Media release

Sustainable investments hit a new peak in Switzerland – Climate protection still a key driver – EU steps up pressure on the financial industry

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According to the latest Swiss Sustainable Investment Market Study 2020, the total volume of sustainable investments in Switzerland is currently CHF 1,163 billion, equivalent to about a third of locally managed assets. The market data collected and analysed by Swiss Sustainable Finance (SSF) show a sharp increase of 62 percent on the previous year, highlighting the sustained growth record of sustainable investments. The public debate on climate change is still an important driver for sustainable investments, while at the same time the European Union is setting much stricter reporting requirements as a reaction to lack of transparency.

Another strong increase in sustainable funds and mandates

Sustainable investment funds continue to show a dynamic growth rate of 147 percent according to the study that SSF prepared jointly with the Center for Sustainable Finance and Private Wealth (CSP) at the University of Zurich. Their volume of CHF 470.7 billion accounted for 38 percent of the overall Swiss investment fund market at the end of 2019. Sustainable mandates saw even stronger growth of 195 percent, with the total volume of assets under management climbing to CHF 208.9 billion. The sustainable assets of institutional investors totalled CHF 483.7 billion at the end of 2019, representing around 30 percent of the total assets managed by pension funds and insurance companies in Switzerland. Sustainable investment solutions are therefore very popular with investors, partly because of the competitive risk/return profiles they offer compared to conventional financial products.

Private clients' share almost doubled

79 percent of the total volume of sustainable investments is held by institutional clients, compared with 21 percent held by private clients. The latter group has almost doubled its share compared with the previous year (2018: 12 percent) and has seen substantial expansion, with the total investment volume increasing by 185 percent. "This not only reflects the growing interest from private clients, but also the fact that many financial service providers of conventional funds are now applying sustainable investment approaches," Sabine Döbeli, CEO of SSF is pleased to report.

Shareholders seek greater engagement

In 2019 the volume of sustainable investments increased across all investment approaches. ESG integration is the most popular, followed by exclusions and ESG engagement, which now ranks in third place. One notable development is that both ESG voting and ESG engagement achieved far more dynamic growth rates than other investment approaches. "More and more investors are seeking a dialogue with companies to encourage them to adopt sustainable practices. And it seems that companies are listening to them," explains Professor Timo Busch, Senior Fellow at CSP, who was the scientific adviser for the study. Another noteworthy trend is the doubling of impact investing volume – although a large proportion of this growth does not come from the traditionally deployed asset classes of private debt and private equity, but from listed securities – an area where experience shows it is more difficult to achieve a direct impact.

Climate protection becoming more important but players struggle to adequately report
This year, far more asset managers (34) than last year (25) said they follow a specific investment approach for climate friendly investment. The most common approaches mentioned include measuring the carbon footprint of portfolios, followed by investments in climate solutions and active engagement and exercising of voting rights with the aim of encouraging companies to step up their efforts regarding climate change mitigation. This is an important development, as both politicians and investors are increasingly calling for investments to be made more climate friendly. However, the fact that 15, or only around a third, of all asset managers say they provide information about the climate compatibility of their investment products shows that there is still room for improvement here. "SSF is working on concrete recommendations for key indicators that can inform investors about the climate compatibility and the sustainability performance in general of their portfolios," adds Jean Laville, Deputy CEO of SSF.

EU sets binding guidelines
The European Union (EU) has finalised practically all the draft legislation proposed a year ago, already having implemented a large part of it. The Technical Expert Group (TEG) has produced a taxonomy of several 100 pages setting out which economic activities can be classified as sustainable. This much-cited compendium provides the basis for classifying green financial products that actually warrant that label. This also entails a wide-ranging obligation to provide information, something that will also be relevant for many Swiss financial service providers. But the EU is going one step further and has already announced a new sustainable finance strategy intended to mobilise more funding for the Green Deal. As part of its newly created "International Platform on Sustainable Finance", the EU is discussing its standards with other countries as well. Switzerland joined this platform in March 2020 and will bring its views into further discussions.

SSF working intensively on an action plan for Switzerland
It makes sense for the Swiss financial centre to consistently continue the path it is already following on sustainable finance, as the international competition is likely to become more intense. "Only if the Swiss financial industry maintains its agility will it be able to expand its leading role in the area of sustainability and thus make a significant contribution to achieving international climate goals and sustainable development targets. We are working intensively on an action plan to highlight how the Swiss financial centre can build on its existing strengths and continue to move forward in a visionary manner," Sabine Döbeli concludes.

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Additional information:
> Swiss sustainable investment market study 2020 (English report)
> Key figures (in PowerPoint)

> Newsletter SSF bi-monthly
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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 representative offices in Zurich, Geneva and Lugano. Currently SSF unites around 150 members and network partners from financial service providers, investors, universities and business schools, public-sector entities and other interested organisations. An overview of Swiss Sustainable Finance's current members and network partners can be found here.