

# The Transition to a Sustainable Future

A Roadmap for Key Swiss Financial Market Players

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# Preface by Swiss Sustainable Finance

Our world is facing unprecedented challenges. In light of the Covid-19 pandemic, the achievement of the Sustainable Development Goals now seems more ambitious than ever. At the same time, climate change is starting to have concrete effects on societies and economies around the world. The current crises illustrate our society's vulnerability and the urgency of transitioning to an economic system that offers opportunities for all, while not overexploiting natural resources. There is only one way forward: we have to accelerate the alignment of our political and economic systems with sustainability goals.

In 2020, both the Swiss government and major finance associations agreed for the first time on the goal that the Swiss financial centre should be a leading global location for sustainable financial services, while emphasising that this ambition supports the achievement of the sustainability and climate goals Switzerland has committed to. We very much welcome the important steps since taken to further advance the adaptation of the financial system to sustainability goals. At the same time, we think more has to happen at a faster pace to achieve both goals: ensuring Switzerland is a leading international financial centre, thereby maintaining its competitiveness, while at the same time guaranteeing its contribution to sustainable development is substantial.

With this Roadmap for the Swiss financial sector, Swiss Sustainable Finance (SSF) lays out a plan for the different market players involved and illustrates what their role should be in the transition to a sustainable future. It is clear that the private sector acts within a legislative and regulatory framework influencing its behaviour. This is why we also comment on the role of the government and recent action taken. Furthermore, it is clear that other sectors – as well as other actors – have to contribute their share and change the way they source, produce, and consume goods and services. While this Roadmap mentions the role of the real economy, its recommendations only focus on aspects that have a direct link and are prerequisites for the activities of the financial sector. If all actors take on their respective responsibilities, we will lay the foundation for a sustainable future.

So how did this Roadmap come about? In an open call, we invited our members in summer 2020 to submit ideas for actions they see as important. Based on these suggestions and the long-standing work with our members on different aspects of sustainable finance, SSF drafted a first version of this Roadmap by autumn 2020. The SSF Board, which represents a broad variety of financial players, then

provided in-depth feedback and a committee made up of 8 SSF Board members further refined all recommended actions, to arrive at a second version. This version was discussed with key stakeholders addressed in the Roadmap in spring/early summer 2021. Based on these discussions, the Board made adaptations to produce this third version of the Roadmap that we now share with all stakeholders.

We do not claim to know the right solution to all challenges. Hence we see this plan as a starting point, and think it should be subject to ongoing discussion with key stakeholders in the Swiss financial centre. We are convinced that such discussions will help to further develop the Roadmap over time. Some measures that now seem appropriate may become outdated once new approaches are developed. Looking at the speed of development both internationally and in Switzerland in the past few years, we are positive that even more effective solutions will emerge. We look forward to help bring them about. Even so, there are already enough goals to pursue. The goal for the transition to a sustainable future is clear: we want to reach a net zero world by 2050, with a sustainable economy that respects planetary boundaries while offering prosperity for all people.



**Patrick Odier**  
President SSF



**Sabine Döbeli**  
CEO SSF

# Executive Summary

In this Roadmap, we showcase how the financial sector can play a key role in transforming our society and economy into one that respects planetary boundaries while offering prosperity to all people. The Roadmap outlines key steps for Swiss financial market players to fully integrate sustainability factors into their actions and operations. This report will serve as a tool for ongoing dialogue with all players in the financial system about how best to achieve our common goal of a sustainable future.

Within this report, we first take stock of sustainable finance developments in Switzerland to date. Switzerland has been an innovator in sustainable finance since the early 1980s, with the launch of the first sustainable pension fund in 1983. Since then, many innovations have followed. In recent years, however, we are seeing global competition among financial centres to create the right framework for a faster shift to a sustainable economy. Although Switzerland continues to advance in this area, more determined action from all players and better coordination could amplify our efforts and ensure Switzerland retains its leading position.

The report then outlines the idea that in the first phase of the sustainable finance movement, the focus was on aligning investments to a set of values, while a second phase brought in the financial perspective through consideration of ESG factors in identifying risks and opportunities. To really address the pressing global challenges, however, we need to rapidly move into the third phase of sustainable finance, where the focus lies on how the financial sector can achieve positive impacts on the real economy through its activities. How can the Swiss finance industry contribute to reaching Swiss and global sustainability and climate goals? Where do we want to be in 2023, 2025, and 2030? What actions can we take now to get there? These are some of the questions we tackle in our report.

The bulk of the report focuses on identifying gaps and outlining recommendations for 11 separate financial industry stakeholders or areas, as illustrated in Table 1 below.

**The resulting recommended actions are illustrated and summarised per stakeholder and timeline in Table 2 in Appendix 1 on page 37.**

**Table 1: Stakeholders and areas addressed in this Roadmap:**

| Chapter | Stakeholders  |
|---------|---|
| 4.1     | <b>Institutional asset owners</b>                           |
| 4.2     | <b>Insurance industry</b>                                   |
| 4.3     | <b>Asset managers</b>                                       |
| 4.4     | <b>Wealth managers</b>                                      |
| 4.5     | <b>Banks:</b>   |
|         | 4.5.1 Corporate lending & corporate finance                 |
|         | 4.5.2 Mortgages   |
| 4.6     | <b>Stock exchanges</b>                                      |
| 4.7     | <b>Credit rating agencies for local issuers</b>             |
| 4.8     | <b>Corporates: the “real economy” of Switzerland</b>        |
| 4.9     | <b>Sustainable finance research and education providers</b> |
| 4.10    | <b>Swiss finance associations</b>                           |
| 4.11    | <b>Building bridges between stakeholders</b>                |



## standard setting

create and apply best-practice sustainability standards

21 recommended actions are in this category



## transparency

illuminate present and future sustainability risks and/or impacts

9 recommended actions are in this category



## innovation

solve difficult problems in clever and unprecedented ways

6 recommended actions are in this category



## dialogue & education

raise awareness and educate target groups

21 recommended actions are in this category

A table with all the recommended actions per stakeholder is available in the respective chapters. Additionally, we assign each recommended action to one of four categories to help readers and actors better understand and compartmentalise the various suggestions.

**The recommended actions can be categorised as:** →

Lastly, we assign a timeframe to each recommended action, allowing stakeholders to gauge whether the achievements should be seen as short, middle or long-term goals. For the purposes of this report, we use the following timescales:

- **by 2023**, create the basis for the integration of sustainability factors into all financial decisions  
43 recommended actions are assigned to this timescale
- **by 2025**, implement all necessary instruments and frameworks to align financial flows and activities to sustainability goals  
7 recommended actions are assigned to this timescale
- **ongoing**: starting now, but continuing over time with the objective of having all financial flows and activities fully aligned to science-based targets on sustainability goals by 2030  
7 recommended actions are assigned to this timescale

The recommended actions were identified through consultation with SSF members, desk research as well as intense discussions with the SSF Board and key stakeholders addressed in the Roadmap. Our goal with this report is to start a dialogue with relevant players and stakeholders. While we do not claim that this Roadmap provides all the answers, we are convinced it sets out the right direction of travel and serves as a basis for ongoing dialogue with all key stakeholders. We look forward to supporting our members in and contributing to the implementation of the identified areas of action.

We close the report with an analysis of where the Swiss government has already stepped up its efforts with regards to sustainable finance and the various actors involved in pushing the theme forward.

There remains much to be done in this fast-moving space, but with the energy of the Swiss market and its ability to develop innovative solutions, we have every chance of remaining a leading centre for sustainable finance that resolutely supports the transition to a sustainable future.

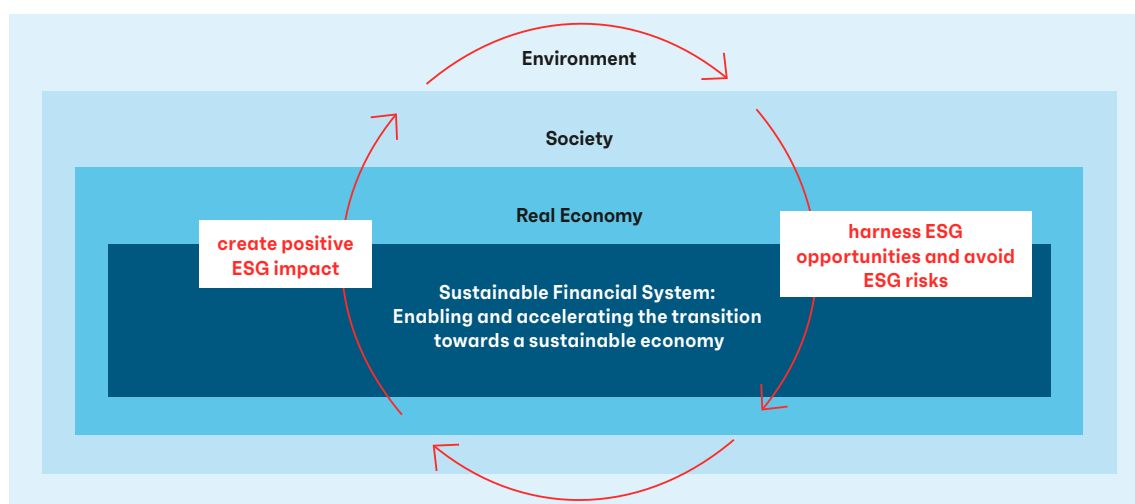
# 01 Introduction

## 1.1 The role of finance on the path to a sustainable economy

The world is facing enormous challenges related to the over-use of natural resources, climate change, loss of biodiversity, as well as social issues such as demographic change and persisting poverty in many areas of the world. With the UN Sustainable Development Goals (SDGs) and the Paris Agreement on Climate Change, clear objectives have been set on how to address these issues. Due to its role as an intermediary, the financial sector has a key part to play in achieving these goals and making our economy and society more sustainable. At the same time, it is crucial for financial intermediaries to consider opportunities and risks resulting from sustainability challenges and changing business models in their financial decisions in order to create products with attractive risk/return profiles. These two objectives (positive impact on the real economy and improved risk/return profile of financial transactions) are both key when discussing the role of sustainable finance (see Figure 1).

Figure 1: The role of the financial system in the transition to a sustainable economy

Source: Proposals for a Roadmap towards a Sustainable Financial System in Switzerland, Federal Office for the Environment, 2016



## 1.2 Definition of sustainable finance

There are many different ways of integrating sustainability factors into financial decisions. We define the broad term “sustainable finance” as follows:

Sustainable finance refers to any form of financial service with the objective of supporting the transition to a sustainable economy and society by integrating environmental, social and governance (ESG) factors into business and investment decisions. Such finance aims for the lasting benefit to clients, society at large and the planet.

It is the objective of this Roadmap to show the way forward for Switzerland to become a “sustainable financial centre”. We define this term as follows:

A sustainable financial centre is a financial marketplace that contributes to sustainable development and value creation in economic, environmental and social terms. In other words, one that increases prosperity and economic competitiveness both today and in the long term, while aiming for the lasting benefit of clients, society at large and the planet.

## 1.3 Objective of this report

This report sets out a Roadmap for the Swiss financial sector in making its contribution to a sustainable future. It lays out concrete recommended actions for the different market players with the objective of making Switzerland a leading voice and actor in sustainable finance, and thereby contributing to a sustainable and prosperous economy. As a basis for this, it takes stock of the sustainable finance developments in Switzerland to date and – based on the identification of relevant gaps – derives measures for different target groups. While the real economy is covered in a chapter, the respective recommendations only focus on requirements that have a direct link and are prerequisites for the activities of the financial sector, but do not define specific sustainability targets for all sectors.

The intention of this Roadmap is to promote a dialogue with all relevant players and stakeholders in the Swiss financial industry as well as to foster concrete actions that will position Switzerland as a leading player in sustainable finance while contributing to the transition to a sustainable economy and society.

## 02 Status Quo – Where Do We Stand Today?

Sustainable finance has a long history. Over the past four decades, the topic has evolved significantly and ever more sophisticated frameworks and tools have been developed by a wide variety of players. Most recently, regulators have stepped in and presented frameworks for more transparency and – to some extent – a binding integration of ESG factors into financial decisions.

Nevertheless, not all financial decisions already take sustainability factors into account, nor do they actively contribute to the desired change. There are manifold reasons for this, be it inaccurate pricing of externalities, misalignment of time horizons, lack of meaningful data or weak signals from clients for sustainable financial services. Yet, in the past few years and even months, we have seen unprecedented dynamics in sustainable finance, in Switzerland, Europe and globally. In its paper from June 2020, the Swiss government supports a market-led approach to sustainable finance, with close collaboration between industry and authorities in developing standards and frameworks with the objective of keeping the financial centre competitive while making sure it contributes to the achievement of the UN Sustainable Development Goals.<sup>1</sup> In December 2020, the government announced concrete steps, such as the preparation of binding Task Force on Climate-related Financial Disclosures (TCFD) reporting requirements for companies from all sectors, as well as further potential measures to increase transparency while still giving preference to voluntary action in many other fields.<sup>2</sup> In November 2021, it followed up with a strong recommendation to market players to use comparable and meaningful climate compatibility indicators and join net zero initiatives.<sup>3</sup> We are convinced that now is the time for all market players in the Swiss financial centre to build on the invitation from the government to favour private-sector action and focus on filling existing gaps and making sure Switzerland remains a leading centre in sustainable finance.

- 1 Swiss Federal Council (June 2020): “Sustainability in Switzerland’s Financial Sector” (Executive Summary), available at [https://www.sif.admin.ch/dam/sif/en/dokumente/dossier/int\\_finanz-waehrungsfragen/int\\_waehrungszusammenarbeit/bericht\\_sustainable\\_finance.pdf.download.pdf/24062020-Nachhaltigkeit%20Bericht%20Executive%20Summary-EN.pdf](https://www.sif.admin.ch/dam/sif/en/dokumente/dossier/int_finanz-waehrungsfragen/int_waehrungszusammenarbeit/bericht_sustainable_finance.pdf.download.pdf/24062020-Nachhaltigkeit%20Bericht%20Executive%20Summary-EN.pdf)
- 2 On 18 August 2021, the Swiss Federal Council set parameters for binding climate reporting for large Swiss companies and the Federal Department of Finance will publish a consultation draft by summer 2022: <https://www.sustainablefinance.ch/en/swiss-government-publications-content---1--3116.html>
- 3 available at: <https://www.admin.ch/gov/en/start/documentation/media-releases/media-releases-federal-council.msg-id-85925.html>, accessed 17/11/2021



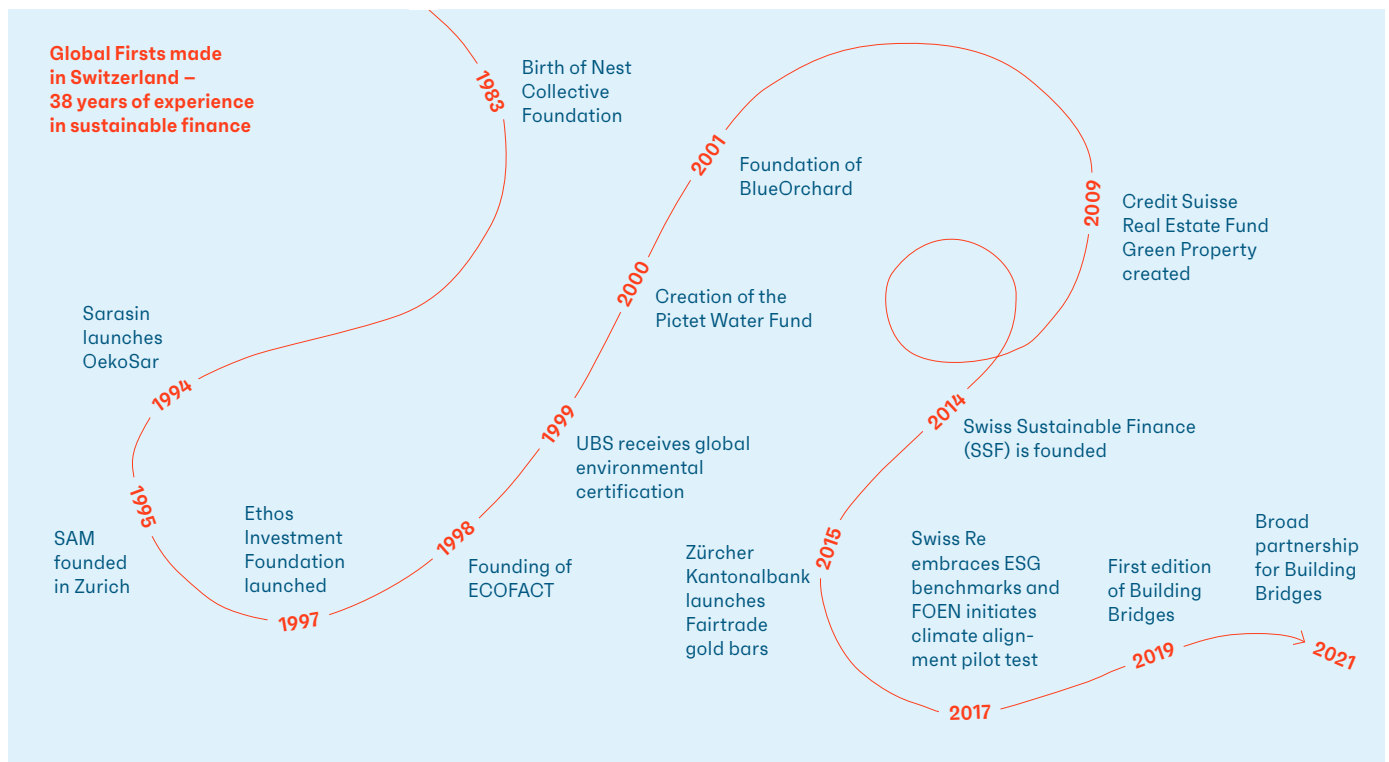
## 2.1 A brief history of sustainable finance in Switzerland

Switzerland can build on a long history in developing innovative sustainable finance solutions. Sustainability is even anchored in the Swiss constitution – Article 2 (Object) of the Federal Constitution declares sustainable development to be a national objective, while Article 73 (Sustainability) calls upon the Confederation and the cantons to strive for "... a balanced relationship between nature and its ability to renew

itself, on the one hand, and the demands placed on it by the human race, on the other". As proof of its high capacity for innovation, Switzerland is home to many global firsts in sustainable finance. The year 1983 saw the first pension scheme with a sustainable investment policy. Ever since, numerous sustainable funds, rating agencies, processes for ESG risks assessment in lending, and impact investments have been developed. Figure 2 provides an overview of the key innovations by Swiss financial players.

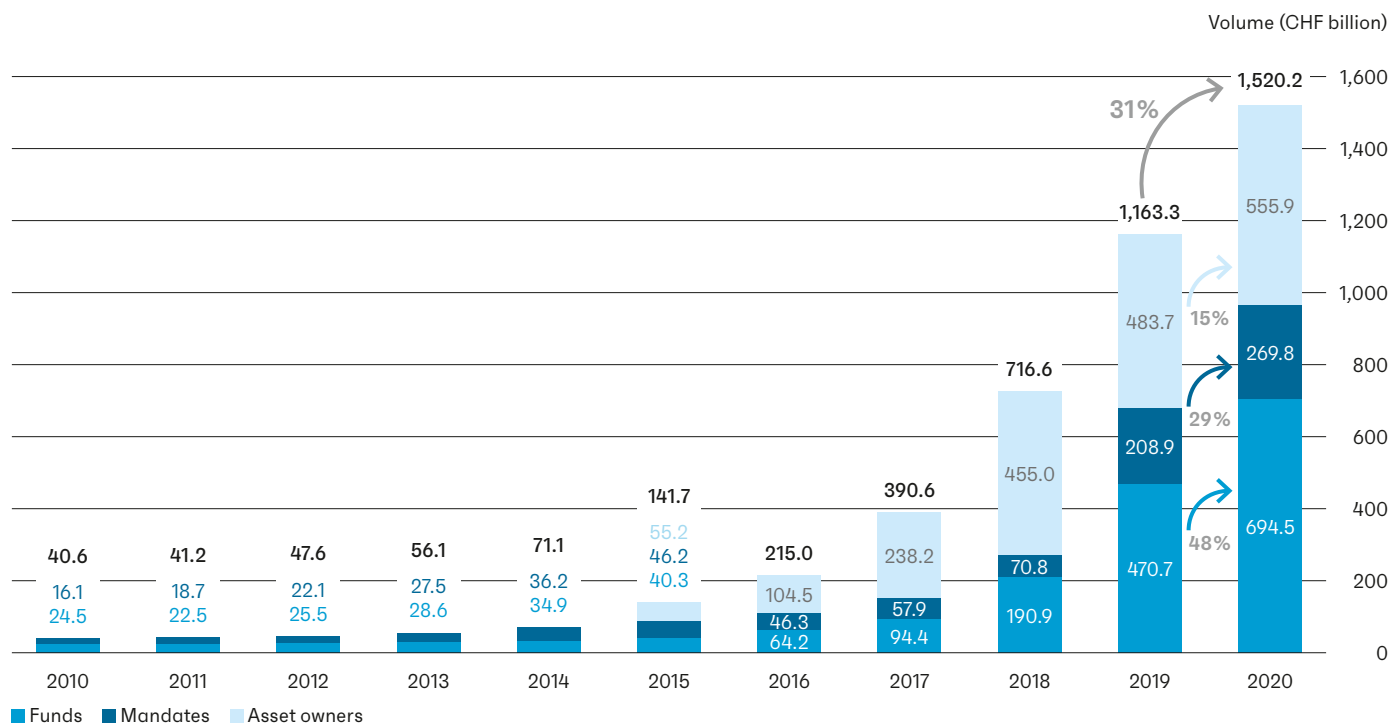
Figure 2: Global firsts in sustainable finance created in Switzerland

Source: Swiss Sustainable Finance, 2019/2021



**Figure 3: Growth of sustainable investments in Switzerland**

Source: Swiss Sustainable Investment Market Study 2021, SSF, 2021



Among other successes in sustainable finance, Switzerland also has a history of playing a prominent role in impact investing, specifically in the field of investments for development. This term refers to investments that involve a clear intention to improve the social, environmental and/or economic situation within emerging and frontier economies while aiming for a market return. For example, three large Swiss institutions led the way in developing diversified products in the area of microfinance. The main players in this segment are specialised asset managers that have built up know-how in evaluating and structuring investment opportunities with a social benefit in developing countries. With the Swiss Investment Fund for Emerging Markets (SIFEM), the Swiss State Secretariat for Economic Affairs (SECO) established its own vehicle for investments for development to complement its activities in development cooperation. According to Symbiotics' 2020 Private Asset Impact Fund report,<sup>4</sup> 35% of private asset impact funds with a development impact focus in emerging and frontier markets are managed in Switzerland, showing the strong drive we have here to make use of private capital to address global poverty.

According to the Swiss Sustainable Investment Market Study 2021, sustainable investments have again considerably grown by 31% in Switzerland compared to the previous year. The total volume of investments taking ESG factors into account with at least one of the covered approaches consequently reached CHF 1,520 billion by the end of 2020 which means roughly 1 in 3 CHF assets managed in Switzerland takes some sort of sustainability factor into account<sup>5</sup>. This impres-

sive growth confirms the ongoing mainstreaming of sustainable investment approaches (see Figure 3). However, the actual impact of many of the underlying assets might still be limited and difficult to measure.

Today, there is global competition among financial centres to become leaders in sustainable finance. Both private-sector players and governments are taking decisive action to foster the development of sustainable finance practice.

Switzerland does possess many strengths, such as a strong history in wealth management, excellence in education and a high capacity for innovation. In addition, it has a special strength and potential competitive advantage owing to the large number of international bodies and organisations based in the country. Many of these organisations, such as those affiliated with the United Nations and the World Economic Forum, are already pursuing sustainable finance either explicitly or implicitly, in conjunction with other related initiatives. Both Swiss governmental bodies and the private sector can make the most of this unique situation and use the additional leverage gained by the close proximity to these organisations to play an outsized role globally.

4 Symbiotics (2020): "Private Asset Impact Fund Report 2020", available at [https://symbioticsgroup.com/wp-content/uploads/2020/11/Symbiotics\\_PAIF-Report-2020-1.pdf](https://symbioticsgroup.com/wp-content/uploads/2020/11/Symbiotics_PAIF-Report-2020-1.pdf)

5 Swiss Sustainable Finance (June 2021): "Swiss Sustainable Investment Market Study 2021", available at: [https://marketstudy2021.sustainablefinance.ch/downloads/SSF\\_2021\\_MS\\_full\\_144dpi.pdf](https://marketstudy2021.sustainablefinance.ch/downloads/SSF_2021_MS_full_144dpi.pdf).

## 2.2 Key Swiss initiatives serve as a foundation for further sustainability in finance

In addition to the innovations developed by market players and illustrated in Figure 2, there are many initiatives and activities that Switzerland can build on to further strengthen sustainable finance. Appendix 4 lists the most important sustainable finance initiatives of Swiss players of the past decade, including the more recent examples such as the federal report on sustainable finance, the AMAS/SSF recommendations on sustainable asset management and the latest PACTA tests regarding climate alignment of Swiss investment and lending portfolios. The list illustrates that an ever-broader number of players consider sustainable finance as important and have initiated measures to encourage broader adoption of sustainability in financial decision-making. One initiative

that has played a key role in defining measures for different stakeholders was the report “Proposal for a Roadmap towards a Sustainable Financial System in Switzerland” produced in 2016 by the Federal Office for the Environment (FOEN) in collaboration with SSF and a large stakeholder group.<sup>6</sup> This report listed key areas of action for different target groups.

6 FOEN (2016): “Proposals for a Roadmap towards a Sustainable Financial System in Switzerland”, available at [https://www.sustainablefinance.ch/upload/cms/user/20160614\\_Proposals\\_for\\_a\\_Roadmap\\_FOEN.pdf](https://www.sustainablefinance.ch/upload/cms/user/20160614_Proposals_for_a_Roadmap_FOEN.pdf)

7 [https://ec.europa.eu/info/publications/210706-sustainable-finance-strategy\\_en](https://ec.europa.eu/info/publications/210706-sustainable-finance-strategy_en)

## Regulatory developments in Europe and their effects on the Swiss market

The European Union (EU) kick-started a rapid change in the regulatory environment around sustainable finance with the establishment of the High Level Expert Group on sustainable finance in December 2016. The group, which was comprised of 20 policy leaders from civil society, the finance sector and academia, was mandated to define recommendations for a comprehensive EU strategy on sustainable finance as part of the Capital Markets Union. The Commission endorsed these recommendations and presented an encompassing action plan for financing sustainable growth, commonly referred to as the EU Action Plan on Sustainable Finance, as early as March 2018 which has put into motion a series of processes aimed at introducing voluntary market standards as well as legal obligations on sustainable finance. Three legislative proposals form the backbone of the European Commission’s Action Plan:

- Regulation 2019/2088  
Sustainable Finance Disclosures Regulation (SFDR)
- Regulation 2019/2089  
Climate Transition and Paris-aligned Benchmarks
- Regulation 2020/852  
Sustainability Taxonomy Regulation

The EU taxonomy and the SFDR regulation have attracted the greatest attention. The taxonomy aims to provide a detailed list of all economic activities that deserve to be called environmentally sustainable (green). As of March 2021, the EU has already presented such lists for two out of the six environmental goals, with the remaining four expected to be completed by the end

of 2021. The SFDR sets out encompassing disclosure requirements for financial service providers on the sustainability policies at an entity level, as well as the sustainability characteristics of their products. For the product-level disclosures, the SFDR classifies different types of sustainable investments into three categories, also relying on the taxonomy for further details on the content of certain disclosure requirements. In April 2021, the European Commission further published a proposal for a Corporate Sustainability Reporting Directive (CSRD) to revise and strengthen rules introduced by the Non-Financial Reporting Directive (NFRD).

The measures set out in the EU Action Plan are particularly relevant to the Swiss market, as they apply to all financial service providers serving clients in the EU, which is the case for many Swiss financial service providers. A large proportion of Swiss players have hence already started to adapt to the new requirements.

On 6 July 2021, the European Commission (EC) published its new sustainable finance strategy, outlining a package of further measures in four key areas to streamline capital flows for the transition to a more sustainable economy.<sup>7</sup> This Roadmap takes both European and other international developments into account, but refrains from directly referring to EU regulation, as it is meant to address actors in Switzerland, not just financial service providers catering to European clients. SSF is actively involved in the discussions about how Switzerland should anchor sustainable finance in its own financial market regulation. With the suggestions in the Roadmap we illustrate a way forward on the transition to a sustainable future.

# 03 A Phase Shift: Delivering Real & Sustainable Results

## 3.1 From integration to impact

Over the past seven years, Swiss Sustainable Finance has successfully supported actors in the Swiss financial space in developing sustainable finance approaches. The goal during this period was to raise awareness of the benefits of sustainable investing and to support the uptake of ESG considerations, be it for financial reasons or to align investments with values (such as avoiding tobacco or weapon investments). During the past decades we saw the emergence of the first and second phases of sustainable finance. In a first phase, the focus of investors was to align investments to a set of values. The second phase brought in the financial perspective, with investors newly considering ESG factors to identify risks and opportunities. During these two phases we have gained a better understanding of how to integrate sustainability considerations into our investments for the benefit of clients. Now it is time for investors to put a stronger focus on the outcomes and impacts they have.

As global challenges are becoming ever more pressing, having a positive ESG impact has increasingly turned into an important expectation of many stakeholders of Swiss finance. Our goal has therefore necessarily become broader: in the third phase, we need to create a financial centre that has considerable impact on the real economy and has the tools and financial instruments in place that will support the achievement of net-zero carbon emissions by 2050, at the latest. It is time to make sure positive outcomes are given just as much attention as value alignment and risk reduction (see Figure 4).

This goal, along with the current circumstances, calls for a shift to this third phase of action. We must now ask: what results do we want to see, and how will we get there?

In this third phase, international and national policy frameworks play a key role. Politicians set the objectives and there-

with the framework for the economy, including finance. Scientists translate the objectives into concrete targets and Key Performance Indicators (KPIs). Based on them, the real economy can execute with impact. Increasingly, we see financial players supporting the transition to a more sustainable economy and society.<sup>8</sup> Yet, one challenge for the shift to phase III is the fact that tools and methodologies for tracking impact are still in their infancy. Ongoing debate, continued learning and accelerating sophistication on how impacts can be accurately measured will hence further support the financial sector in achieving greater impact.

Figure 4: Shifting from phases I and II to phase III of sustainable finance

Source: Swiss Sustainable Investment Market Study 2021, SSF, 2021



8 An example of this new way of thinking comes directly from the Principles for Responsible Banking (PRB), which are designed to ensure that the banking industry adheres to the global vision of the SDGs and the Paris Climate Agreement. These principles back results by embedding “sustainability at the strategic, portfolio and transactional levels, and across all business areas” of a bank and give signatory banks 18 months to report progress and four years to fully comply with these principles.

## SDGs and investing: A common framework to direct investments towards impact

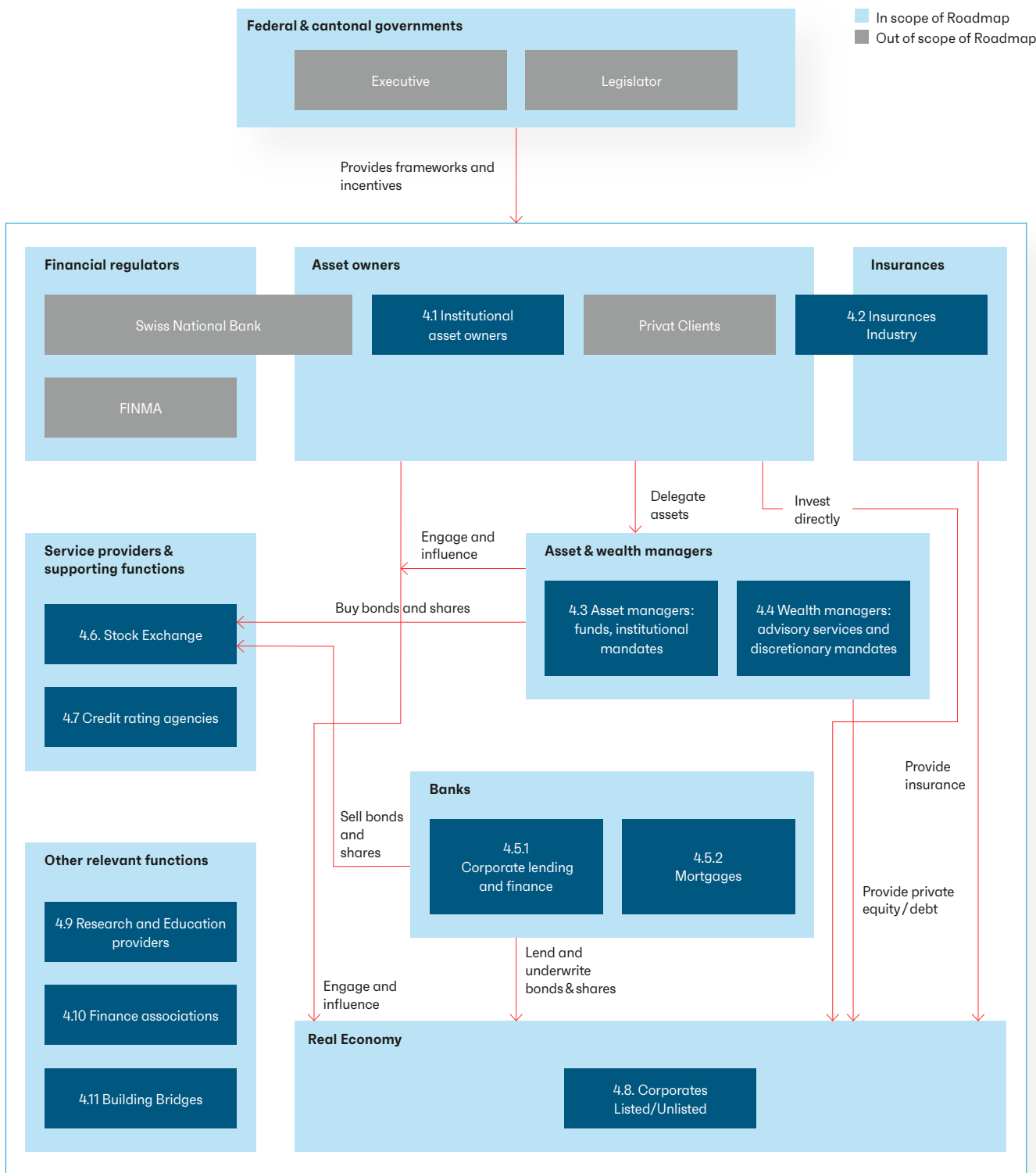
The Sustainable Development Goals (SDGs) are a collection of 17 interlinked global goals designed to be a "blueprint to achieve a better and more sustainable future for all". The SDGs were adopted by member states at the United Nations General Assembly in 2015 and are intended to be achieved by the year 2030. They provide a comprehensive definition of what sustainability stands for and set out a common vision for a sustainable future, focusing on ending poverty, protecting the planet and ensuring prosperity for all. They also include targets on environmental, social and governance factors (ESG factors). While this Roadmap does not explicitly refer to the SDGs, we nevertheless see them as a key overarching framework that helps countries and economic actors give their sustainability activities a clear direction.

On an operational level, financial players usually build on a broad set of different ESG factors when integrating sustainability aspects into their processes. Investors more recently have begun to increasingly use the SDGs to define focus areas for their investments, set targets and communicate investment outcome to stakeholders in a structured way. This is particularly true for impact investing products that frequently use the SDGs as a framework to demonstrate their contribution to alleviating environmental or social issues. As Swiss impact investors often focus on emerging economies, they tend to aim for a concrete contribution to those SDGs that target economic development and poverty alleviation. But it is also thematic investors aiming to support a low-carbon world that increasingly build on specific SDGs when choosing their investments and reporting on them.

Much as the SDGs are a useful framework, measuring a concrete impact by referring to them remains challenging. While it may be easier to attribute impact to a specific investment in private markets, it is more difficult to do so for liquid investments. Both academics and the industry are working on more robust ways to make a concrete contribution to the SDGs measurable and differentiate between different levels of impact. We see it as a positive development that the SDGs have moved from being a framework for countries to being a point of orientation for investors, too.



Figure 5: Key players and activities in the Swiss financial centre



Based on the information presented in the previous chapters, it is evident that the finance industry can contribute to reaching Swiss and global sustainability and climate goals, namely achieving net-zero emissions by 2050 and contributing to the achievement of the SDGs by 2030.

When we speak about a sustainable financial system, it is important to keep the big picture in mind. Figure 5 provides an overview on the key players and functions in the Swiss

financial system. All players must work together for the financial system to effectively contribute to sustainable development. In this Roadmap we focus on private-sector action needed to make sustainability an inherent element of Swiss finance.

The past two years have seen unprecedented movement involving a series of ambitious sustainable finance measures, both nationally and abroad. There already are a number of initiatives underway that consider impact alongside financial risk and return, and hence represent the third phase of sustainable finance. In the following section, we analyse progress and, on this basis, identify key areas of action for the different market players in the financial system.

It is important to keep in mind that the positive contribution of the financial sector can be guided and amplified by the right framework conditions for both the financial sector and the economy as a whole. The Swiss government has outlined the overall direction of the Swiss strategy on sustainable finance in its report “Sustainability in Switzerland’s financial sector. Situation analysis and positioning with a focus on environmental aspects”. As a consecutive action, the government has announced key areas of action in December 2020 and in November 2021. In Chapter 7, we summarise key government actions and comment on how to further develop frameworks that foster a fast uptake of sustainability in finance.

The following chapters are devoted to individual actions for the different segments of the financial market. In the sense of a Roadmap, a timeframe is assigned to each of them according to the following principles:

- **by 2023**, create the basis for the integration of sustainability factors into all financial decisions  
**43 recommended actions are assigned to this timescale**
- **by 2025**, implement all necessary instruments and frameworks to align financial flows and activities to sustainability goals  
**7 recommended actions are assigned to this timeline**
- **ongoing**: starting now but to continue over time with the objective of having all financial flows and activities fully aligned to science-based targets<sup>9</sup> on sustainability goals by 2030  
**7 recommended actions are assigned to this timeline**

9 The term “science-based targets” is currently mostly applied in the context of climate targets. Such targets provide a clearly defined pathway for companies to reduce greenhouse gas (GHG) emissions. According to the science-based targets initiative, targets are considered ‘science-based’ if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C. The concept can also be applied to other sustainability targets.





## standard setting

create and apply best-practice sustainability standards

21 recommended actions are in this category



## transparency

illuminate present and future sustainability risks and/or impacts

9 recommended actions are in this category



## innovation

solve difficult problems in clever and unprecedented ways

6 recommended actions are in this category



## dialogue & education

raise awareness and educate target groups

21 recommended actions are in this category

We categorise the actions required into four categories. Each principal action is tagged as belonging to one of the following categories:

### Categories of recommended actions

SSF sees the present Roadmap as a basis for ongoing discussions with all relevant players on the best way forward for a truly sustainable Swiss financial centre. Based on these discussions, the Roadmap will evolve over time. SSF furthermore envisions a regular review of progress against the set goals.

# 4.1 Institutional asset owners







Insurance companies, pension funds, foundations and family offices control large volumes of assets managed in Switzerland. Besides investing in listed securities, such institutional asset owners are often owners – and sometimes developers – of real-estate portfolios.

Many institutional asset owners have started to adopt sustainable investment policies and strategies more broadly over the past two years. While intentions are universally positive for these players, much remains to be done when it comes to actually changing day-to-day processes.

## Current status

- In 2004, two large institutional asset owners and the Ethos Foundation founded an engagement pool to carry out engagement activities with investee companies on ESG topics, now uniting approximately 150 pension funds and other tax-exempt institutions.<sup>10</sup>
- The majority of pension fund and insurance company assets in Switzerland by volume were screened according to PACTA for the first time in 2017. These climate alignment tests were repeated in 2020 with an even higher participation of Swiss pension funds and insurance companies.
- In mid-2018, the Swiss Pension Fund Association (ASIP) incorporated sustainability factors into its Guidelines for Pension Fund Investments.
- Since 2020 the Swiss Insurance Association (SIA) has published an annual report about current sustainability practice in the Swiss insurance industry as well as the development of sustainable assets managed by insurance companies.
- According to the latest Swiss Sustainable Investment Market Study, around one third of assets managed by institutional asset owners already apply at least one of the common sustainable investment approaches. Yet much of the volume still remains in phase I or II type products and has not yet shifted into impact-focused products.
- Some Swiss asset owners have joined the UN-convened Net-Zero Asset Owner Alliance.<sup>11</sup> The members of this group commit to reducing the carbon emissions of their investment portfolios to net-zero by 2050.

## Areas of action

| Timeframe | #   | Recommended Actions  | Category  |
|-----------|-----|--|---|
| 2022–2023 | 1.a | <p>Develop a strategy and policy for sustainable investment in overarching asset management:</p> <ul style="list-style-type: none"> <li>– The strategy and policy should be aligned to the purpose of the organisation</li> <li>– Make available necessary resources to implement policy and strategy, be it in internal asset management or through external providers</li> <li>– Asset manager selection should be congruent with the policy</li> <li>– Undertake the same level of diligence in asset manager selection for ESG capacities as for traditional asset manager selection criteria to ensure asset managers have the capability to deliver on the policy</li> </ul> |    |
|           | 1.b | <p>Provide transparency on the sustainability of portfolios through meaningful and relevant reporting</p> <ul style="list-style-type: none"> <li>– Include relevant KPIs on ESG factors, broken down by major asset classes</li> <li>– Transparently report on climate risks based on TCFD</li> <li>– Adapt reporting to the size and complexity of the organisation</li> </ul>  |    |
|           | 1.c | <p>State a clear target to reduce the carbon footprint of portfolios to net zero by 2050, and set an intermediary goal for reductions by 2030 in line with Swiss climate goals. Thereby cooperate with one of the relevant initiatives in this field<sup>12</sup></p>  |    |
|           | 1.d | <p>Adopt active ownership strategies:</p> <ul style="list-style-type: none"> <li>– Exercise voting rights at Annual General Meetings (AGM) in ways that promote sustainability; track and release these votes publicly</li> <li>– Engage with companies towards improved sustainability strategies and report on it</li> <li>– Establish clear guidelines that define escalation measures for cases where engagement is unsuccessful</li> </ul>  |   |
|           | 1.e | <p>All institutional asset owner board members complete training sessions on sustainable investments</p>   |  |
|           | 1.f | <p>Collaborate with SSF and other relevant finance organisations to develop a Swiss stewardship code in a broad coalition of asset owners and managers</p>   |  |

10 Ethos: *Members of the Ethos Engagement Pool Switzerland*, available at <https://ethosfund.ch/en/members-ethos-engagement-pool>, accessed 14/04/2021.

11 UNEPFI: *Alliance Members*, available at <https://www.unepfi.org/net-zero-alliance/alliance-members/>, accessed 14/04/2021.

12 For asset owners, the following initiatives might be relevant: Net-Zero Asset Owner Alliance (NZAOA), Net-Zero Insurance Alliance (NZIA), Science-based Targets Initiative for Financial Institutions (SBT-FI), Paris-Aligned Investment Initiative (PAII).

## 4.2 Insurance industry







The insurance industry issues policies to all segments of our society and economy, including the real economy, the financial sector and government. In addition it has a prominent role as an investor.

Besides following the recommended actions set out in Chapter 4.1 for institutional asset owners, insurers can also drive positive change in the area of sustainability in the underwriting and risk management aspects of its business. The recommended actions in this chapter refer to these aspects of the insurance business. To support insurers in developing sustainable practices in underwriting and risk management, UNEP FI created the Principles for Sustainable Insurance<sup>13</sup> in 2012.

### Current status

- Since 2020 the Swiss Insurance Association (SIA) has published an annual report about current sustainability practice in the Swiss insurance industry as well as the development of sustainable assets managed by insurance companies.
- The reports of most international Swiss insurance companies already fulfil the requirements of TCFD.
- In October 2021 the SIA became a supporting member of the UN-convened Net Zero Asset Owner Alliance.
- Some insurers (e.g. Swiss Re, Zurich Insurance Group, AXA) have committed to no longer provide re/insurance to businesses with major interests in thermal coal.

### Areas of action

| Timeframe | #   | Recommended Actions  | Category  |
|-----------|-----|--|---|
| 2022–2023 | 2.a | Integrate guiding principles regarding sustainability into the mission statement (or equivalent) of the organisation, and ensure they are translated into corporate strategy and policy for sustainable insurance business (managing ESG risks in risk assessment and insurance underwriting),<br>– Apply them to core products<br>– Make sure management and employees are aligned with the policy and the strategy by engaging them in the implementation and aligning remuneration structures |  |
|           | 2.b | Provide transparency on the sustainability of the insurance business through meaningful and relevant reporting<br>– Include relevant KPIs on ESG factors<br>– Publish portfolio indicators broken down by major lines of business<br>– Transparently report on climate risks based on TCFD<br>– Adapt reporting to the size and complexity of the organisation   |  |
|           | 2.c | Engage with clients on sustainability topics as part of underwriting new policies  |  |
|           | 2.d | Train insurance professionals in the role of sustainability issues for insurance business  |  |
| 2024–2025 | 2.e | Develop innovative climate insurance products to mitigate risks related to climate change.   |  |
|           | 2.f | In cooperation with SIA, develop best practice for insurance solutions addressing sustainability issues.   |  |

<sup>13</sup> UNEPFI (2012): “The UNEP FI Principles for Sustainable Insurance”, available at <https://www.unepfi.org/psi/the-principles/>, accessed 14/04/2021.

## 4.3 Asset managers

Switzerland is home to a large number of national and global asset managers. The Swiss financial centre looks after 4.6 per cent of the assets under global investment management, according to the SBA.

Swiss asset managers are crucial for the development of the right products and instruments targeting Swiss and international clients (both institutional and private) looking to redirect their assets into sustainable products. A crucial contribution to the sustainability of the Swiss financial centre by asset managers in this process is their engagement with investee companies. By providing transparency on the sustainability performance of their products, they support clients in their choice.

14 E.g. Swisscanto claims to be “the first fund provider to commit ... to a binding target of reducing CO<sub>2</sub> by 4% p.a. in all traditional, active investment funds” Swisscanto: *Sustainability*, available at <https://www.swisscanto.com/ch/en/po/swisscanto-invest/sustainability.html>, accessed 14/04/2021.








15 Net Zero asset managers initiative, available at <https://www.netzeroassetmanagers.org/>, accessed 14/04/2021.

16 For asset managers, the following initiatives might be relevant: Net Zero Asset Manager Initiative (NZAMI), Science-based Targets Initiative for Financial Institutions (SBT-FI), Paris-Aligned Investment Initiative (PAII).

### Current status

- Many asset managers have long experience in sustainable investing and some of them have been providing KPIs on the sustainability of their portfolios for many years.
- Some asset managers go a step further to define binding carbon-reduction goals for their portfolios.<sup>14</sup>
- AMAS/SSF recommendations were published in June 2020 and will help smaller players adopt sustainable investment strategies.
- A number of Swiss asset managers have joined the Net Zero Asset Manager Initiative,<sup>15</sup> formed in 2020. The members of this group commit to support investing aligned with net zero emissions by 2050 or sooner.
- Mainstreaming of ESG risk assessment is progressing fast, as illustrated in the 2021 SSF Market Study: CHF 1,520.2 billion of AuM currently take sustainability factors into account in one or the other way.

### Areas of action

| Timeframe | #   | Recommended Actions   | Category  |
|-----------|-----|---|---|
| 2022–2023 | 3.a | Integrate guiding principles regarding sustainability into the mission statement (or equivalent) of the organisation, ensure they are translated into corporate strategy and policy for sustainable investment <ul style="list-style-type: none"> <li>– Apply them to all core products</li> <li>– Make sure management and employees are aligned with the policy and the strategy by engaging them in the implementation and aligning remuneration structures</li> </ul> |  |
|           | 3.b | Provide transparency on the sustainability of portfolios through meaningful and relevant reporting <ul style="list-style-type: none"> <li>– Include relevant KPIs on ESG factors</li> <li>– Transparently report on climate risks based on TCFD</li> <li>– Publish portfolio indicators broken down by major asset classes</li> <li>– Adapt reporting to the size and complexity of the organisation</li> </ul>   |  |
|           | 3.c | State a clear target and roadmap to reduce the carbon footprint of managed portfolios to net zero by 2050, and set an intermediary goal for reductions by 2030 in line with Swiss climate goals. Thereby cooperate with one of the relevant initiatives in this field. <sup>16</sup>  |  |
|           | 3.d | Adopt active ownership strategies: <ul style="list-style-type: none"> <li>– Exercise voting rights at Annual General Meetings (AGM) in ways that promote sustainability; track and release these votes publicly</li> <li>– Engage with companies towards improved sustainability strategies and report on it</li> </ul>   |  |
|           | 3.e | Train investment professionals through the SSF e-learning tool or other training  |  |
|           | 3.f | Collaborate with SSF and other relevant finance organisations to develop a Swiss stewardship code in a broad coalition of asset managers and owners   |  |
| ongoing   | 3.g | Lead an informed and constructive dialogue with institutional clients about their needs and preferences in sustainable investing  |  |

## 4.4 Wealth managers







Switzerland is a leading centre for private wealth management. The banks in Switzerland had client assets totalling CHF 7,878.7 billion at the end of 2020. Switzerland is still the global market leader in cross-border private banking, accounting for a quarter of all cross-border assets under management worldwide.<sup>17</sup>

The proximity to their clients and high advisory quality is something Swiss wealth managers are proud of. Against the backdrop of growing client demand for sustainable investments, it is key to expand the sustainable offering in wealth management. By providing transparency on the sustainability performance of their products, wealth managers support clients in their choice.

### Current status

- Many players have long experience in sustainable investing and some of them have been providing KPIs on the sustainability of their portfolios for many years.
- The Swiss Bankers Association (SBA) published “Guideline for the integration of ESG considerations into the advisory process for private clients” in June 2020.
- Some wealth managers have made sustainable investments the default of their offering and developed specific sustainable discretionary mandates.
- In September 2021, the Association of Swiss Asset and Wealth Management Banks (VAV/ABG) presented an industry initiative with 16 priority actions to engage against climate change, with the commitment to regularly monitor progress.

### Areas of action

| Timeframe | #   | Recommended Actions   | Category  |
|-----------|-----|---|---|
| 2022–2023 | 4.a | Integrate guiding principles regarding sustainability into the mission statement (or equivalent) of the organisation, ensure they are translated into corporate strategy and policy for sustainable investment <ul style="list-style-type: none"> <li>– Apply them to all core products &amp; services</li> <li>– Make sure management and employees are aligned with the policy and the strategy by engaging them in the implementation and aligning remuneration structures</li> </ul>  |  |
|           | 4.b | Provide transparency on the sustainability of portfolios through meaningful and relevant reporting <ul style="list-style-type: none"> <li>– Include relevant KPIs on ESG factors</li> <li>– Transparently report on climate risks based on TCFD</li> <li>– Publish comparable portfolio indicators for all products on offer</li> <li>– Adapt reporting to the size and complexity of the organisation</li> </ul>   |  |
|           | 4.c | State a clear target and roadmap to reduce the carbon footprint of managed portfolios to net zero by 2050, and set an intermediary goal for reductions by 2030 in line with Swiss climate goals. Thereby cooperate with one of the relevant initiatives in this field. <sup>18</sup>  |  |
|           | 4.d | Adopt active ownership strategies <ul style="list-style-type: none"> <li>– Facilitate exercising of voting rights at Annual General Meetings (AGM) for clients in ways that promote sustainability</li> <li>– Engage with companies towards improved sustainability strategies</li> </ul>   |  |
|           | 4.e | Train client advisors and investment professionals through the SSF e-learning tool or other training  |  |
| ongoing   | 4.f | Identify private client sustainability preferences in the advisory process, based on SwissBanking recommendations <ul style="list-style-type: none"> <li>– Ensure sustainability is part of every client conversation</li> <li>– Offer products and services matching different sustainability client needs</li> <li>– Undertake the same level of diligence in asset manager selection for ESG capacities as for traditional asset manager selection criteria to ensure asset managers have the capability to deliver on ESG factors.</li> </ul> |  |

<sup>17</sup> Source: Banking Barometer 2021, SwissBanking, 2021 (<https://publications.swissbanking.ch/economic-trends-in-the-swiss-banking-industry/assets-under-management/>)

<sup>18</sup> For wealth managers, the following initiatives might be relevant: Net-Zero Asset Manager Initiative (NZAMI), Net-Zero Banking Alliance (NZBA), Science-based Targets Initiative for Financial Institutions (SBT-FI), Paris-Aligned Investment Initiative (PAII).

## 4.5 Banks

Besides managing assets of their institutional clients (for respective recommended actions see Chapter 4.1) and managing the wealth of their private clients (relating recommended actions see Chapter 4.4), banks also have a key role in providing finance both to corporate and private clients through lending and corporate finance, as well as mortgages.

### 4.5.1 Corporate lending & corporate finance






Banks have many different roles in providing finance to corporates, be it through lending or the placement of securities in financial markets.

In their lending and corporate finance operations, banks have a chance to shape the economies in which they function. Prudent lending to sustainable firms can create long-lasting benefits in the real economy.

#### Current status

- Several banks have started taking ESG factors into account in lending processes to small and medium sized enterprises (SMEs) and corporates.
- A number of banks have issued green bonds to raise funding for sustainable lending activities.
- Swiss Bankers Association (SBA) and Boston Consulting Group (BCG) jointly publish a study in August 2021, highlighting the investments needed for the Swiss economy to become climate neutral by 2050.

#### Areas of action

| Timeframe | #     | Recommended Actions   | Category  |
|-----------|-------|---|---|
| 2022–2023 | 5.1.a | Integrate guiding principles regarding sustainability into the mission statement (or equivalent) of the organisation, ensure they are translated into corporate strategies and policy for sustainable lending/corporate finance and that employees work towards them <ul style="list-style-type: none"> <li>– Apply them to all core products</li> <li>– Make sure management and employees are aligned with the policy and the strategy by engaging them in the implementation and aligning remuneration structures</li> </ul> |  |
|           | 5.1.b | Apply in-depth climate scenario analysis to evaluate risks in project finance/loan portfolios   |  |
|           | 5.1.c | Engage with clients on sustainability topics and assist them in identifying know-how and support regarding the improvement of sustainability standards and practices  |  |
|           | 5.1.d | Issue and assist others in issuing sustainable bonds (e.g. green, social, transition or other forms of sustainable bonds) based on best-practice standards  |  |
| 2024–2025 | 5.1.e | Begin systematic collection and assessment of sustainability data as part of lending to corporates <ul style="list-style-type: none"> <li>– Use this information in decision-making processes for lending</li> <li>– Develop benchmarks for companies to compare themselves to peers</li> </ul>   |  |

## 4.5.2 Mortgages




Banks not only lend to corporates, but also to private individuals. The largest purchase made by most individuals during their lifetime is their home, and for this reason mortgages are the most important intersection point between banks and retail bank customers.

By taking steps to ensure that the real estate purchased with the help of these loans is environmentally sound, mortgage issuers can have a positive impact on sustainable living. They can also support existing clients in gaining the capital needed for refurbishments.

### Current status

- A growing number of Swiss banks have issued environmental mortgages. Some of them have been on offer for decades.
- The association of cantonal banks has formed a workgroup on sustainable mortgages.
- Swiss Bankers Association (SBA) and Boston Consulting Group (BCG) jointly published a study in August 2021, highlighting the investments needed for the Swiss economy to become climate neutral by 2050.

### Areas of action

| Timeframe   | #     | Recommended Actions  | Category  |
|---|-------|--|---|
| 2022–2023<br> | 5.2.a | Begin systematic collection of energy-related and other relevant sustainability data as part of mortgage lending                       |  |
|   | 5.2.b | Offer special mortgage products for renovation of buildings and provide access to consulting services on efficient renovation measures |  |






## 4.6 Stock exchanges

Stock exchanges have a key role in linking investors to the real economy and they provide information to the market. In Switzerland, SIX is the dominating player in this field. Owned by the banks of Switzerland, SIX provides key services to the market: public exchanges for all manner of financial products, a market information service, and a settlement and custody operation.

### Current status

- As early as 2001, SIX already published its first corporate governance directive.
- SIX tags green bonds on its platform.
- There is an opt-in clause for publishing a sustainability report based on one of the named standards for companies listed at SIX.
- SIX became a member of SSF in spring 2020.
- SIX has published sustainable indices for equities and bonds in 2021.
- By November 2021, SIX had assisted in the issuance of 62 green bonds and 2 sustainability or sustainability-linked bonds.<sup>19</sup>

### Areas of action

| Timeframe | #   | Recommended Actions  | Category  |
|-----------|-----|--|---|
| 2022–2023 | 6.a | Cooperate with relevant industry associations to promote sustainability in the Swiss marketplace   |  |
|           | 6.b | Support the development of a mature sustainable bond (e.g. green, social, transition or other forms of sustainable bonds) market in Switzerland by cooperating with other relevant stakeholders <ul style="list-style-type: none"> <li>– Inform market players about different green bond standards and their strengths and weaknesses</li> <li>– Make the offering of sustainable bonds easy to find for investors</li> </ul> |  |
|           | 6.c | Define quality standards for reporting requirements resulting from counterproposal to the Responsible Business Initiative and governmental request to prepare TCFD reporting <ul style="list-style-type: none"> <li>– Make sure information is easily accessible</li> </ul>  |  |

<sup>19</sup> available at <https://www.six-group.com/de/products-services/the-swiss-stock-exchange/market-data/bonds/green-bonds.html>, accessed at 17/11/2021

## 4.7 Credit rating agencies for local issuers

Fixed-income securities (bonds) represent a large share of financial markets. In addition to the three global majors (Moody's, S&P, and Fitch), FINMA recognises four additional credit rating agencies<sup>20</sup> that assign scores to issuers of debt instruments within the Confederation.



Through their decision of which bonds to buy, investors in this market carry huge importance. Therefore, the addition of sustainability criteria in the area of credit ratings is a big step towards a sustainable finance sector. The consideration of ESG factors by credit rating agencies is particularly relevant and important, as there is a growing pool of evidence linking good ESG performance to lower firm-specific risks and lower credit default swap (CDS) spreads.<sup>21</sup>

The rating agencies should follow international best practice in sustainability risk assessment, which is advancing rapidly in this area, spearheaded by the PRI Credit Risk and Ratings Initiative.<sup>22</sup> Overall, the space is evolving rapidly, with Moody's appointing a Global ESG Head and S&P Global acquiring ESG assessment specialist SAM in 2020.

### Current status

- Some rating agencies have started to take ESG factors into account in their credit ratings

### Areas of action

| Timeframe   | #   | Recommended Actions   | Category  |
|---|-----|---|---|
| 2022–2023<br> | 7.a | Include ESG factors in analysis for credit ratings <ul style="list-style-type: none"> <li>– Follow developments of the major rating agencies in the area of sustainability, and actively improve on best industry practice</li> <li>– Provide transparency on methodology both on a qualitative and quantitative level</li> </ul> |  |

20 "List of rating agencies recognised by FINMA", available at <https://www.finma.ch/en/~media/finma/dokumente/finmapublic/bewilligungstraeger/ratingagenturen.pdf?la=en>

21 UNPRI (2017): "Shifting Perceptions: ESG, Credit Risk And Ratings", available at <https://www.Unpri.Org/Download?Ac=256>

22 UNPRI: *Credit Risk and Ratings Initiative*, available at <https://www.unpri.org/credit-ratings>, accessed 14/04/2021.

## 4.8 Corporates: the “real economy” of Switzerland









The corporate sector is a key recipient of the services provided by the financial services industry, in the form of loans, equity issuance, and other products. Swiss corporations will play a prime role in advances in sustainability within Switzerland, as their activities cause a major share of direct and indirect Swiss CO<sub>2</sub> emissions.

The role of the industry – and specifically of SMEs – seems to be missing so far in the Swiss sustainable finance discussion, as the topic is perceived to be confined to entities operating in the financial sector itself. But as a report by the German government points out, “The financial industry can fund only those economic activities that companies develop.”<sup>23</sup> It is therefore key for Swiss corporates to support the transition to a sustainable financial centre by following sustainable strategies and informing on the results of their implementation in a transparent way. As stated in the introduction, this chapter focuses on the interaction of corporates with the financial sector, but not on their overall sustainability strategy and its implementation.

### Current status

- Many Swiss companies have implemented sustainability strategies
- Several companies regularly publish a sustainability report based on an international standard (e.g. GRI, SASB)
- Economiesuisse has established a sustainable finance committee
- With the rejection of the popular vote on the Responsible Business Initiative (RBI) in November 2020, the indirect counterproposal comes into effect. The counterproposal requires companies to report annually on non-financial matters and sets out due diligence and reporting requirements on conflict minerals and child labour.<sup>24</sup>
- The Federal Council decided on parameters for the future mandatory climate reporting by large Swiss companies in August 2021 and announced that it would prepare a consultation draft by summer 2022.<sup>25</sup>

### Areas of action

| Timeframe | #   | Recommended Actions  | Category  |
|-----------|-----|--|---|
| 2022–2023 | 8.a | Mandate the major industry associations to promote sustainable investments of their members’ own funds and pension funds through a list of best practices  |  |
|           | 8.b | The Energy Agency of the Swiss Private Sector defines clear sector carbon emission targets to adequately reflect the Federal Council’s net zero 2050 goal  |  |
|           | 8.c | Issue sustainability bonds (e.g. green, social, transition or other forms of sustainable bonds) based on best practice standards<br>– Integrate ESG/climate- related terms in the "covenants section" of the bond agreement  |  |
|           | 8.d | All listed companies apply TCFD recommendations, in line with announcement of Swiss government   |  |
|           | 8.e | Both listed companies and a defined segment of SMEs <sup>26</sup> prepare ESG reporting. In this they:<br>– Release sustainability data simultaneously and as part of annual financial reports<br>– Define and include KPIs based on recognised standards such as GRI and SASB<br>– Seeking independent assurance of ESG reporting is highly recommended/considered as best practice |  |
| 2024–2025 | 8.f | Strive for a review of the Swiss accounting standard Swiss GAAP FER to include sustainability-related aspects, aligned with respective developments in international accounting standards  |  |
|           | 8.g | Make relevant sustainability KPIs available in a central data repository (aligned to international discussions)  |  |
|           | 8.h | Corporates should carry out due diligence on material human rights and the environmental impact of key suppliers   |  |

- 23 Sustainable Finance-Committee of the German Federal Government (March 2020): "Interim Report. The Significance Of Sustainable Finance To The Great Transformation", available at [https://sustainable-finance-beirat.de/wp-content/uploads/2020/03/200306\\_SFB-Zwischenbericht\\_EN.pdf](https://sustainable-finance-beirat.de/wp-content/uploads/2020/03/200306_SFB-Zwischenbericht_EN.pdf).
- 24 Swiss Parliament: "Obligationenrecht (Indirekter Gegenvorschlag zur Volksinitiative «Für verantwortungs-volle Unternehmen –zum Schutz von Mensch und Umwelt») Änderung vom 19. Juni 2020", available at <https://www.parlament.ch/centers/eparl/curia/2016/20160077/Schlussabstimmungstext%202%20NS%20D.pdf>
- 25 <https://www.admin.ch/gov/de/start/dokumentation/medienmitteilungen.msg-id-84741.html>
- 26 The segment of SMEs referred to here is the segment defined in the counterproposal to the responsible business initiative. It sets out the following criteria: Firstly, they must be a "public interest entity" (public companies as well as those that require licence, recognition, authorisation or registration by the financial market supervisory authority in accordance with the financial market laws (e.g. banks, insurance companies). Secondly, companies must also have at least 500 full-time positions on an annual average in total, counting both domestic and foreign companies they control. Finally, the company must have a balance sheet total of at least 20 million Swiss francs or a turnover of 40 million Swiss francs in two consecutive business years.

## 4.9 Sustainable finance research and education providers




Solid education is an important basis for economic success. Switzerland can build on excellent educational facilities on all levels of education, be it vocational training, primary, secondary or academic research and education.

In June 2020 the FOEN published a report, in conjunction with SSF, that identified important areas of action to make sustainability a standard element of all finance education. Based on workshops, a dialogue with respective stakeholders has already been started with the objective of implementing many of the suggested measures.

### Current status

- A growing number of courses and degrees on sustainable finance are available at Swiss universities and business schools
- Some vocational training programmes already include elements of sustainable finance
- A number of universities have dedicated centers or research capacities in sustainable finance

### Areas of action

| Timeframe | #   | Recommended Actions  | Category  |
|-----------|-----|--|---|
| 2022–2023 | 9.a | <p>Actions related to vocational training</p> <ul style="list-style-type: none"> <li>– Expand requirements and training within vocational programmes in the banking and private insurance sectors with regard to sustainability and sustainable finance</li> <li>– Achieve systematic integration of sustainability into CYP<sup>27</sup> courses and other fundamental professional training for finance-related professions</li> </ul>   |  |
|           | 9.b | <p>Actions related to academic research and education/training</p> <ul style="list-style-type: none"> <li>– Secure financing for additional sustainable finance chairs i.e. through foundations, private actors etc. in Switzerland</li> <li>– Create national research projects in sustainable finance</li> <li>– Expand existing academic partnerships and foster networks in Switzerland and abroad</li> <li>– Systematically integrate sustainable finance into academic training i.e. through mandatory material in Bachelor's programmes in the field of economics and finance or the establishment of a Master's degree in sustainable finance</li> </ul> |  |
|           | 9.c | <p>Actions related to continuing education for professionals</p> <ul style="list-style-type: none"> <li>– Develop specific tools and training modules on sustainable finance for executive- and board-level education</li> <li>– Include a sustainable finance module in existing training for pension fund boards</li> <li>– Integrate sustainable finance as a compulsory element in the curriculum of financial diplomas and certification programmes</li> </ul>  |  |

<sup>27</sup> CYP stands for "Challenge your Potential" and is the competence centre for learning in banking, founded in 2003 by the five largest Swiss banks in cooperation with the Swiss Bankers Association (<https://cyp.ch/en/about-cyp>)

## 4.10 Swiss finance associations







Industry associations play a key role in motivating and enabling Swiss finance players to adopt sustainability strategies.

Amongst these associations, Swiss Sustainable Finance represents a strong sustainable finance network across all relevant players in the financial market. Through its activities it shapes and informs on best practice, creates supportive frameworks and tools, and fosters a dialogue between different stakeholders. We see an important role for SSF in supporting all players in the financial centre in implementing the measures suggested in this Roadmap. At the same time, it is vital that other finance associations support their members in implementing sustainable finance policies through concrete, sector-specific guidance.



### Current status

- Swiss Sustainable Finance (SSF) has worked on promoting sustainable finance practices over the course of the past 7 years, with a particular focus on investments.
- SSF has a close collaboration with Sustainable Finance Geneva (SFG) in promoting sustainable finance in Switzerland. SFG was the initiator of Building Bridges and was instrumental in setting up both the structure of this broad cooperation platform and the content of the topics covered, thereby supported by SSF
- SSF has a fruitful cooperation with many finance associations in promoting sustainable finance practices (e.g. Swiss Bankers Association, Asset Management Association Switzerland, Swiss Insurance Association)
- Other finance associations have prepared initial guidance on sustainable finance practice for their members and have set up workgroups on the subject

### Areas of action for SSF

| Timeframe | #    | Recommended Actions  | Category  |
|-----------|------|--|---|
| 2022–2023 | 10.a | Support the implementation of the Roadmap for Switzerland as a leading centre for sustainable finance<br>– Report on progress and update the Roadmap on a regular basis<br>– Advocate strategies supporting the Roadmap objectives   |  |
|           | 10.b | Review existing stewardship codes and develop a draft Swiss stewardship code jointly with other stakeholders   |  |
|           | 10.c | Undertake an evaluation for a Swiss label for sustainable funds aligned with other existing label schemes  |  |
| 2024–2025 | 10.d | Help establish a sustainable fintech community in Switzerland<br>– Cooperate with research institutes in organising events and preparing publications<br>– Liaise with the Green Fintech Network to promote the right frameworks and foster innovative approaches  |  |
| ongoing   | 10.e | Develop initiatives to ensure the market possesses the right expertise to adopt sustainable finance strategies, e.g.<br>– Prepare guidelines for different market players, thereby cooperate with other associations representing the different players in the Swiss financial marketplace<br>– Support members in adapting to new regulatory requirements<br>– Support the development of educational capacities on sustainable finance |  |
|           | 10.f | Cooperate with other stakeholders in promoting sustainable finance vis-à-vis national and international stakeholders<br>– Support the establishment of Building Bridges as a key platform<br>– Support other sustainable finance events with expert know-how and access to key stakeholders<br>– Represent Zurich in the FC4S Network  |  |

### Areas of action for other Swiss finance associations

| Timeframe | #    | Recommended Actions  | Category  |
|-----------|------|--|---|
| ongoing   | 10.h | Develop initiatives to ensure the market possesses the right expertise to adopt sustainable finance                  |  |
|           | 10.i | Cooperate with other stakeholders in promoting sustainable finance vis-à-vis national and international stakeholders |  |

## 4.11 Building bridges between stakeholders



Switzerland is in a unique position to host a broad ecosystem of international organisations and NGOs while being a world-class financial centre. The “Building Bridges” initiative brings diverse actors from the finance industry, the United Nations, international organisations, NGOs, academia, and local, cantonal and national authorities together in collaboration around a common vision of advancing sustainable finance to address the Sustainable Development Goals (SDGs). Building Bridges aims to accelerate the transition to a more sustainable economy in Switzerland and worldwide in a collaborative effort.

Through an annual discussion forum and continued cooperation, complemented by numerous events organised by the Building Bridges community, the initiative encourages the finance community’s contribution to realising the SDGs. At the core of the initiative is the recognition that the scale and complexity of the transition require “building bridges” between the multiple stakeholders in the finance, government, and sustainable development communities.

### Current status

- The first Building Bridges Week and Summit was held in October 2019, initiated by SFG in cooperation with SSF and Geneva Financial Centre (FGPF)
- The initiative now builds on a great number of partners that are involved in organising the second Building Bridges Week and Summit from 29 November to 2 December 2021

### Areas of action

| Timeframe      | #    | Recommended Actions   | Category  |
|----------------|------|---|---|
| 2022–2023<br>↓ | 11.a | Establish “Building Bridges” as a key platform to further strengthen ties between the international organisations based in Geneva, the Swiss finance community, the Swiss federal authorities and NGOs, thereby fostering the development of finance for the SDGs |  |
| ongoing<br>↓   | 11.b | Assess which competence areas need enhancement within mainstream Swiss finance in order to effect a transformation and build on cooperation between all stakeholders to foster such competencies  |  |

# 05 Swiss Government and National Financial Institutions Setting the Frameworks

## 5.1 Action by the Swiss government

By setting the necessary framework condition to promote sustainable finance, the Swiss government is accelerating change. Since first mentioning sustainable finance as a key pillar of a sustainable Swiss financial centre in its Financial Market Policy in 2016, the government has initiated action on many levels to support market development in this direction.

Building on the overview report of June 2020, the federal government has announced the following key areas of action in December 2020,<sup>28</sup> some of which were already further developed.

- The government announced that they would prepare a binding implementation of TCFD reporting for companies. In January 2021, the Swiss government became an official supporter of TCFD and has recommended that companies should comply with them on a voluntary basis. The parameters for mandatory TCFD reporting by large Swiss companies from all sectors of the economy were announced by the Federal Council in August 2021, with plans to be in effect for the financial year 2023.<sup>29</sup> Such reporting lays the groundwork for further integration of climate risks in financial decisions.
- The government further announced it would evaluate concrete action to prevent greenwashing. In this context, international developments around sustainable finance standards, including the different emerging taxonomies, are evaluated to make sure Swiss action is in line with international developments and does not result in unnecessary complexity for market players.
- It further recommended that financial market players publish methods and strategies for taking account of climate and environmental risks when managing their clients' assets.
- Last but not least, it announced that Switzerland will expand its international commitment supporting disclosure of environmental information and internalisation of environmental costs. Switzerland has already joined the Coalition of Finance Ministers for Climate Action (CAPE) in October 2019 and the International Platform on Sustainable Finance (IPSF) in March 2020. It is also an active member of the G20 Sustainable Finance Working Group.

When it comes to addressing climate change, the Swiss government has presented a new long-term climate strategy to 2050, setting out concrete net-zero carbon emission targets. This long-term strategy will likely provide additional impetus to all sectors of the Swiss economy, including the financial industry, to further reduce their carbon footprint and work towards reaching the Paris Agreement. Yet, in light of the amendment to the CO<sub>2</sub> Act being rejected by public vote in June 2021, the question of what other regulatory frameworks can be put in place to implement the strategy is currently under political discussion. In addressing this massive challenge, action is also required on a cantonal level, be it through the establishment of ambitious cantonal building codes and related transparency on the performance of different buildings (e.g. by making the GEAKs mandatory) but also through energy markets that make the supply of decentrally produced electricity to the public grid more attractive.

In 2020 the Federal Office for the Environment (FOEN), working with SIF, conducted the second round of climate compatibility testing using the PACTA methodology, covering a substantial portion of Swiss pension funds, insurance companies, asset managers and banks.<sup>30</sup> The assessment of the 179 financial institutions showed progress compared to the 2017 round, but also identified further need for action, as the Swiss financial centre remains invested in oil and coal extraction. Switzerland is also an active partner in the informal working group preparing the launch of the Taskforce on Nature-Related Financial Disclosures (TNFD), as well as a member of the Coalition of Finance Ministers for Climate Action and the International Platform on Sustainable Finance.

In November 2021, the Swiss government made new announcements for financial market players.

- a strong recommendation to use comparable and meaningful climate compatibility indicators and join net zero initiatives.
- the importance to promote uniform definitions of sustainability impacts to address greenwashing
- the information that the government will assess by the end of 2022, to what extent the financial sector has implemented these recommendations and – if needed – propose measures.

Furthermore, the Federal Department of Finance (FDF) was instructed by the Federal Council to make a proposal by the end of 2022 on how financial market legislation could be amended in order to avoid greenwashing.



An additional focus of the Swiss government is harnessing digital technology for sustainable finance. Following a survey in September 2020, the Swiss Green Fintech Network was launched to exploit the potential of digitalisation and sustainable financial services, and released policy recommendations in April 2021.

In a more specific area of sustainable finance, namely investments promoting development, SECO established the Swiss Investment Fund for Emerging Markets (SIFEM) as early as 2005, with the objective of directing investments into emerging economies, thereby supporting job creation and addressing poverty. SIFEM has acted as co-investor alongside private investors in many cases, with the objective of leveraging public investments. To further expand private market investments, SECO is now preparing the launch of the SDG Impact Finance Initiative (SIFI), a new platform that will offer grants and other forms of support for the development of new funds supporting the SDGs. SSF welcomes this initiative building on the positive experience of SECO 17, a programme that supported the establishment of different private-sector funds for development.

The federal government considers research and education as a key pillar for a sustainable financial centre. FOEN in conjunction with SSF published a report in June 2020 investigating where sustainable finance education currently stands and how it could be further developed. On the basis of two workshops held with education specialists, key measures were defined that are now addressed by an SSF workgroup, aiming to support further uptake of sustainable finance topics in all levels of finance education. A key lever for academia are research programmes, as academic training is based on them. In 2016, the Federal Council mandated the Swiss National Science Foundation to carry out a National Research Programme for a Sustainable Economy<sup>31</sup> in 2016, a programme which also covers sustainable finance. Yet, in light of the many open questions related to sustainable finance methods and data, further funds for research in this field are vital. The establishment of a separate National Research Program (NRP) for Sustainable Finance would support further research and would help to further strengthen Switzerland as a renowned research centre in this field.

28 <https://www.admin.ch/gov/en/start/documentation/media-releases/media-releases-federal-council.msg-id-81571.html>

29 <https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-84741.html>

30 <https://2degrees-investing.org/wp-content/uploads/2020/11/Bridging-the-Gap.pdf>

31 National Research Programme (NRP) 73, available at: <http://www.nfp73.ch/en/the-nrp> accessed 14/04/2021.

The Swiss government is an official sponsor of Building Bridges, (a Swiss-wide, Geneva-based initiative launched to advance sustainable finance to address the SDGs by bringing together committed people and organisations), which aims to shape the global sustainable finance agenda and accelerate the transition to a global economic model aligned with the needs of a sustainable and just society. The initiative leverages the unique ecosystem of Switzerland with its global hub for multilateralism and a world-class financial centre, and engages diverse actors from the finance industry, the United Nations, international organisations, NGOs, academia, and local, cantonal and national authorities.

## 5.2 Action by national financial institutions

Public financial bodies have also displayed greater activity related to sustainable finance more recently. After quite a history of screening its portfolio for violation of international norms on human rights and environmental standards, the Swiss National Bank in 2019 became a member of the Network for Greening the Financial System (NGFS), which brings together supervisory bodies and central banks across five continents to define best practice for financial market regulators and strengthen sustainable central-bank action. The SNB has already contributed a case study to an NGFS report, and continued engagement in the relevant NGFS workgroups will help it to further develop its approaches, based on a peer-to-peer dialogue. In one respect, the SNB can be considered a leader amongst peers: it has taken up the integration of climate risks and sustainability factors into its actively managed corporate bond portfolios. This makes it the first central bank to apply such criteria to the management of foreign exchange reserves – notably being a central bank with one of the largest foreign exchange portfolios. With this it is going a step further than those banks applying sustainability criteria to their own funds or pension funds. At the end of 2020, the SNB, in collaboration with Compenswiss, the institution managing Switzerland's first-pillar social security funds, announced their decision to move out of coal. Applying broader ESG criteria not only to the management of corporate bonds, but also its equity portfolio, would be an important next step.

As regards being an active owner, the SNB has executed its voting rights on governance questions since 2015 with a focus on medium and large European companies, thereby aiming to use its power to improve the governance of its holdings. The extension of the voting policy to environmental and

social topics, its public disclosure, and an application in all regions could help the SNB to support Swiss sustainability goals globally.

Going forward, a more comprehensive collection of data on relevant KPIs on climate and other ESG factors would be the starting point for more transparency on the ESG performance of portfolios, a transparency that could help instil trust in the Swiss public about the positive role the SNB plays in addressing sustainability risks.

As the federal financial regulator, FINMA is also a relevant actor when it comes to enforcing compliance with financial regulation that has a link to sustainable finance. Along with the SNB, FINMA became a member of NGFS in 2019, demonstrating its commitment to the issue. It is involved in the relevant workgroups and actively contributed to a publication on regulatory practice, by suggesting a case study. Seeing that sustainability is increasingly discussed in traditional finance platforms such as IOSCO, an exchange with other supervisory authorities is becoming more prevalent and might support FINMA in building on international best practice.

In its own communication, FINMA mentioned climate risks for the first time in its December 2019 risk monitor, and again in its 2020 risk monitor – thereby signalling to the market the importance of this emerging risk. More recently and under its existing mandate of fund authorisation, the Financial Market Supervisory Authority (FINMA) has started requiring ESG information for funds promoting sustainability. In May 2021, FINMA also updated its circulars on disclosures and introduced transparency obligations for climate risks for large banks and insurance companies. In November 2021, FINMA published guidance on preventing and combatting greenwashing. The guidance includes expectations and current practices surrounding sustainability-related collective investment schemes on the level of funds and institutions as well as rules of conduct at the point of sale.<sup>32</sup>

In addition to the ongoing work at governmental level, we see other areas that could further contribute to Switzerland keeping up its strong pace in sustainable finance. An in-depth analysis of potential existing regulatory barriers for sustainable finance could highlight the best levers to encourage a further uptake of sustainability in finance. This includes a closer look at how indirect and direct tax structures can be adapted to further promote sustainable finance services and products, but could also explore how to lower ownership requirements to file a shareholder resolution.

Public-sector financial actors can also serve as a role model for the private market. This is definitely true for the investment side, where public pension funds often lead the way in adopting sustainable investment strategies and further developing tools supporting such processes. Swiss public-sector investors founded SVVK-ASIR, the Swiss association for responsible investments in 2015, to join forces in aligning their investments to Swiss values and engage with investee companies. SVVK-ASIR is engaging with investee companies on behalf of its members, addressing the violation of Swiss and international standards and defining an exclusion list for companies in breach of them. Some members have also

adopted climate policies covering at least part of their assets and including different measures, such as the exclusion of coal (e.g. Publica, Compenswiss) or a targeted reduction of the carbon footprint of their property portfolio (e.g. Suva). More binding goals based on the Swiss sustainability strategy and regular quantitative reporting on key aspects, as suggested for all asset owners, are areas for further action for all public-sector asset owners.

In the area of financing, the public sector can also take the role of a catalyst. The Swiss green bond market is still in its infancy, due to manifold reasons. If public issuers lead the way by issuing sustainable bonds (e.g. green, social, transition or other forms of sustainable bonds), this helps develop market know-how and capacity. So far, a few cantonal governments have issued green bonds (e.g. BS in 2018 and 2019, GE in 2017 and 2019). In November 2021, the Swiss government announced that it will prepare a framework for the issuance of green Confederation bonds by the end of 2022.<sup>33</sup> The issuance of such sovereign green bonds will give a strong signal into the market and contribute to further market development. A green bond grant scheme to partially cover costs of structuring and verifying green bonds for first-time issuers could be another useful instrument to help develop this market that can play a key role in financing the transition to a green economy.

Going forward, it is key that Swiss frameworks for sustainable finance keep the right balance between bottom-up, market-driven solutions and a supporting regulatory framework, thereby guaranteeing a level playing-field for all. Improved transparency and comparable information that allows all clients to make choices based on their preferences are an important prerequisite for trust, and therewith for a further mainstreaming of sustainable financial services. At the same time, it is important that potential regulatory barriers, be it for product providers or investors, are removed wherever possible. A continued and intense dialogue between the private sector, the government and the regulator prepares the ground for such an environment and will leave us with frameworks that make Switzerland a leading centre for sustainable finance.

32 available at [https://www.finma.ch/en/news/2021/11/20211103-finma-aufsichtsmittteilung-05-21?pk\\_campaign=News-Service&pk\\_kwd=FINMA%20publishes%20guidance%20on%20preventing%20and%20combating%20greenwashing](https://www.finma.ch/en/news/2021/11/20211103-finma-aufsichtsmittteilung-05-21?pk_campaign=News-Service&pk_kwd=FINMA%20publishes%20guidance%20on%20preventing%20and%20combating%20greenwashing), accessed at 18/11/2021

33 Available at: <https://www.admin.ch/gov/en/start/documentation/media-releases/federal-council.msg-id-85932.html>, accessed at 18/11/2021

## 06 Next Steps

This Roadmap for the Swiss Financial Centre aims to set out the transition pathway to a sustainable future. The long list of recommended actions illustrates that although important first steps have been taken, the Swiss financial centre still has a long way to go before it is fully aligned with sustainability and climate goals. This should not come as a surprise, as all segments of our society and economy are still far from this goal.

With this structured outline addressing 11 key target groups or areas from the private sector, we hope to have provided concrete stepping stones for each of them. For many of the suggested actions, initial steps have already been taken, at least by some of the leading institutions so that best-practice examples can be followed for many aspects. Furthermore, SSF and other finance associations are supporting their members on this path through concrete guidance.

Since its founding, SSF, with its broad member base, has already worked on supporting the different players in the implementation of concrete action for a firm integration of sustainability into their business models. We hope that with this publication we can reach out to and gain insights from an even broader community, which is an essential step for achieving a fully sustainable financial centre. Going forward and based on this Roadmap, we now aim to build further momentum by creating coalitions of willing participants, in cooperation with other industry associations. Creating clear commitments, be it on climate, biodiversity or other pressing issues, will help to accelerate change. Going forward, platforms to share experiences, find common approaches and definitions and define standards will therefore be key.

We are in a fast-changing environment and the measures we have listed here may currently be the right way forward, but as time passes and some of the targets are achieved, other actions may be required. Hence we see this Roadmap as a living document that will grow with the industry and can be updated when necessary.

This Roadmap focuses on the role of finance, since the author of the plan, Swiss Sustainable Finance, is an association uniting different players in the Swiss financial centre. It goes without saying that other sectors need to work equally hard to contribute their share to a sustainable future. As far as finance is concerned, we look forward to supporting the different players of the Swiss financial centre on the journey to a sustainable future while continuously discussing and further developing the best strategies to move forward.

# Appendix

# A.1 Key recommended actions by stakeholder and timeline

Table 2 illustrates key actions to be undertaken by each stakeholder, broken down by the three different timeframes assigned to each action:

- By 2023, create the basis for the integration of sustainability factors into all financial decisions – 43 recommended actions
- By 2025, implement all necessary instruments, policies and frameworks to align financial flows to sustainability goals – 7 recommended actions
- Ongoing actions are starting now, but will continue over time to remain aligned with sustainability goals – 7 recommended actions

Table 2: Summary of recommended actions by stakeholder and timeline

| 2022–2023                             |   | 2024–2025 |   | Ongoing |   |
|---------------------------------------|---|-----------|---|---------|---|
| #                                     | Measure   | #         | Measure   | #       | Measure   |
| <b>4.1 Institutional asset owners</b> |   |           |   |         |   |
| 1.a                                   | Develop a strategy and policy for sustainable investment  |           |   |         |   |
| 1.b                                   | Provide transparency on the sustainability of portfolios  |           |   |         |   |
| 1.c                                   | State a clear target to reduce the carbon footprint of portfolios to net zero by 2050                     |           |   |         |   |
| 1.d                                   | Adopt active ownership strategies   |           |   |         |   |
| 1.e                                   | All institutional asset owner board members complete training in sustainable investments                  |           |   |         |   |
| 1.f                                   | Collaborate to develop a Swiss stewardship code   |           |   |         |   |
| <b>4.2 Insurance industry</b>         |   |           |   |         |   |
| 2.a                                   | Integrate guiding principles regarding sustainability into the mission statement of the organisation      | 2.e       | Develop innovative climate insurance products                                 |         |   |
| 2.b                                   | Provide transparency on the sustainability of the insurance business                                      | 2.f       | Develop best practice for insurance solutions addressing sustainability issue |         |   |
| 2.c                                   | Engage with clients on sustainability topics  |           |   |         |   |
| 2.d                                   | Train insurance professionals   |           |   |         |   |
| <b>4.3 Asset managers</b>             |   |           |   |         |   |
| 3.a                                   | Integrate guiding principles regarding sustainability into the mission statement of the organisation      |           |   | 3.g     | Lead an informed and constructive dialogue with institutional clients |
| 3.b                                   | Provide transparency on the sustainability of portfolios  |           |   |         |   |
| 3.c                                   | State a clear target and roadmap to reduce the carbon footprint of managed portfolios to net zero by 2050 |           |   |         |   |
| 3.d                                   | Adopt active ownership strategies   |           |   |         |   |
| 3.e                                   | Train investment professionals  |           |   |         |   |
| 3.f                                   | Collaborate to develop a Swiss stewardship code   |           |   |         |   |

| By 2021–2023  |  | By 2024–2025 |   | Ongoing |  |
|---|--|--------------|---|---------|--|
| #   | Measure  | #            | Measure   | #       | Measure  |
| <b>4.4 Wealth Managers</b>                                    |  |              |   |         |  |
| 4.a   | Integrate guiding principles regarding sustainability into the mission statement of the organisation   |              |   | 4.f     | Identify private client sustainability preferences |
| 4.b   | Provide transparency on the sustainability of portfolios   |              |   |         |  |
| 4.c   | State a clear target and roadmap to reduce the carbon footprint of managed portfolios to net zero by 2050  |              |   |         |  |
| 4.d   | Adopt active ownership strategies and facilitate exercising of voting rights for clients   |              |   |         |  |
| 4.e   | Train client advisors and investment professionals   |              |   |         |  |
| <b>4.5.1 Banks: corporate lending &amp; corporate finance</b> |  |              |   |         |  |
| 5.1.a   | Integrate guiding principles regarding sustainability into the mission statement of the organisation   | 5.1.e        | Begin systematic collection and assessment of sustainability data for corporate lending |         |  |
| 5.1.b   | Apply in-depth climate scenario analysis to evaluate risks in project finance/loan portfolios  |              |   |         |  |
| 5.1.c   | Engage with clients on sustainability topics regarding the improvement of sustainability standards and practices   |              |   |         |  |
| 5.1.d   | Issue and assist others in issuing sustainable bonds   |              |   |         |  |
| <b>4.5.2 Banks: mortgages</b>                                 |  |              |   |         |  |
| 5.2.a   | Begin systematic collection of energy-related and other relevant sustainability data as part of mortgage lending   |              |   |         |  |
| 5.2.b   | Offer special mortgage products for renovation and provide access to consulting services on efficient renovation measures  |              |   |         |  |
| <b>4.6 Stock Exchanges</b>                                    |  |              |   |         |  |
| 6.a   | Cooperate with relevant industry associations to promote sustainability in the Swiss marketplace   |              |   |         |  |
| 6.b   | Support development of a programme to encourage a mature sustainable bond market in Switzerland  |              |   |         |  |
| 6.c   | Define quality standards for reporting requirements resulting from counterproposal to the Responsible Business Initiative and governmental request to prepare TCFD reporting |              |   |         |  |
| <b>4.7 Credit rating agencies for local issuers</b>           |  |              |   |         |  |
| 7.a   | Include ESG factors in analysis for credit ratings   |              |   |         |  |

| By 2021–2023   |   | By 2024–2025 |   | Ongoing |  |
|--|---|--------------|---|---------|--|
| #  | Measure   | #            | Measure   | #       | Measure  |
| <b>4.8 Corporates: the “real economy” of Switzerland</b> |   |              |   |         |  |
| 8.a  | Mandate major industry associations to promote sustainable investments of corporate funds and pension funds | 8.f          | Strive for a review of the Swiss accounting standard Swiss GAAP FER to include sustainability-related aspects |         |  |
| 8.b  | The Energy Agency of the Swiss Private Sector defines clear sector carbon emission targets                  | 8.g          | Make relevant sustainability KPIs available in a central data repository                                      |         |  |
| 8.c  | Issue sustainability bonds based on best practice standards   | 8.h          | Carry out due diligence on material human rights and the environmental impact of key suppliers                |         |  |
| 8.d  | All listed companies apply TCFD recommendations, in line with the announcement of the Swiss government      |              |   |         |  |
| 8.e  | Both listed and a defined segment of SMEs prepare ESG reporting   |              |   |         |  |
| <b>4.9 Sustainable finance education providers</b>       |   |              |   |         |  |
| 9.a  | Expand vocational training to better incorporate sustainable finance topics                                 |              |   |         |  |
| 9.b  | Expand academic research and education/ training to better incorporate sustainable finance topics           |              |   |         |  |
| 9.c  | Expand continuing education for professionals to better incorporate sustainable finance topics              |              |   |         |  |
| <b>4.10 Swiss finance associations</b>                   |   |              |   |         |  |
| 10.a   | Support the implementation of the Roadmap for Switzerland   | 10.d         | Help establish a sustainable fintech community  | 10.e/h  | Develop initiatives to ensure the market possesses the right expertise |
| 10.b   | Review existing stewardship codes and develop a Swiss Stewardship Code jointly with other stakeholders      |              |   | 10.f/i  | Cooperate with other stakeholders in promoting sustainable finance     |
| 10.c   | Undertake an evaluation for a Swiss label for sustainable funds   |              |   |         |  |
| <b>4.11 Building Bridges between Stakeholders</b>        |   |              |   |         |  |
| 11.a   | Establish “Building Bridges” as a key platform  |              |   | 11.b    | Assess which competence areas need enhancement                         |

## A.2 List of Abbreviations

|                       |  |
|-----------------------|--|
| <b>AMAS</b>           | Asset Management Association Switzerland                                       |
| <b>CAPE</b>           | Coalition of Finance Ministers for Climate Action                              |
| <b>CHF</b>            | Swiss franc  |
| <b>CO<sub>2</sub></b> | Carbon dioxide   |
| <b>ESG</b>            | Environmental, social and governance   |
| <b>ESA</b>            | European Supervisory Authority in the European System of Financial Supervision |
| <b>EU</b>             | European Union   |
| <b>FC4S</b>           | Financial Centres for Sustainability   |
| <b>FINMA</b>          | Swiss Financial Market Supervisory Authority                                   |
| <b>FOEN</b>           | Federal Office for the Environment   |
| <b>GDFA</b>           | Green Digital Finance Alliance   |
| <b>IFC</b>            | International Finance Corporation  |
| <b>IPSFF</b>          | International Platform on Sustainable Finance                                  |
| <b>NGFS</b>           | Network for Greening the Financial System                                      |
| <b>OECD</b>           | Organisation for Economic Co-operation and Development                         |
| <b>PACTA</b>          | Paris Agreement Capital Transition Assessment                                  |
| <b>PRI</b>            | Principles for Responsible Investment  |
| <b>RBI</b>            | Responsible Business Initiative  |
| <b>SECO</b>           | State Secretariat for Economic Affairs   |
| <b>SDG</b>            | Sustainable Development Goal   |
| <b>SFDR</b>           | Sustainable Finance Disclosures Regulation                                     |
| <b>SIF</b>            | State Secretariat for International Finance                                    |
| <b>SIFEM</b>          | Swiss Investment Fund for Emerging Markets                                     |
| <b>SME</b>            | Small and medium-sized enterprise  |
| <b>SNB</b>            | Swiss National Bank  |
| <b>SSF</b>            | Swiss Sustainable Finance  |
| <b>SVVK-ASIR</b>      | Swiss Association for Responsible Investments                                  |
| <b>TCFD</b>           | Task Force on Climate-related Financial Disclosures                            |
| <b>TNFD</b>           | Task Force on Nature-related Financial Disclosures                             |
| <b>UN</b>             | United Nations   |
| <b>UNEP FI</b>        | United Nations Environment Programme Finance Initiative                        |



## A.3 Glossary

### **Active Ownership**

This refers to investors addressing concerns of environmental, social and governance (ESG) issues by voting on such topics or engaging corporate managers and boards of directors on them. Active ownership is utilised to address business strategy and decisions made by the corporation in an effort to reduce risk and enhance sustainable long-term shareholder value.

### **Blended Finance**

Blended finance refers to the complementary use of grants (usually from public sources) and non-grant financing from private and/or public sources. Such structures are used to make infrastructure and sustainability projects that would otherwise not be financially sustainable attractive for private investors. The IFC uses the term blended finance to distinguish it from 'concessional finance', which requires a minimum 25% grant element. Although blended finance has a concessional component, the subsidy portion of the investment is minimised in order to avoid crowding out private financing.

### **Carbon footprint of portfolio**

A carbon footprint refers to the entire greenhouse gas (GHG) emissions of a portfolio. It is calculated in tons of CO<sub>2</sub> equivalents per million USD invested (tCO<sub>2</sub>e/mUSD). It expresses the amount of annual GHG emissions which can be allocated to the investor per million USD invested in a portfolio and is therefore probably the most intuitive carbon metric available at the portfolio level.

### **ESG – Environment, Social and Governance**

ESG stands for Environment (e.g. energy consumption, water usage), Social (e.g. talent attraction, supply chain management) and Governance (e.g. remuneration policies, board governance). ESG factors form the basis for the different SI approaches.

### **ESG Engagement**

Engagement is an activity performed by shareholders with the goal of convincing management to take account of ESG criteria. This dialogue includes communicating with senior management and/or boards of companies and filing or co-filing shareholder proposals. Successful engagement can lead to changes in a company's strategy and processes so as to improve ESG performance and reduce risks.

### **ESG Integration**

The explicit inclusion by investors of ESG risks and opportunities into traditional financial analysis and investment decisions based on a systematic process and appropriate research sources.

### **Fiduciary Duty**

In the institutional investment context, trustees of pension funds have a fiduciary duty to beneficiaries to exercise reasonable care, skill and caution in pursuing an overall investment strategy suitable to the purpose of the trust and to act prudently and for a proper purpose. The explicit legal nature of fiduciary duty varies depending on the country of origin. While most institutional investment funds strive to create financial benefits for their beneficiaries, it is also possible for trust deeds explicitly to require trustees to consider ESG factors in investments. Given the increasing evidence supporting the materiality of ESG issues, some legal experts conclude that it is part of the fiduciary duty of a trustee to consider such opportunities and risks in investment processes.

### **Impact Investing**

Investments intended to generate a measurable, beneficial social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below-market to above-market rates, depending upon the circumstances. SSF considers impact investments as those having three main characteristics: intentionality, management and measurability.

### **Paris Agreement**

Agreed at COP21 in Paris in 2015, the Paris Agreement's central aim is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius

### **Science-based targets**

The term “Science-based targets” is currently mostly applied in the context of climate targets. Such targets provide a clearly defined pathway for companies to reduce greenhouse gas (GHG) emissions. According to the Science-based targets initiative, targets are considered ‘science-based’ if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C. The concept can also be applied to other sustainability targets.

### **Sustainable Development Goals (SDG)**

The SDGs are 17 goals set by the UN in 2017 aiming to catalyse sustainable development. They include goals such as no poverty, gender equality, decent work, sustainable consumption, climate action and reduced inequalities. The goals were created to replace the Millennium Development Goals (MDGs) which ended in 2015. Unlike the MDGs, the SDG framework does not distinguish between developed and developing nations.

### **Sustainable finance**

Sustainable finance refers to any form of financial service with the objective of supporting the transition to a sustainable economy and society by integrating environmental, social and governance (ESG) factors into business and investment decisions. Such finance aims for the lasting benefit of clients, society at large and the planet.

### **Sustainable financial centre**

A sustainable financial centre is a financial marketplace that contributes to sustainable development and value creation in economic, environmental and social terms. In other words, one that increases prosperity and economic competitiveness both today and in the long term, while aiming for the lasting benefit of clients, society at large and the planet.

### **Sustainable Investment (SI)**

Sustainable investment (analogous to responsible investment) refers to any investment approach integrating ESG factors into the selection and management of investments. There are many different approaches of sustainable investing, including best-in-class, ESG integration, exclusions and impact investing.

# A.4 Important sustainable finance activities in Switzerland

Table 3 lists some important sustainable finance activities and initiatives of Swiss players of roughly the past decade that Switzerland can build on when working towards a sustainable financial centre Switzerland.

**Table 3: Swiss key activities and initiatives in sustainable finance to build on**

| Year/month | Initiative  | Description  |
|------------|---|--|
| 2011       | Thun Group of Banks   | An informal global group of bank representatives meets for the first time in Thun to discuss the UN Guiding Principles and ways for banks to apply them in practice.   |
| 2013       | Revised Swiss Federal Act on War Materials                      | The Swiss Federal Act on War Materials is revised, and now prohibits the financing of and investing in enterprises that produce, trade or store controversial weapons.   |
| 2013       | Pension fund of Canton of Geneva with sust. policy              | The Canton of Geneva revises its pension fund law and makes it mandatory for the cantonal pension fund to consider sustainability in its activities (including asset management).  |
| 2014       | Swiss Sustainable Finance (SSF)                                 | SSF is founded as the first nationwide association aiming to make Switzerland a leading voice and actor in sustainable finance.  |
| 2015       | SVVK-ASIR   | The Swiss Association for Responsible Investments is founded as an initiative of large public pension funds with the aim of supporting its members in being responsible investors.   |
| 2016       | Proposals for a Roadmap   | The Federal Office for the Environment (FOEN), jointly with SSF, coordinates the preparation of a “Proposal for a Roadmap towards a Sustainable Financial System in Switzerland”, thereby building on the “Swiss Team Input into the UNEP Inquiry for the Design of a Sustainable Financial System”. |
| 2017       | Issuance of Green Bonds   | Helvetia Environnement is the first Swiss private issuer of a green bond. Later in the year, the Canton of Geneva follows with the first green bond by a Swiss public issuer.  |
| 2017       | FC4S  | The global network “Financial Centres for Sustainability” is established and both Geneva and Zurich join as founding members.  |
| 2017       | FOEN climate test for asset owners                              | FOEN launches a pilot test for pension funds and insurance companies regarding the alignment of their portfolios to the 2 <sup>nd</sup> target.  |
| 2018       | Sustainability Research initiative                              | The University of Zurich is one of the founders of the “Global Research Alliance for Sustainable Finance and Investment” (the Alliance), a network consisting of 18 top universities.  |
| 2018       | ASIP  | The Swiss Pension Fund Association ASIP includes recommendations on sustainable investments in its Guidelines for Pension Fund Investments.  |
| 2019       | NGFS  | The Swiss National Bank and the Swiss Financial Market Supervisory Authority FINMA join the Network for Greening the Financial System.   |
| 2019       | Building Bridges  | The Building Bridges Week and Summit are organised in Geneva by SFG, SSF and FGPF in the context of the FC4S AGM taking place there.   |
| 2020       | International Platform  | Switzerland joins the International Platform on Sustainable Finance, a platform initiated by the European Commission (EC) for the global alignment of sustainable finance frameworks, having joined the Coalition of Finance Ministers for Climate Action in 2019.                                   |
| 2020       | SBA Basic Positions on Sustainable Finance                      | SBA publishes “Sustainable finance in Switzerland: from pioneer to a premier international hub” in which it defines its main positions and activi-ties in fostering sustainability in Swiss banking.   |
| 2020       | AMAS/SSF recommendations  | The two associations jointly publish key messages and recommendations on sustainable asset management, thereby encouraging the Swiss asset management industry to broadly integrate sustainability into the investment process.  |
| 2020       | Education report  | FOEN and SSF publish a report on how to integrate sustainability into finance education.   |
| 2020       | Federal report and strategy on sustainable finance              | The Federal Council adopts a report and guidelines on sustainability in the financial sector. An in-depth review of framework conditions is to be completed by the end of 2020.  |
| 2020       | PACTA   | FOEN and SIF hold the second round of climate portfolio screening based on the renewed and expanded tool PACTA, this time including the loan portfolios of banks.  |
| 2020       | FINMA to assess climate risks                                   | FINMA, the Swiss financial regulator, announces new reporting requirements on climate risks for large banks and insurance companies.   |
| 2021       | Action Plan for Green Fintech                                   | The Green Fintech Network, the Swiss network of start-ups and experts in green fintech, publish an Action Plan for Green Fintech in Switzerland. It sets out 16 concrete measures for a future-proof combination of digital technology and a sustainable financial sector.                           |
| 2021       | Announcement of binding climate reporting                       | The Swiss Federal Council sets parameters for binding climate reporting for large Swiss companies and the Federal Department of Finance will publish a consultation draft by summer 2022.  |
| 2021       | Climate compatibility reporting for financial service providers | The Swiss Federal council made a strong recommendation to market players to use comparable and meaningful climate compatibility indicators and join net zero initiatives.  |

## A.5 Sources and further reading

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