



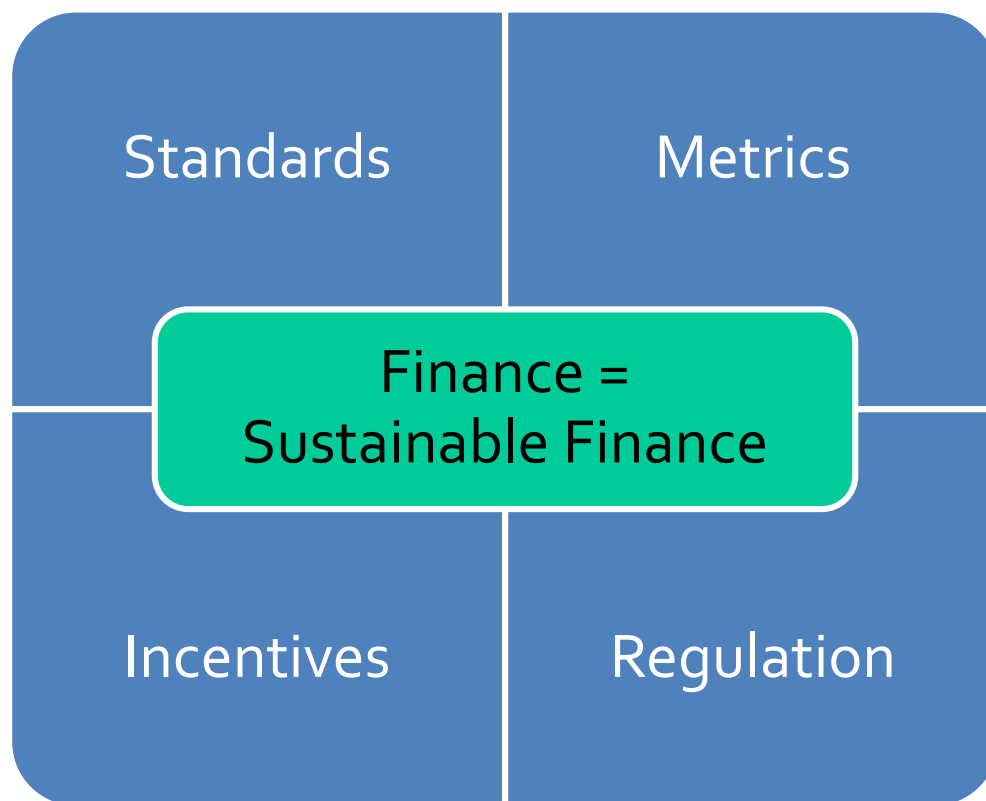
Swiss Team input into the UNEP Inquiry

Sabine Döbeli, CEO Swiss Sustainable Finance, 06.05.15

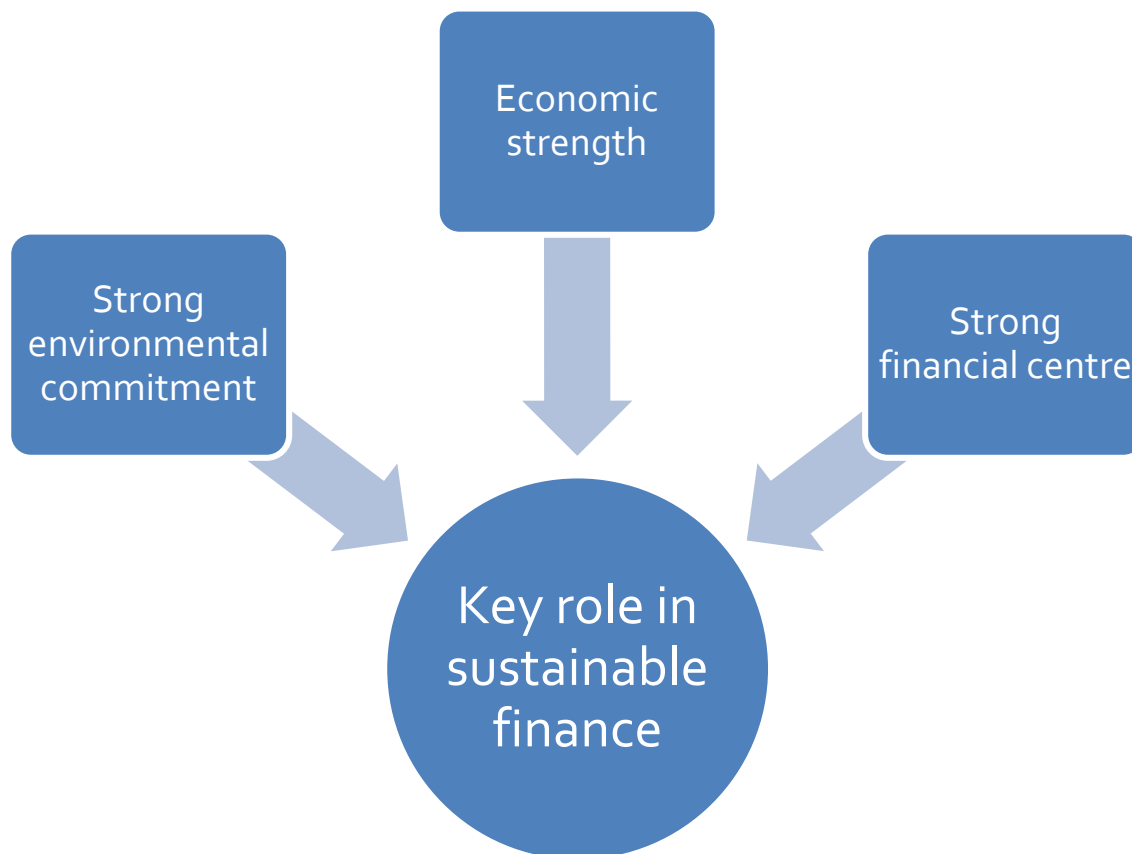
Swiss Team input into the UNEP Inquiry

No.	Topic	Slide
1	Introduction	3
2	Key Challenges	5
3	The Swiss Case	10
4	Recommendations for action	13
5	Authors	18

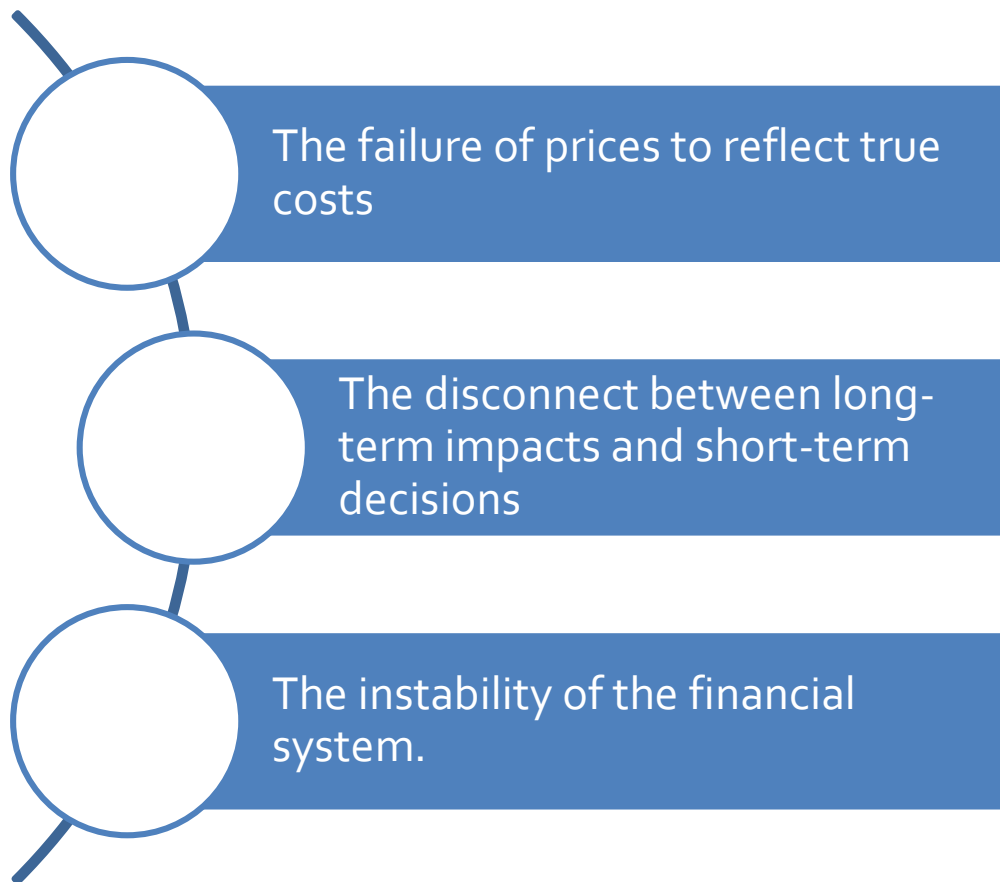
Financial system for a Green and Inclusive Economy – designing a Sustainable Financial System



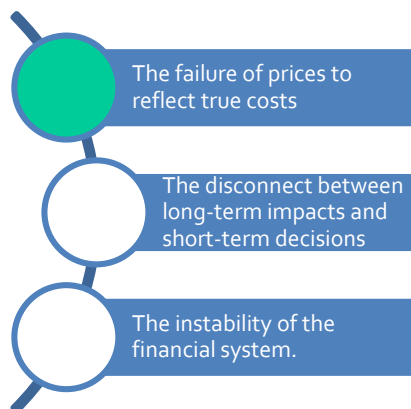
Swiss fundamentals – Switzerland as a logical key player in Sustainable Finance



Three Critical factors hindering the transition to a sustainable financial system

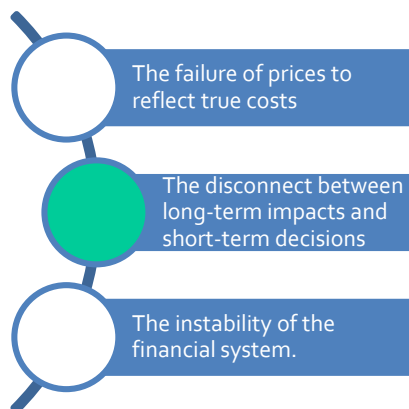


Prices do not reflect true costs



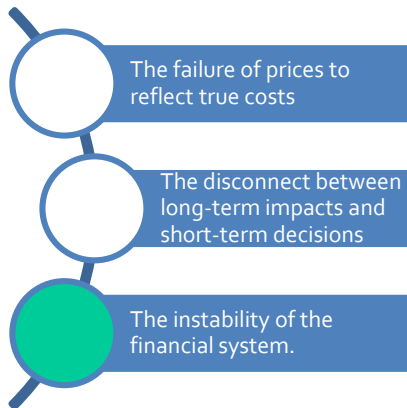
- Lack of reliable and robust standards or accepted best practices to integrate environmental and social factors into financial market's products and services
- No global agreements on internalization of external costs related to planetary boundaries:
 - Annual non-market value of the planet's ecosystem services is double that of the global GDP – but currently not priced in business decisions
 - Missing global climate change agreement to achieve the 2-degrees goal

Differing time horizons



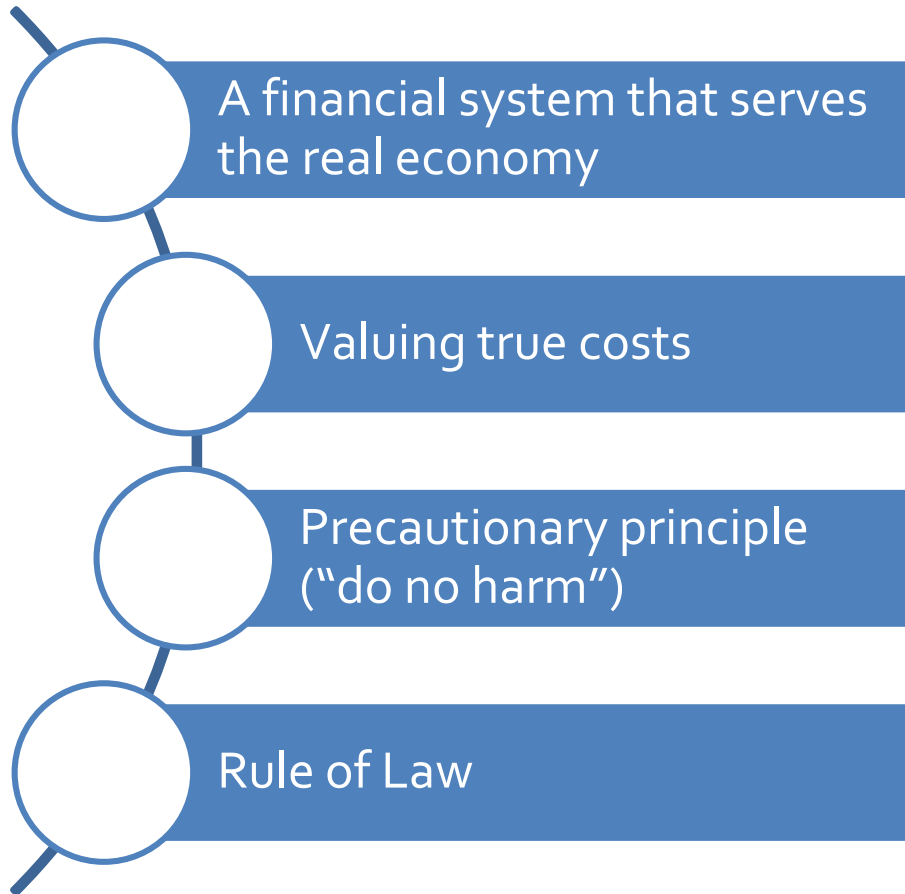
- Expected incorporation of the risks and opportunities associated with certain ESG issues are likely to materialize only in the long-term
- Reporting cycles and incentive schemes have short-term time-horizon
- Lack of examples of financial relevance of future risks
- Opportunities and challenges that arise with long-term and illiquid liabilities/assets
- Ability to sustain investment strategies over market cycles to avoid pro-cyclical behavior

Instability of financial system



- Current century's short history has seen multiple major financial crisis
- Unclear if regulatory adaptations have increased stability of financial system
- Still existing instability of system triggers short-term behaviour
- ESG risks were largely left aside in regulatory action

Guiding pre-conditions for the way towards a solution



The Swiss Case – over 200 dedicated organisations



Swiss Organisations with many sustainable finance innovations

- First sustainable global index family
- First environmental efficiency fund
- Early integration of ESG risks in credit/lending by large banks
- Foundation engaging with and providing voting recommendations for Swiss companies for 25% of Swiss occupational benefit plans
- Infrastructure fund for renewable energy for Swiss pension funds
- Internationally recognised academic conference on sustainable finance
- Nature conservation note to invest in sustainable ecosystem management
- Fairtrade fund

Promising ways to move forward

Cooperation with specialised partners

- Microfinance: Large banks cooperate with special providers

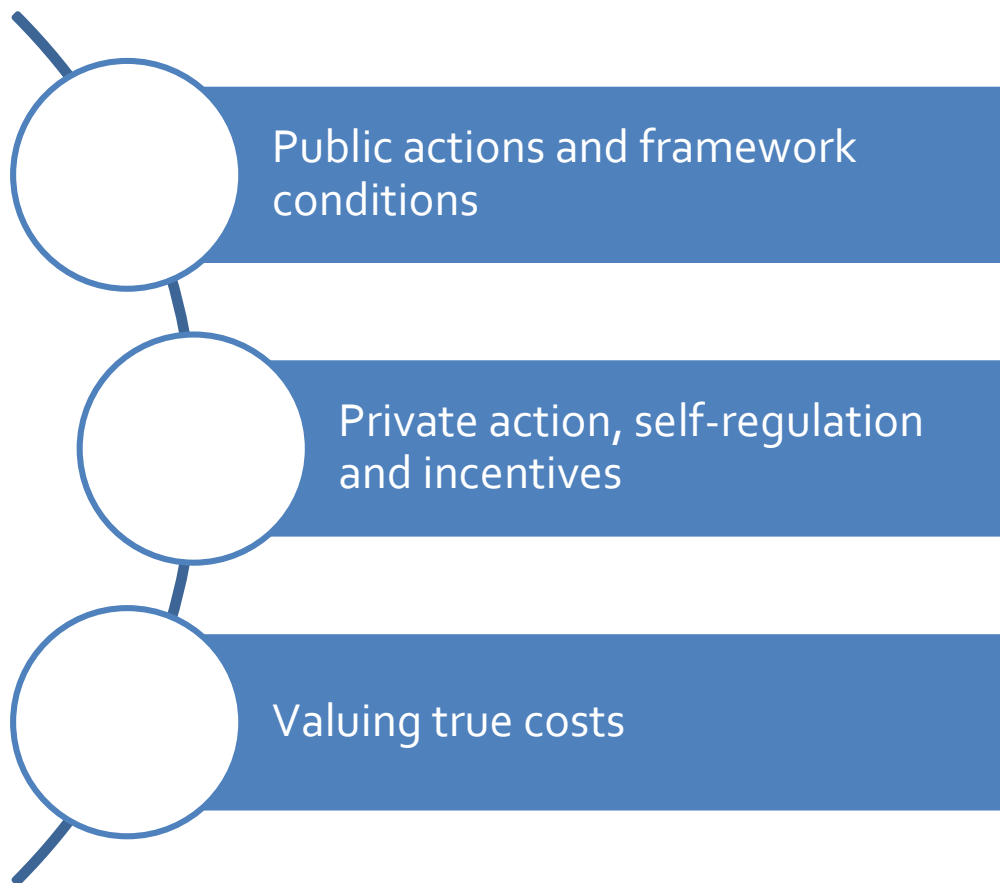
Public Private Partnerships (PPP)

- Infrastructure: Spreads/reduces risks for institutional investors with strict investment guidelines

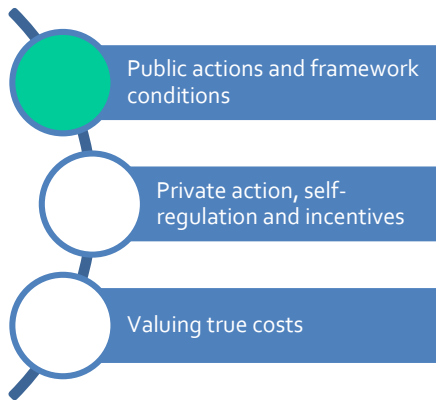
New clients in private wealth management

- An increased interest in ESG factors from new generation HNWI's will drive private wealth managers to develop fitting products

Recommendations for Action

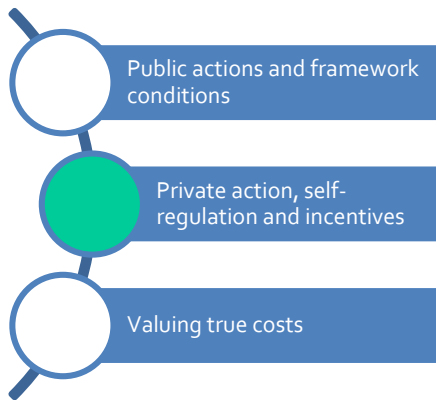


Public actions and framework conditions



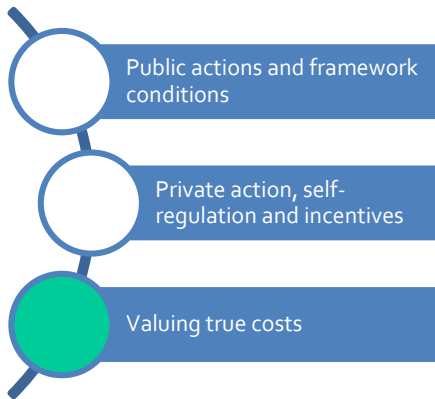
- Stable political environments with long-term regulatory certainty encourage investors to commit to long-term investments
- Provide effective tax incentive schemes for sustainable investments
- Create frameworks for pension funds to invest allowing for long-term investments in green infrastructure

Private action, self-regulation and incentives



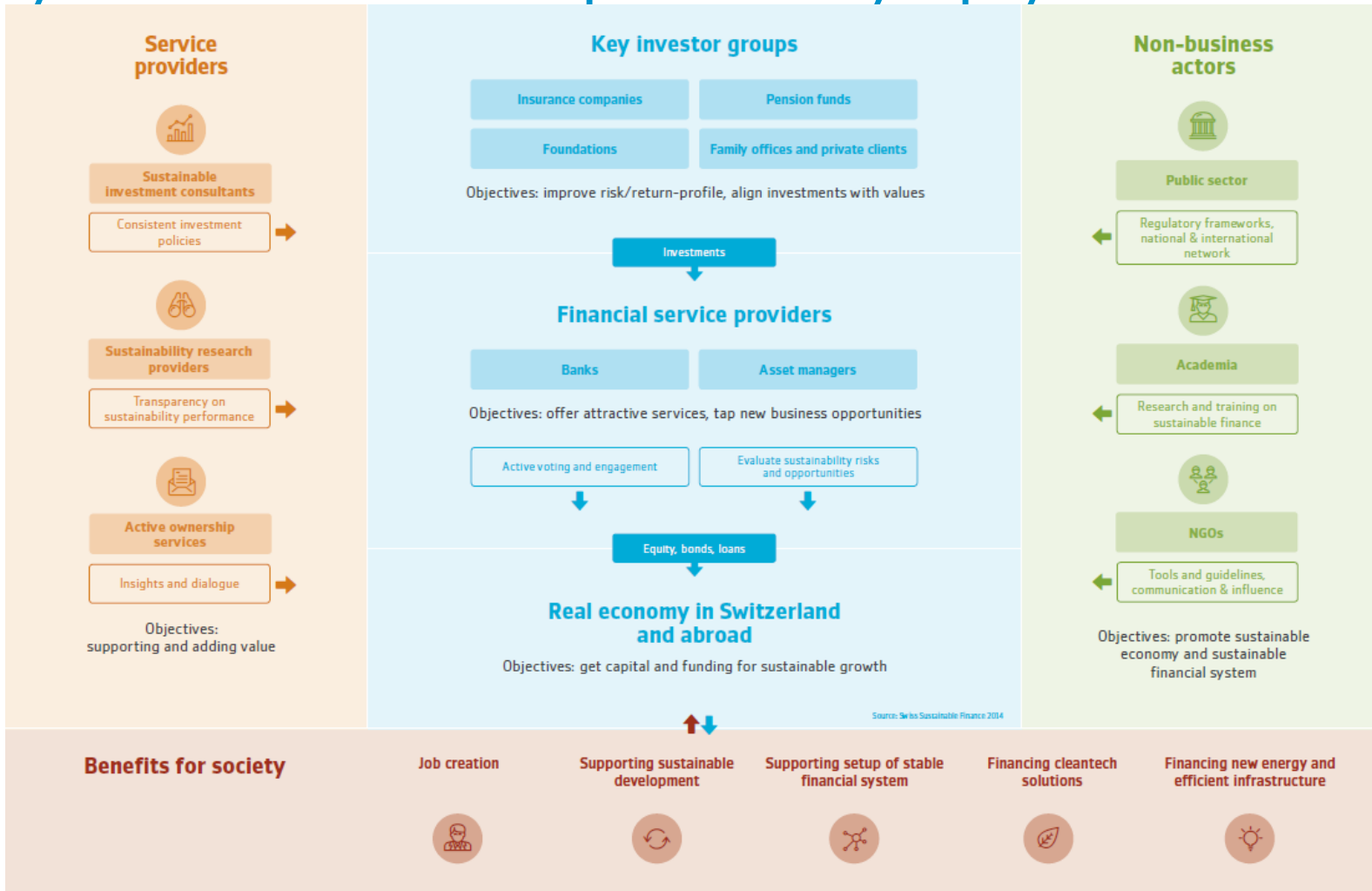
- Systematic integration of ESG factors in all financial decisions (as a reaction to the increasing client demand)
- Client-focused product offerings and active advisory on sustainable finance require the training of relationship managers
- Reorientation of financial players' incentive structures by aligning them with a longer time-horizon

Valuing true costs



- Comparable and reliable data as a basis for ESG integration through promotion and improvement of existing frameworks
- Integration of sustainable finance in education and training on all levels and promotion of academic research in this field

Systemic transformation requires action by all players



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