ri INTERVIEW

Advancing Swiss Sustainable Finance

Sabine Döbeli, Chief Executive Officer, Swiss Sustainable Finance

"Konkurrenzveranstaltung" (competing event) was what some observers of the German-speaking sustainable investment industry were thinking when it emerged last summer that Sabine Döbeli had been named Chief Executive of Swiss Sustainable Finance (SSF), a new Swiss lobby. That's because Döbeli had resigned a few months before as Deputy Chair for Switzerland at FNG, the Berlin-based sustainable investment lobby for the German-speaking region of Europe.

There are, however, differences between the organisations. SSF, which has virtually all Swiss asset managers among its 81 members, is focussed only on the domestic market and as such can better represent players in the French- and Italian-speaking parts of the country than FNG was able to do. Indeed, sources close to the events say that this was the main reason for SSF's creation. FNG, meanwhile, has the larger task of promoting sustainable investing in the four German-speaking markets (i.e. Germany, Austria, Switzerland and Liechtenstein) and to represent those markets at the EU level. There, it works with Eurosif, the Brussels-based lobby. FNG has furthermore lost none of its Swiss members since the rise of SSF, including Swiss private bank Vontobel, where Döbeli is Head of Corporate Responsibility.

> "SSF . . . is focussed only on the domestic market and as such can better represent players in the French- and Italian-speaking parts of the country than FNG was able to do"

Seven months after its launch, Responsible Investor sat down with Döbeli to discuss the SSF's mission, a key part of which is to overcome scepticism of sustainable investing that persists in Switzerland's institutional market.

RI: Ms Döbeli, SSF has several important asset owners, including Swiss Re, Suva, Helvetia and Swiss proxy firm Ethos. Yet apart from the sustainable scheme Nest, one notices the conspicuous absence of Swiss pension funds. Why is that?

Sabine Döbeli: Well, we have 10 asset owners as members, including the ones you mention. Apart from Nest, we have Ethos representing the voting interests of more than 100 Swiss pension schemes, including bigger schemes like Pensionskasse Post (pension fund for postal employees) and Pensionskasse Stadt Zürich (scheme for Zurich city employees). So I would say it's a pretty good start. For asset owners who are members, we have set up a working group whose mission is to assist them in their efforts to integrate ESG (environmental, social and governance) criteria into the investment process. Together, we want to find out what the challenges are in this endeavour and develop guidelines.

> "For asset owners who are members, we have set up a working group whose mission is to assist them in their efforts to integrate ESG (environmental, social and governance) criteria into the investment process"

That sounds like what the Principles for Responsible Investment (PRI), the London-based NGO that promotes said principles, is doing…
What we are doing is related to the Swiss market. The PRI is an international organisation that has attracted very big and sophisticated asset owners. Here in Switzerland, we have around 2,000 pension funds, many of which are small and hence lack the resources and the know-how to implement ESG integration. We see it as the role of the SSF to translate what the PRI does on a grand scale to the Swiss market. We want to show the schemes in pragmatic fashion that ESG integration works – i.e. that it helps them get a better handle on the risks to their investments, and in doing so, improves the risk/return profile.

OK, how do you plan on cracking the Swiss pension fund market, especially when there is widespread scepticism toward sustainable investing?
In principle yes, but I wouldn't overstate its importance. Many schemes were not happy about Minder, not only because it means more hassle, but because they doubt it will make much difference. Consider that Swiss pension funds own about 5% of the share capital of listed Swiss companies, and I've been told that some of them are switching from direct holdings to funds to circumvent the voting requirement.

> “Many schemes were not happy about Minder, not only because it means more hassle, but because they doubt it will make much difference”

Besides, will Minder really serve to crack down on excessive pay? Some companies avoid uncertainty by having shareholders vote on a prospective cost ceiling for top management remuneration. This could actually result in higher compensation levels. That's sometimes the problem with regulation. One starts out with the best intentions but hasn't thought of all the consequences or the added complexity it brings. I would even venture to say that some annoyed Swiss schemes are saying to themselves: “Because we're tied up with Minder, don't even bother us with even more ESG.”

You sound very sceptical. Won't, however, the Minder initiative create an important voting block against excessive pay at Swiss firms? That block could also influence other investors…
I agree with you that if the Swiss schemes vote one way or another on executive pay and communicate this beforehand, that could send a strong signal to other big investors. I look forward to seeing what this proxy season brings.

Experts like Antoinette Hunziker-Ebneter, CEO of sustainable asset manager Forma Futura, believe that sustainable investing is about to break through in Switzerland because pension funds member increasingly demand it…
I haven't seen much evidence for that so far. Even if there is a shift, it's going rather slowly. That said, there was an interesting study last fall from RobecoSAM which reflected that almost two-thirds of Swiss pension funds members said they wanted their schemes to invest sustainably. The study even showed that a majority wanted the approach even if it meant that they would have to sacrifice a few points of return! So it's clear that the Swiss have a need for sustainable investments and we should fulfil it.

To advance the cause of sustainable investing, SSF will need support from politicians in Berne. How can the politicians help you?
First of all, we are not seeking more regulation for pension funds, i.e. the Swiss government mandating that the schemes invest sustainably. What we want to do is to remove hurdles to the approach. Let me give you an example: an impact fund that seeks to spur economic development in emerging economies is complex and, hence, costs more than plain-vanilla funds. Yet in Switzerland you can only deduct the 1.5% management fee from gross income – even if it is higher in reality – resulting in a tax disadvantage in offering such products. Another example is taking a page from the EU and requiring Swiss companies to report annually on their ESG performance.

> “we are not seeking more regulation for pension funds, i.e. the Swiss government mandating that the schemes invest sustainably.”

Ms Hunziker-Ebneter, who used to head the Swiss stock exchange, has even suggested making that reporting a requirement for companies to list. Do you support that?
What form the reporting takes is less of a concern to me than the fact that the reporting should be done. We plan to discuss this with politicians in Berne.

Finally, we'd like to ask what you believe will be the main drivers of Switzerland's sustainable investment market, which currently totals just under €50bn.
In Switzerland, the sustainable market has so far been driven by private demand. It accounts for roughly 50% of the market and it will continue to be important. At the same time, we're seeing that the institutional share of the market is increasing. This is due to the search for investment opportunities in a time when bonds are yielding next to nothing. Switzerland is also beginning to transition to renewable energy from nuclear energy, so I expect an uptick in institutional demand for green energy investments.

But most of the growth will result from Swiss and other institutional investors strengthening ESG integration in their portfolios. Asset managers see this in an increasing share of RFPs (requests for proposals) which explicitly state that asset managers must, for example, be signatories to the PRI. Meeting those clients' needs is a huge opportunity for a place like Switzerland, which offers sophisticated financial services. We will promote this as a central element for a new asset management strategy currently being developed by the Swiss Bankers' Association. ■

> “we're seeing that the institutional share of the market is increasing”