency are only just beginning”. Hendrik Kimmerle, Senior Project Manager at SSF and author of the report, further comments: “To allow for full alignment of clients sustainability objectives with products, transparency on the use of derivatives is of key importance.”

SSF Guidance on Derivative Usage in Sustainable Products

The report outlines three key areas of practical guidance from SSF. Firstly, it underscores the importance of establishing a time-weighted threshold for index derivatives to prevent unintended interference with clients' sustainability objectives while creating a neutral investment category for instruments relevant to risk and liquidity management but with limited impact on sustainability objectives. Secondly, the report recommends selecting structured product issuers with established stewardship policies, empowering asset managers to pursue credible engagement strategies. Thirdly, asset and wealth managers are advised to provide maximum transparency to clients, utilising ESG metrics for derivatives, as well as ESG metrics for structured product issuers.

Access the *SSF Spotlight* "The Role of Derivatives in Sustainable Investing" [here](#).

Contact:

Sabine Doebeli, CEO Swiss Sustainable Finance

+41 44 515 60 52

sabine.doebeli@sustainablefinance.ch

www.sustainablefinance.ch

The mission of **Swiss Sustainable Finance (SSF)** is to strengthen Switzerland's position as a leading voice and actor in sustainable finance, thereby contributing to a sustainable and prosperous economy. The association, founded in 2014, has representative offices in Zurich, Geneva and Lugano. Currently, SSF unites over 240 members and network partners from financial service providers, investors, universities and business schools, public-sector entities and other interested organisations. Through research, capacity-building and the development of practical tools and supportive frameworks, SSF fosters the integration of sustainability factors into all financial services. An overview of SSF's current members and partners can be found on its website: sustainablefinance.ch