



# Proposals for a Roadmap – SSF members voice opinions one year on

Results of a survey on progress regarding the “Proposals for a Roadmap towards a Sustainable Financial System in Switzerland”

June 2017

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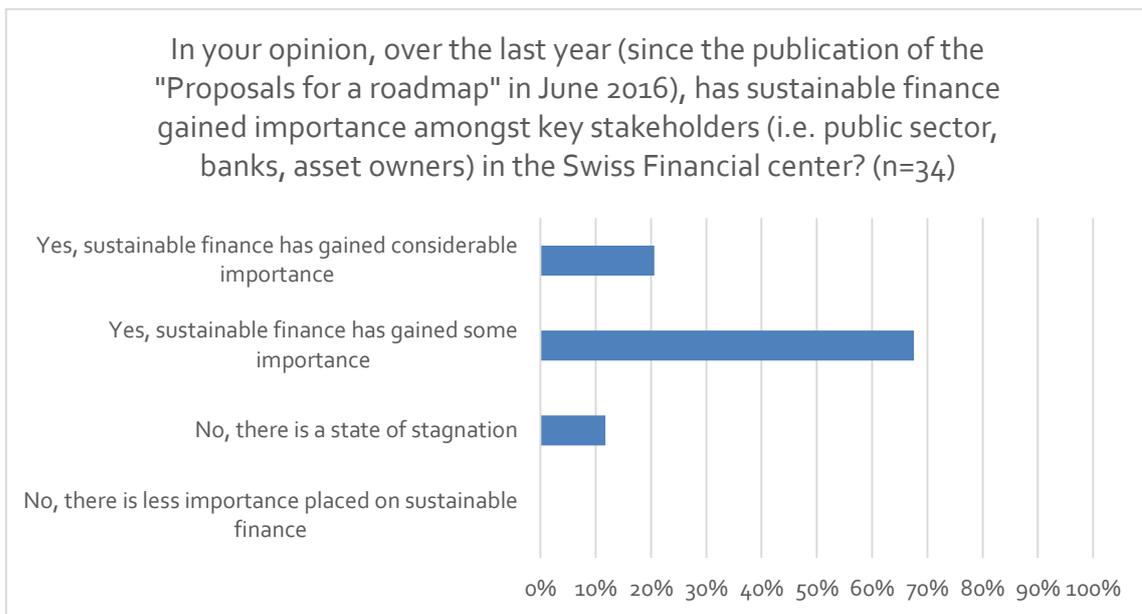
## Introduction

[“Proposals for a Roadmap towards a Sustainable Financial System in Switzerland”](#) was published by the Federal Office for the Environment (FOEN) with experts from the financial sector, academic institutions, non-governmental organizations and federal authorities in June 2016 at the SSF Members’ Assembly. The aim of the publication was to spark the discussion and learning process on how the financial system in Switzerland can become more sustainable.

One year after the publication, SSF set out to collect opinions on **recent developments of the Swiss Financial System and the progress made in the five core areas of the “proposals”**: asset and wealth management, institutional investors, credit business, capital markets, research and education.

For this purpose, SSF **invited its network to share their opinions on the developments** regarding the implementation of the proposed measures **through a short survey** consisting of eight questions. A total of 34 individuals from the SSF network took part in the survey. In the following sections, we review the results.

## 1. Sustainable finance and its changing importance in Switzerland



Two-thirds of the respondents believe that sustainable finance has gained at least some importance amongst key stakeholders (i.e. public sector, banks, asset owners) within the Swiss financial centre. An additional 20% of respondents believe sustainable finance has gained considerable importance.

### Key themes mentioned by respondents to justify their views were:

- Media presence and interest from clients and advisors increased
- Sustainable finance is becoming a standard requirement in RFPs of large investors
- Developments:
  - Swiss government paying more attention (e.g. [Federal Council's view that the financial market policy should play a supportive role in the area of sustainable investments, climate alignment pilot tests of BAFU/SIF](#))
  - Swiss involvement in G20 study group on green finance
  - [SwissFoundations' Code](#)
  - EU's COP 21
  - EU's green finance strategy
  - Global divestment movement

### Interesting positive quotes:

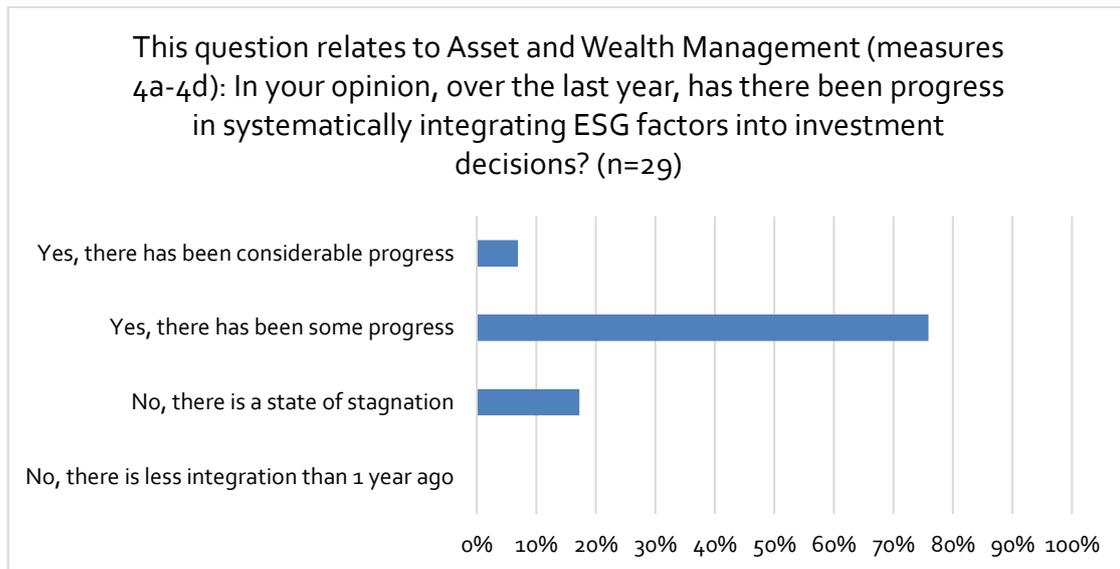
"There are no asset managers without an explicit ESG strategy."

### Interesting critical quotes:

"We observe increased interest in dialogue and information, building up of expert teams and marketing efforts, but not yet in actual actions or investments."

"It still needs considerable steps to reach the mainstream finance industry as well as regulation."

## 2. Sustainable finance and asset and wealth management



Over three quarters of all respondents believe that when it comes to systematically integrating ESG factors into investment decisions within Asset and Wealth Management there has definitely been some progress in Switzerland.

### Key themes mentioned by respondents to justify their views were:

- Especially institutional client demand is increasing
- Difficulties arise due to data and rating inconsistencies
- Appropriate incentives to trigger behavioural changes of portfolio managers are not yet in place
- Efforts need to be made to create awareness that ESG is a value-adding element

### Interesting positive quotes:

“More and more asset and wealth management functions have realized that a significant group of clients actually strive for achieving more than only a financial return.”

“Some asset managers have become really proactive and innovative in promoting sustainable finance.”

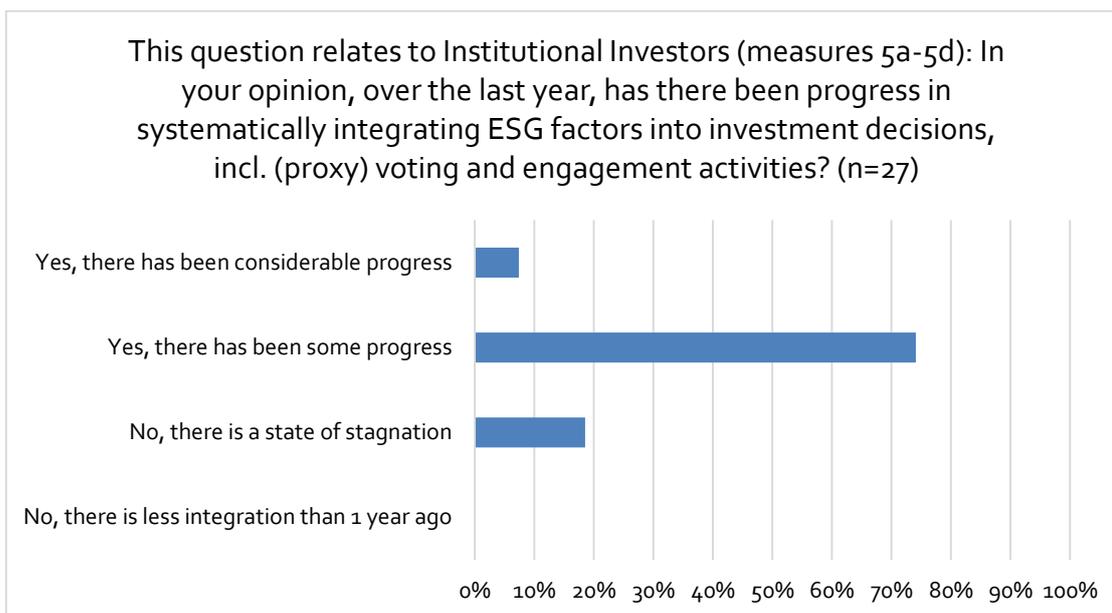
“There is a growing number of asset managers searching for an integrated investment process and working towards an integral ESG understanding.”

### Interesting critical quotes:

“ESG integration in special product offerings has increased, but there is no systematic approach within the financial sector yet.”

“The majority of asset managers are still in a passive mode, waiting for client demand and looking for low cost solutions. The priorities are elsewhere at the moment (e.g. adapting to new regulation, digitalisation). Sustainable finance is not considered as a real business opportunity yet.”

### 3. Sustainable finance and institutional investors



Also in relation to institutional investors, over three quarters of the respondents believe that there has been some progress in systematically integrating ESG factors into investment decisions, including (proxy) voting and engagement activities.

#### Key themes mentioned by respondents to justify their views were:

- Generating acceptable risk-adjusted returns is key to institutional investors
- There is a consensus about Swiss laws and signed treaties, but not on further limitations of the investment universe (e.g. alcohol, tobacco)
- Beneficiaries are not yet well informed and/or do not actively seek these types of solutions from their pension funds
- Minder initiative led to a move into passive index funds, where exercising voting rights is not required
- (Proxy) voting is thematically focused on corporate governance issues and management remuneration, but does not yet widely cover environmental and social issues
- Engagement activities especially evolved around the climate topic
- There is a clear difference between large and small pension funds (larger ones seem to be moving towards a more systematic way of ESG integration, the majority of the small ones rather less)
- Swiss institutional investors are largely intransparent and falling behind in the race (e.g. compared to France)

**Interesting positive quotes:**

“The question is not anymore if, but how and when.”

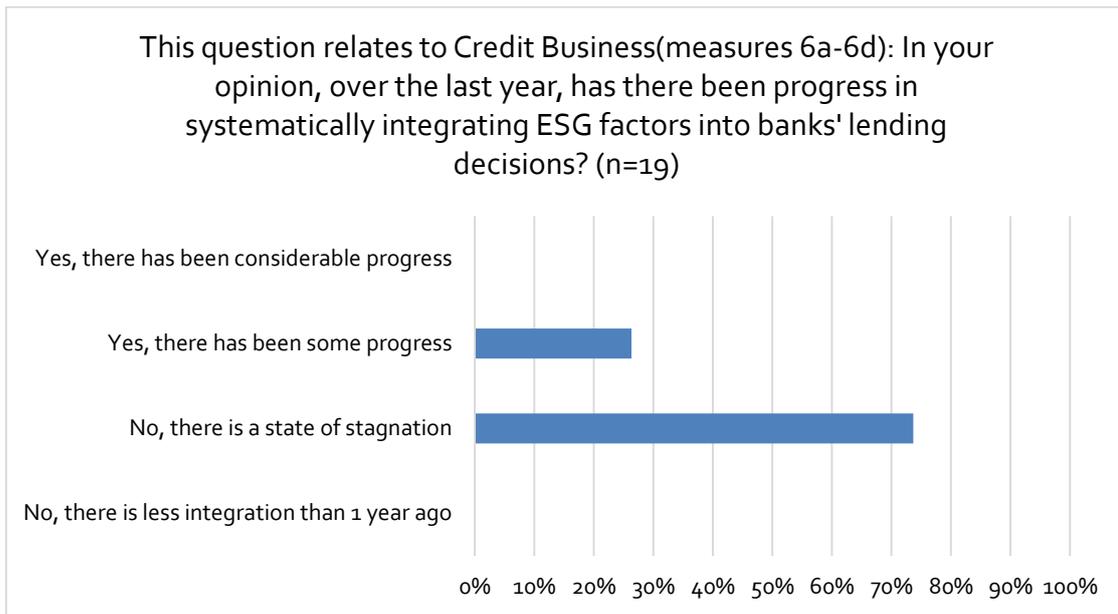
“Institutional investors are more open and/or sensitive to this issue.”

“Networks such as SSF, ASIP and surveys among swiss pension funds are helping to raise the awareness and transparency level on sustainability issues among institutional investors.”

**Interesting critical quotes:**

“Non-Swiss actors are far better positioning themselves and creating transparency than the Swiss ones.”

## 4. Sustainable finance and credit business



Almost three quarters of the respondents believe that there is a state of stagnation regarding integrating ESG factors into banks' lending decisions.

### Key themes mentioned by respondents to justify their views were:

- There is a lack of initiatives in this realm
- There are too often controversial activities which question the full integration of ESG into the Credit Business

### Interesting positive quotes:

"Integration of ESG into the Credit Business happens more internationally and less in Switzerland."

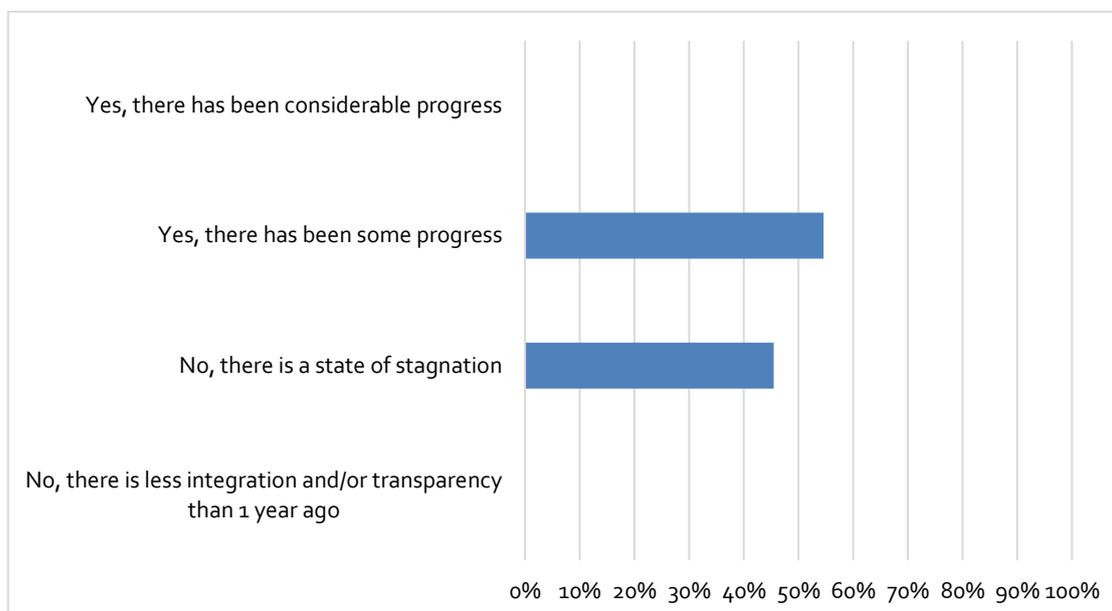
### Interesting critical quotes:

"ESG factors have yet to become an integral part of the lending business, so far the signs for such a progress do not show."

"Some banks are working on this topic, but there is no systematic approach yet."

## 5. Sustainable finance and capital markets

This question relates to Capital Markets (measures 7a-7c): In your opinion, over the last year, has there been progress in achieving transparency for ESG impacts for capital transactions and/or progress systematically integrating material ESG opportunities and risks into price signals on the markets? (n=22)



There was a split with approximately half of the respondents believing that there is a state of stagnation and half of the respondents believing that there has been SOME progress achieving transparency for ESG impacts for capital transactions and/or SOME progress systematically integrating material ESG opportunities and risks into price signals on the markets.

### Key themes mentioned by respondents to justify their views were:

- Integrated annual reports of listed companies is becoming standard
- Increased discussions on how markets will implement the TCFD recommendations
- Unresolved issues on how to create a level playing field
- Switzerland lags behind other global players and financial hubs (e.g. London, Paris, Singapore)

### Interesting positive quotes:

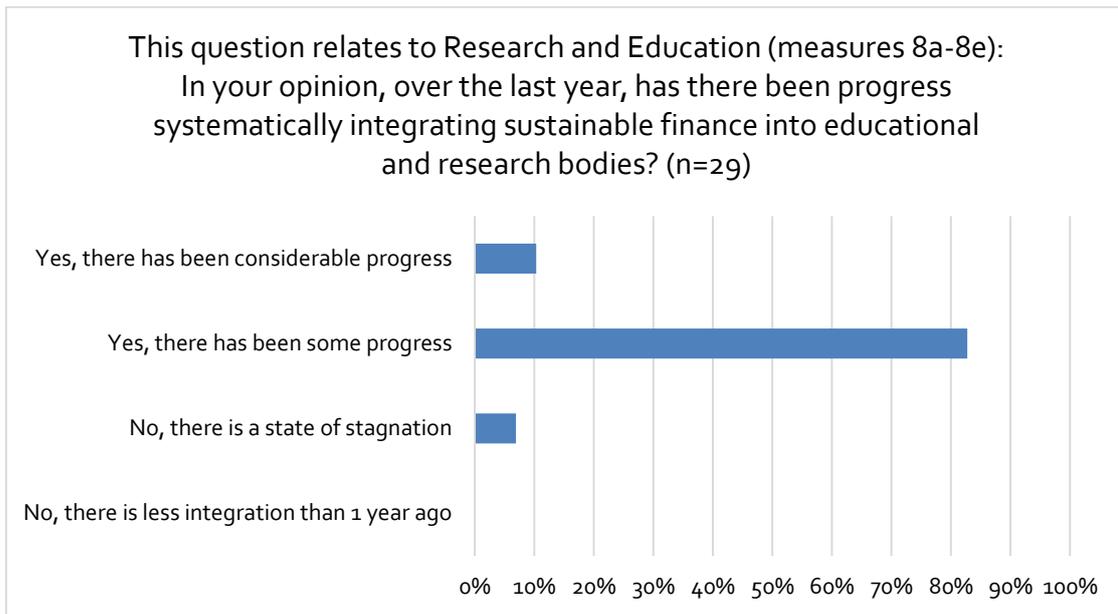
“There is a growing number of integrated annual reports of listed companies.”

“The FSB’s TCFD provides a big push towards increasing transparency on ESG impacts.”

### Interesting critical quotes:

“Common valuation and assessment techniques do not yet integrate ESG opportunities and risks into the pricing perspectives and valuation procedures.”

## 6. Sustainable finance and research and education



Over 80% of the respondents believe that there has been some progress in systematically integrating sustainable finance into educational and research bodies.

### Key themes mentioned by respondents to justify their views were:

- There are many new offerings for professionals as well as programs and courses for students
- High demand, especially from millennials, for good training facilities exists
- There exists a large amount of inputs in the form of research papers. However there are unresolved issues on how to get this information to decision makers on a main-stream level

### Interesting positive quotes:

"There's more and more specialised training in the field of sustainable finance and the subject also gets increasingly integrated in classical finance courses."

### Interesting critical quotes:

"Interest and participation is not overwhelmingly great in Switzerland."

"Professors who decide to engage in this topic run the risk of being marginalized."

## 7. Sustainable finance promotion

Question: In your opinion, how could sustainable finance be promoted further?

### Forms of promotion mentioned by respondents:

- Common and widespread definitions need to be developed to make it easier for investors to compare and measure different products and service providers
- The concept needs to be made accessible and adoptable to a wide audience (e.g. more media attention, talk about it in public forums not exclusively aiming at a sustainable investment audience)
- Sustainability should be decoupled from marketing, emotional arguments should be avoided. The focus should instead be on actual measures of sustainability within the different spheres (E, S, G)
- Financial materiality should be separated from purely ethical decisions, how ESG helps traditional investment objectives (e.g. risk protection, dealing with low interest rates, climate impact, etc.) should be displayed
- A dialogue should start on ethics and values to show that sustainable finance is more than just a business case yet still indispensable
- The right mix of regulation/self-regulation (esp. reg. transparency and reporting requirements) must be achieved
- More focus should be put on sustainable infrastructure and its financing

### Interesting positive quotes:

"There are many examples of industry-leading performance having a high correlation to sustainability standards being applied. We need to get this out there."

"The SDGs are an opportunity for new investments."

"Especially pension funds and foundations have a natural interest in sustainable finance. We need to get more engaged with them and offer assistance where necessary."

### Interesting critical quotes:

"There's a language and terminology barrier, which needs to be lifted."

"We should stop preaching the choir and start talking to the mainstream."

"We should move beyond awareness raising to tackling the different topics in more detail and depth."

## 8. Sustainable finance and the role of SSF

Question: In your opinion, what could SSF do to further promote sustainable finance?

### Possible action points for SSF mentioned by respondents:

- Data points/measures should be defined that can be used by stakeholders to integrate sustainability into investment decisions
- Be more strict on what is sustainable and what is greenwashing
- Set a minimum benchmark regarding what falls under the term “sustainable finance”
- Set up annual awards (i.e. for best ESG integration)
- More and intensified interactions with research institutions, the government and media urgently needed
- Invite international heavyweights to Swiss events and make more noise globally!
- International roadshows to promote the existing Swiss expertise and exchange best practices with other financial centers
- Increase focus on lending business

### Interesting positive quotes:

“Continue the fantastic work you have started and try to get more of the large FIs (key players of each sub-segment) actively involved in SSF.”

“Keep the current drive!”

### Interesting critical quotes:

“In addition to the many activities you already manage, we would welcome further political advocacy and involvement with regulators and politicians.”

“SSF should not only engage with the private sector, but strengthen collaboration with the public sector, too.”

“We don’t need more information. We need a change in behaviour.”

## Conclusions

It was clear from the survey results that respondents generally felt that sustainable finance is gaining importance and progress has been made over the past year. This was especially the case in the area of asset and wealth management, institutional investors and research and education. Within asset and wealth management, respondents listed the increase in client demand as a key driver for developments in the area. Regarding institutional investors, respondents were convinced that awareness has been raised and key Swiss players are setting the stage for further developments. In addition, Swiss education platforms are quickly developing new offerings for both students and professionals.

Opinions were slightly mixed with regard to credit business and capital markets. Many more respondents feel in these two areas the Swiss market is in a state of stagnation. This may partly be due to the fact that Switzerland plays almost no role in the fast-growing global green bond market. Within the Swiss lending business, respondents also claimed little integration of ESG is seen.

SSF is aware that there are many fields for further actions to promote the practice of sustainable finance and therefore a sustainable financial system. Survey respondents pointed out various topics that SSF could tackle that would be beneficial for the industry:

- SSF should maintain continued dialogue with media, the public sector and educational facilities as these stakeholders can be quite influential
- SSF should increase its promotion of Swiss capacities internationally
- SSF should inform about role of sustainability in credits and financing of infrastructure
- SSF could become more involved in discussion about standards within sustainable finance
- SSF should be involved in discussions around the differentiation between financial materiality and ethical motivation as drivers for ESG integration

SSF will continue to increase our activities and involve our members and extended network in the further actions to strengthen the position of Switzerland in the global marketplace with a vision to become a leading centre for sustainable finance.

**Swiss Sustainable Finance (SSF)** strengthens the position of Switzerland in the global marketplace for sustainable finance by informing, educating and catalysing growth. The association, founded in 2014, has representation in Zurich, Geneva and Lugano. Currently SSF unites 97 members and network partners from financial service providers, investors, universities and business schools, public sector entities and other interested organisations.

#### **Impressum**

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