

Sustainable Finance: A Real Chance for Switzerland's (and Liechtenstein's) Financial Centre

The White Paper on the “Path to the Sustainable Financial Centre Switzerland” is a joint initiative of The Sustainability Forum Zürich (TSF) and Sustainable Finance Geneva (SFG). Both institutions have committed to editing a high-quality, thought-provoking publication to spark the discussion and push the Swiss finance community to look beyond the current market turmoil, to anticipate change and to address the chance to leverage the potential market opportunities rooted in sustainability-related megatrends that will lead to shared value creation for different stakeholders.

Leadership in sustainable finance offers a highly promising business case today and going forward:

- The systematic consideration of aspects related to the concept of sustainability is a fast-growing and irreversible trend in finance.
- Financiers of successful sustainability technologies, products and services will prosper, generating jobs, tax revenues and prosperity.
- Investors taking such aspects into account will profit from better risk-adjusted returns in the long term – empirical evidence indicates that companies with stronger sustainability performance are more likely to outperform their peers in terms of stock price.
- Sustainable finance and the innovation around the topic can catalyze change in the real economy, bringing social and environmental benefits, both to Switzerland and to the world at large.

The positioning of the Sustainable Financial Centre Switzerland optimally leverages the existing and externally perceived traditional “Swiss” values of stability, security, reliability, transparency, diversity and performance while being aligned with the Swiss

Federal Council's Sustainability Strategy 2012–2015:

- Finance is available and the country's balance sheets, both public and private, are strong enough to finance global leadership; in addition, Switzerland enjoys a disciplined financial budget.
- Added to that, many Swiss banks and insurers as well as academics, NGOs and supranational institutions have taken great strides in sustainability, and Switzerland is home to a growing number of thought leaders and pioneers in sustainable finance.

This combination of an inherently ‘sustainable’ image with leadership in process and product development provides the Swiss financial centre with a strong opportunity to create a competitive advantage over other financial centres.

Maybe most importantly – act now or follow later: The global financial system is going through a significant change in various dimensions right now – and so is the Swiss financial industry, notably with regard to its strategic positioning. Establishing Switzerland as the centre of choice for sustainable finance offers opportunities others will not wait to seize.

While most financial organizations – and clusters – are finding it difficult to look beyond the current market turmoil, their survival and success will also depend on being able to deal with the longer term trends that are transforming the market and competitive landscape.

The five pillars of sustainability success

1. Clients and trust: Build trust through client centricity – ‘your interest is our interest’ – this is a sustainable finance institution's omnipresent message.

2. Innovation and legislation: Foster competition, innovation and growth within an appropriate legal framework – competition should be fierce but fair, allowing support for new market entrants while also fuelling innovation and growth. We feel that through the design of an effective risk and regulatory environment, many of the specified goals of the other four pillars in the Paper may be strongly catalyzed.

3. Investment: Adopt a long-term investment perspective. Taking the long view needs to be standard procedure for institutional asset owners such as pension funds, insurance companies or foundations. This pillar is about them leading in sustainability by taking a more holistic view of investing, thereby guaranteeing profitable investment and shared value creation.

4. Extra-financial factors and performance: Integrate environmental, social and governance (ESG) factors into mainstream business – ESG criteria need to move from their current ‘nice-to-have’ niche into the mainstream where they are applied regularly and consistently to the broadest range of decisions. There is a strong business case for doing so; empirical evidence demonstrates a positive contribution to portfolio performance, and clients, investors and society at large are demanding it.

5. Investors and green and social issues: These areas of finance, already growing significantly, are potentially huge. Environmentally and socially beneficial projects and companies will continue to grow, and by definition these are funded and insured by sustainable financiers. This pillar is about building and deepening that relationship and identifying long-term growth potential.

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The Sustainability Forum Zürich (TSF) and Sustainable Finance Geneva (SFG)



Path to the Sustainable Financial Centre Switzerland

A call to action

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