

MANAGEMENT SUMMARY:

# Sustainability in financial education and training in Switzerland

Analysis and Recommendations



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Analysis and Recommendations

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# Table of contents

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Foreword by the FOEN	6
Foreword by SSF	7
Welcoming address from the SIF	8
Statements from the financial industry	9
Management Summary	11

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# Foreword by the FOEN

Systematic consideration of environmental, social and governance risks, along with the associated opportunities, is of increasing importance for financial services providers. In matters such as climate, water and biodiversity, it is vital to translate environmental risks into financial risks. The Task Force on Climate-related Financial Disclosures (TCFD), which was installed by the Financial Stability Board of the G20, recommends disclosure of climate-related risks. At the same time, a better understanding is needed of the impact of financial services via the real economy on the environment, so that financial services can be aligned towards fulfilling compliance with the multilateral climate, environmental and sustainability agreements.

Environmental education has traditionally focussed on promoting sustainable skills for professionals in the real economy, such as landscape gardeners, caretakers and woodworkers, whose activities have a direct impact on the environment. Since 2015, when the Paris Climate Agreement and the Sustainable Development Goals extended the same obligation to financial services providers as major players, financial education has increasingly come into focus as an important lever for greater sustainability in the economy. Their impact on the environment is either negative or positive through financed or invested activity in the real economy. Against this background, sustainable finance must be rated as a central factor in achieving the environmental and sustainability goals of the global community rather than something that is simply 'nice to have'.

Sustainable finance skills are required to counter the rise in environmental risks and be aware of the responsibilities and opportunities for financial services in harmony with environmental and sustainability agreements. Education is one of Switzerland's most valuable resources, but sustainability integration in financial education and training is still in its infancy. The good news is that we have the optimum conditions for rapid and effective development of the skills necessary for the future. Firstly, we can build on our excellent research and education landscape in both environmental sciences and finance. Secondly, we already have well-established capacity in sustainable finance. And thirdly, the strong financial sector itself can expedite practical educational events on the subject, because its representative bodies and financial institutions are members of the sponsoring organisations of many existing financial professions.

It is gratifying to have analysed the current landscape of financial education and training jointly with Swiss Sustainable Finance. The resultant recommendations are intended to invite professionals to reflect, define and implement. They address all the players in the financial sector: from top management to experts in educational and financial institutions. In collaboration with Swiss Sustainable Finance, we want to seize this opportunity and ensure, in dialogue with the players, that sustainable finance becomes an integral part of financial education.

Dr. Karine Siegwart  
Vice Director  
FOEN

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# Foreword by SSF

The importance of linking sustainability goals and financial decisions is constantly growing. Sustainable investment products have existed on the Swiss market for many years and in recent times their supply has extended to virtually every asset class. Sustainable investments have seen high double-digit growth rates in this country for years and already make up around a third of the assets managed in Switzerland. Consideration of sustainability factors in financing is also increasingly important, because financial risks are to be avoided or international standards must be met.

In recent times politicians and the regulator have focussed more on finance in terms of achieving global climate and sustainability goals. As an intermediary, it can undoubtedly contribute to resolving the global problems, even though the prevailing conditions significantly affect the effectiveness of measures in the financial sector. The EU defined many new transparency and risk management requirements in its action plan for financing sustainable growth. The Sustainability Preference Survey now required in client discussions is also likely to boost the growth of sustainable financial products. Other regions also have more new standards for sustainable finance. The competition between different financial centres for a leading role in sustainable finance is well under way.

Switzerland can look back on a long history in sustainable finance and has skilled experts who are important for further expansion in this area. Major contributions to education in sustainable finance are also made by Swiss Sustainable Finance (SSF), with numerous publications, regular events and a resultant strengthening of the network on this topic, in addition to its contribution to the conceptual development of courses and a sustainable finance e-learning tool available to the public. But we cannot rest on our laurels if Switzerland is to retain a leading role as a centre for sustainable finance. Instead what is needed is to further enhance the appropriate know-how among financial professionals and integrate this widely in all financial education and training.

This is easier said than done. It needs the joint efforts of different protagonists, including educational institutions, financial services providers, government departments and representative bodies. This report highlights a range of options for different players. The next step will define the strategic directions in concrete terms and indicate specific measures for particular groups. The fact that reforms are in progress in many fields of education will definitely be a good starting point.

With this report, we hope to awaken the interest of different protagonists in the educational field and thereby create the basis for fruitful dialogue – a dialogue that leads to sustainable finance being taken for granted as part of financial education and training. We are convinced that this will not only enhance the competitiveness of the Swiss financial sector but will also make a real contribution to achieving the ambitious global sustainability goals.

Sabine Döbeli  
CEO  
SSF

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# Welcoming address from the SIF

Sustainable finance is an opportunity for Switzerland as a financial centre. It is a growth market that offers new business and investment possibilities and also makes an active contribution to achieving the global environmental and sustainability goals. The Swiss financial sector has optimum conditions for a long-term competitive advantage in sustainable finance. Switzerland is one of the most important financial centres and a world leader in cross-border asset management. Switzerland is supported by an excellent education and training landscape and has outstanding, internationally recognised expertise in both the fields of environment and finance. Sustainable finance is a combination of these two areas of expertise.

We maintain regular exchanges and systematic dialogue with the financial sector on sustainable finance. Through these, the integration of sustainable finance in financial education and training has emerged as a basis for more sustainability in the financial system. With that in mind, this analysis with its mixed bag of recommendations asks the Swiss financial sector protagonists – educational and financial institutions – to view the development of sustainable finance skills as an opportunity and a worthwhile investment in the future.

Dr. Michael Manz  
Department Head, Ambassador  
SIF

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# Statements from the financial industry

## Swiss Bankers Association

The Swiss financial sector has a pioneering role in sustainable finance and is vital in promoting the transition to a sustainable economy. Sustainable investments then evolve from niche to norm with a varied range of services and products. The Swiss Bankers Association (SBA) is working at various levels to accelerate this process. We are incorporating the sustainability criteria in the consultation, implementation and review processes of the banks. In addition to implementing the content, we are supporting this transformation by facilitating the necessary digital support. But success is fundamentally dependent on the investors, which is why staff training is at the forefront. It is well-trained staff who will support the change by thinking and acting sustainably. A soundly based knowledge of sustainable finance is part of the toolkit needed by bank employees. We are therefore committed to ensuring that the future-oriented subject of sustainable finance is integrated at all levels of education and training, from bank trainee to board member. Only in this way can we as a financial centre achieve rapid and coordinated adaptation to a sustainable global economy and make the appropriate contribution.

Jörg Gasser,  
CEO SBA

## Swiss Insurance Association

The Swiss Insurance Association (SIA) is ready to take responsibility and contribute to a sustainable financial and economic centre. The SIA is convinced that the primacy of market economy approaches also makes the most effective impact on sustainability.

Sustainability is nothing new for the insurance sector, because it is part of its core business to assess climate and environment risks. In 2016 the SIA recommended compliance with the Paris Agreement. In 2018 the member companies made a commitment to apply ESG criteria in their capital investments. To provide an overview of the development of sustainability in the sector, the SIA is publishing a sustainability report for the first time in 2020. This gives an overview of the commitment by insurers. The insurance industry's experience and knowledge are also fed into the training and are continuously expanded.

Urs Arbter, Head of Insurance Strategy and  
Regulation, Deputy CEO

## Swiss Funds & Asset Management Association

For some years, how to fund provision for retirement has been of great concern to the Swiss population and therefore also represents a political challenge. Against this background, the asset management industry is very conscious of its responsibility and welcomes the fact that sustainability is now an issue that is accepted by the general public, discussed in politics and demanded by customers.

Asset managers ensure the necessary yields for the pension funds by investment solutions on the one hand and fund the real economy (enterprises and infrastructure) on the other. Retirement provision and funding activity are both designed for the long term. Sustainability and the right training are imperative.

Seeking and utilising sustainable investments is not a new idea in asset management. Sustainable investment is actually inherent in Swiss asset management, but must be continuously maintained by developing knowledge and skills.

Markus Fuchs,  
Managing Director SFAMA

## Swiss Pension Fund Association

For the Swiss Pension Fund Association (ASIP) as a professional association, the focus for many years has been on the transfer of knowledge and raising the awareness of the executive bodies of pension funds for “future-oriented (sustainable) investment”. The primary objective of the pension funds is to achieve the best possible return/risk ratio for its insured members. As part of their risk management, many pension funds are, on their own initiative, already taking environmental, social and corporate governance issues (ESG criteria) into account, in the light of their fiduciary duty of care. The decision on implementation is always made by the pension fund’s highest executive body responsible. Expertise development and knowledge transfer promote independent responsibility and that is what we stand for.

Hanspeter Konrad, Lawyer,  
Director ASIP

# Management Summary

## Future-oriented financial services are sustainable financial services

The global environmental and sustainability agenda is set. It is most important, looking towards 2030, to achieve the objectives of Agenda 2030 – Sustainable Development Goals – and towards 2050, to reach the net zero greenhouse gas emissions of the Paris Climate Agreement. Making financial flows consistent with a low carbon pathway is an explicit goal of the Paris Climate Agreement. Alignment of financing and investment decisions on the sustainable development goals and multilateral environmental agreements is already a factor in innovation, business and competition. Sustainable finance is moving from niche to mainstream. A new era has begun for the financial sector in which sustainable finance becomes the new conventional wisdom.

## Increasing customer requirement for sustainability generates market growth in sustainable investments

The main driver for the market growth in sustainable investments is the increasing customer demand, mainly from institutional investors such as pension funds and insurance companies, but also from wealthy private customers, the (ultra) high net worth individuals, and the broad private customer base (retail banking),<sup>1</sup> among which women have a particularly high affinity with the issue.<sup>2</sup>

## Education identified as an important lever in the dialogue between authorities and the financial sector

Under the leadership of the FOEN, in collaboration with other authorities, Swiss Sustainable Finance (SSF) and

financial sector experts, the “Proposals for a Sustainable Financial System in Switzerland” issued in 2016 developed various proposals for improved sustainability in the financial operations. Education, training and research emerged as key levers with medium- to long-term impact.

## The FOEN and Swiss Sustainable Finance launch analysis

A comprehensive analysis was launched in 2018 by the FOEN and SSF to assess the breadth and depth of the integration of sustainable finance in financial education and training. PwC was commissioned to conduct interviews with educational institutions regarding their sustainable finance offerings and with financial institutions on the demand for sustainable finance education. What is the spread of education and training in sustainable finance and how deeply is sustainable finance integrated into financial education and training? Further analyses were carried out on the development of the qualifications obtained by professionals in the financial sector, then the skills profiles were further developed schematically and job advertisements were examined in relation to penetration of sustainable finance. The analysis was reviewed at a workshop with experts from financial and educational institutions, and recommendations were developed on this basis.

## Workforce with sustainable finance know-how for the future fitness of the financial system

To make a contribution to change in the light of the rising customer demand for sustainable finance and the growing expectations of the financial sector by politicians and the public, it is essential that financial services providers strengthen their personnel’s skills in this area. At present this only happens sporadically in a few institutions and in individual training modules. Most protagonists lack an integrated procedure to embed sustainable finance skills throughout the institution (from front to back office).

1 Swiss Sustainable Investment Market Study 2019: <http://www.sustainablefinance.ch/en/swiss-sustainable-investment-market-study-2019-content--1--3037-17007.html>

2 Morgan Stanley Institute for Sustainable Investing. (2015). Sustainable Signals: The individual investor perspective.

## Gaps identified in the sustainable finance education and training landscape

Some education and training providers have included sustainable finance subjects selectively in their curricula, but its broad integration in financial education and training still needs great commitment and effort:

- Because incentives and signals from the job market and the financial sector are lacking, sustainable finance has not made inroads in financial education and training in terms of both breadth and depth.
- Sustainable finance is broadly integrated and compulsory in just a few financial education and training programmes.
- Educational content is still inconsistent; suitable teaching aids are also largely lacking.

## Low demand found for sustainable finance skills and education and training courses by the financial sector

The demand by the job market and the financial sector for sustainable finance skills and therefore the relevant education and training courses is at a low level:

- Dilemma of the insufficient push-pull effect: The job market assumes automatic, dynamic uptake of future-related themes by the educational and training institutions and does not yet take decisive proactive action through sponsorships in finance-related professions. Finance-related educational institutions are recognising the need for the integration of sustainable finance in their courses due to the relevance of the subject and the increasing demand from students, but are not progressing quickly enough due to the lack of signals from the market.
- The main users of the offerings are specialists with specific sustainability functions. Sustainable finance skills are very rarely specified for core business functions or suitable courses are not made compulsory. The demand for these education and training events therefore remains modest.
- Existing professional and job profiles still inadequately reflect the current expectations of young talents for meaningful action, a long-term contribution to social

challenges, agility and the possibility of further development.

## Targets towards a sustainable financial system

The requirements for the financial sector to integrate sustainability in its core processes and develop sustainable products and services are continuously increasing. It is therefore most important to develop appropriate skills across all hierarchical levels and roles and thereby strengthen the competitiveness of the individual institution and the financial sector as a whole. The following results can be achieved by boosting sustainable finance education:

- Management, supervisory bodies and executives consider sustainable finance skills to be a strategic factor in the future fitness of their financial institution and the Swiss financial system. They incorporate the global environmental and sustainability goals in their institution's mission statement, strategy and resultant objectives and incentive systems.
- Front office functions have good advisory skills in relation to sustainable financial products, enabling them to anticipate their customers' sustainability and environmental preferences, to advise them and to provide them with suitable financial services.
- Support functions such as product development, risk management, compliance, communication and business development can systematically integrate the specific environmental and sustainability objectives of the business in the core processes.
- The sponsors of basic professional education in banking and insurance and the finance-related professions in higher education integrate sustainable finance in the education of the future professionals.
- The providers of further education courses include sustainable finance in their programmes.
- The economic research sector recognises sustainable finance as a strategic issue of the future. Universities and Universities of Applied Sciences increase their skills to provide practical methodologies. Relevant results are integrated into the teaching, so that sustainable finance is always part of the education of future experts and executives.

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- The industry associations representing the financial sector, Swiss Sustainable Finance (SSF) and the federal government join forces to embed sustainable finance skills as a major cornerstone of a competitive financial centre.

### **Recommendations inviting action**

To achieve these targets, various recommendations have been drawn up for different target groups. They are an invitation to act – for educational and financial institutions, bodies representing the financial sector, sponsoring organisations and authorities alike. Only by joint action can these recommendations be prioritised, translated into concrete measures targeted on the right audience, and implemented.