Swiss sustainable investment hits record levels

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Swiss asset managers and asset owners are increasingly integrating environmental, social and governance (ESG) factors, a report from Swiss Sustainable Finance (SSF) has found.

Based on the responses of the survey, a record-breaking total of CHF390.6 billion ($397 billion) was allocated to sustainable investment (SI) in 2017, an 82% increase compared with 2016.

This figure covers all reported sustainable investment funds, sustainable mandates and sustainable assets of asset owners.

Asset owners in particular have been increasingly adopting sustainability, and now account for CHF238.2 billion, or 61% of the SI market, having more than doubled on the previous year.

Investor demand and board pressure were identified as the most relevant drivers of this development.

SSF took into consideration a number of sustainable investment approaches, such as norms-based screening, ESG integration, ESG engagement, exclusions and ESG voting.

It concluded that norms-based screening – the screening of investments against minimum standards of business practice based on national or international standards and norms – is in the lead, with a total volume of CHF217.8 billion, while ESG voting recorded the highest growth rate, of 140%.

Other approaches like 'best-in-class' and thematic investments grew but remained at modest levels, followed by impact investing, with the lowest volume.
With regards to asset allocation, equities were the most popular category with a share of 28%, followed by real estate and sovereign bonds.
The report highlighted the Geneva Cantonal Pension Fund (CPEG), which has allocated 31% of its capital to real estate, 24% to foreign currency board and 22% to global equities.
According to CPEG's policy, it does not invest in equity and fixed income in companies in serious breach of ESG standards, irrespective of sector or industry.
Besides its investment policy, CPEG also encourages companies to adopt sound ESG practices as a shareholder, both in Switzerland and abroad.
CPEG said that the most difficult part of integrating ESG criteria into its policy was that it had to find a balance between constraints regarding financial factors, for instance lower portfolio diversification or higher real estate management costs, and its resolve to invest sustainably across all asset classes.

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