

*Press release*

## **Credit financing as a strong lever for Switzerland's sustainable transformation – New publication by SSF and VSKB highlights potential solutions and case studies**

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**Credit and loans are one of the most important sources of finance for the Swiss economy and they offer enormous potential to accelerate the transformation to greater sustainability and climate neutrality. The latest publication by Swiss Sustainable Finance (SSF) and the Association of Swiss Cantonal Banks (ASCB) highlights strategic approaches for sustainable lending.**

Credit financing is one of the most important sources of capital for companies and for the construction and modernisation of Switzerland's buildings. The appropriate allocation of funds therefore holds huge potential for leveraging the necessary green transformation of business and society. The new publication by Swiss Sustainable Finance and the Association of Swiss Cantonal Banks identifies four key action areas: the exclusion of "non-sustainable" sectors or activities, the inclusion of ESG ratings in finance models, the financing of company transformation and the funding of concrete sustainability solutions. All told, there are already several very promising approaches and solutions. However, certain barriers are preventing the transformational power of credit financing from being fully exploited. These barriers include poor data availability, conflicting terms to maturity and lack of collaboration between the various stakeholders. "Even though various players have developed and implemented individual solutions, we have identified potential that market participants have still not fully utilised," comments Sabine Döbeli, CEO of SSF.

### **Inclusion of ESG ratings in corporate lending**

The business of corporate loans is a key success factor for the sustainability transformation. As the authors of the publication conclude, the bulk of investments in a greener economy will have to be financed through loans without collateral. At present, banks issue loans based primarily on a financial assessment of expected risks and rewards. Although some banks apply exclusion criteria, the systematic integration of sustainability ratings in lending decisions is still in its infancy. One approach in this context is sustainability-linked loans, where companies with a measurable strong sustainability performance are rewarded with more favourable interest rates.

### **Modernisation of building stock through sustainable mortgages**

In Switzerland, buildings account for around a quarter of CO<sub>2</sub> emissions and some 40% of energy consumption. Rapid energy upgrades and modernisation of Swiss buildings is therefore a top priority. Green buildings consume up to 25% less energy, but they also incur higher investment costs and their certification entails additional cost and effort. Most banks already offer sustainable mortgages. "Modernising existing building stock requires massive investment. Banks can offer reduced interest rates, support in acquiring certification, and energy-saving advice as positive incentives for the purchase of sustainable properties or energy upgrades," explains Hanspeter Hess, VSKB Director.

### **Innovative financing instruments for sustainable innovation**

The direct financing of the company transformation and the provision of innovative financing instruments is still underdeveloped. "When it comes to promoting innovation, traditional lending has its limits. New forms of financing are therefore needed," concludes Sabine Döbeli. Specialised asset managers, often in combination with investors from the public sector, can develop solutions with greater risk tolerance. Crowd-lending platforms or decentralised lending using distributed ledger technology are also possible strategic approaches for financing sustainable innovations.

The publication was produced by Zurich University of Applied Sciences (ZHAW) on behalf of SSF and in collaboration with VSKB. Copies of the report are available [here](#).

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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 200 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](http://sustainablefinance.ch)

The group of Cantonal Banks comprises 24 institutions with branches in 26 cantons. They are thus present throughout Switzerland and take on a leading role with approximately 19,000 employees and a network of approximately 640 branches. Their market share in the domestic business is around 30 percent. In 1907, the Cantonal Banks jointly established the **Association of Swiss Cantonal Banks (ASCB)**. The association represents the joint interests of its members towards third parties. It helps to strengthen the position of the Cantonal Banks in society, economy, and politics and encourages the cooperation among its individual members.

The **Zurich University of Applied Sciences (ZHAW)** is one of the leading universities for applied sciences in Switzerland. By combining research, teaching and practice, it makes an active contribution to solving societal challenges. As part of the Institute of Financial Management, the Corporate Performance & Sustainable Financing unit focuses on sustainable financing in its teaching, research and continuing education programs. In addition to its own continuing education products and in-house training courses at banks, the focus is particularly on application-oriented research and innovation projects.