



Swiss  
Sustainable  
Finance

|                     |       |        |
|---------------------|-------|--------|
| Buenos Aires Burcap | 30792 | 0.00%  |
| CAC 40              | 4538  | -2.46% |
| DAX                 | 9990  | -2.63% |
| DJ Bahrain Index    | 110   | 0.00%  |
| ESTX50 EUR P        | 3179  | -2.76% |
| DJ Industr Average  | 16171 | -2.16% |
| STX50 EUR P         | 3013  | -3.14% |
| QE Index            | 0     | 0.00%  |
| FTSE 100            | 6055  | -3.09% |
| Hang Seng           | 21185 | -2.24% |
| Korea Comp Index    | 1914  | -1.40% |
| NASDAQ 100          | 4208  | -1.55% |
| Nikkei 225          | 18890 | 0.00%  |
| Shanghai A Index    | 3318  | -1.22% |
| Shanghai B Index    | 287   | -4.44% |

|       |        |                     |        |        |              |      |       |     |
|-------|--------|---------------------|--------|--------|--------------|------|-------|-----|
| 58.55 | -1.26% | Partners Grp Hldg N | 305.50 | -2.16% | PAX Anlage N | 0.00 | 0.00% | SPI |
| 20%   |        | Zurich Insur Grp N  | 259.50 | -2.33% | SMI          | 8599 | SMI   |     |

## Investing sustainably : a way to identify new investment opportunities and reduce risks?

Sabine Döbeli, CEO Swiss Sustainable Finance

Zurich, 25 October 2016

@SwissSustFin

## Content

1. Why is sustainability relevant for investors?
2. Motivations and approaches for sustainable investing
3. Opportunities to diversify and reduce risk
4. Swiss market development
5. Conclusions

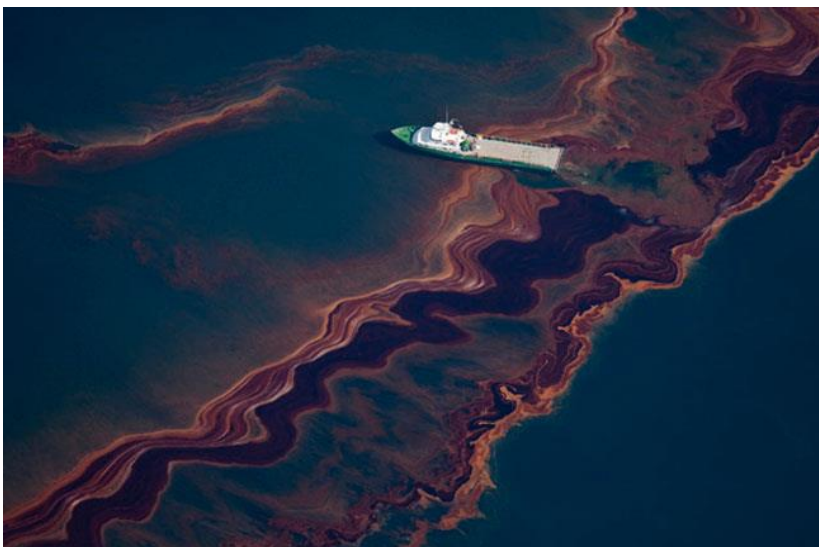
# 1

## Why is sustainability relevant for investors?

## The role of sustainability in our economy and society

Avoid negative effects of our economic activities

- Deepwater Horizon (2010)
- Fukushima (2011)

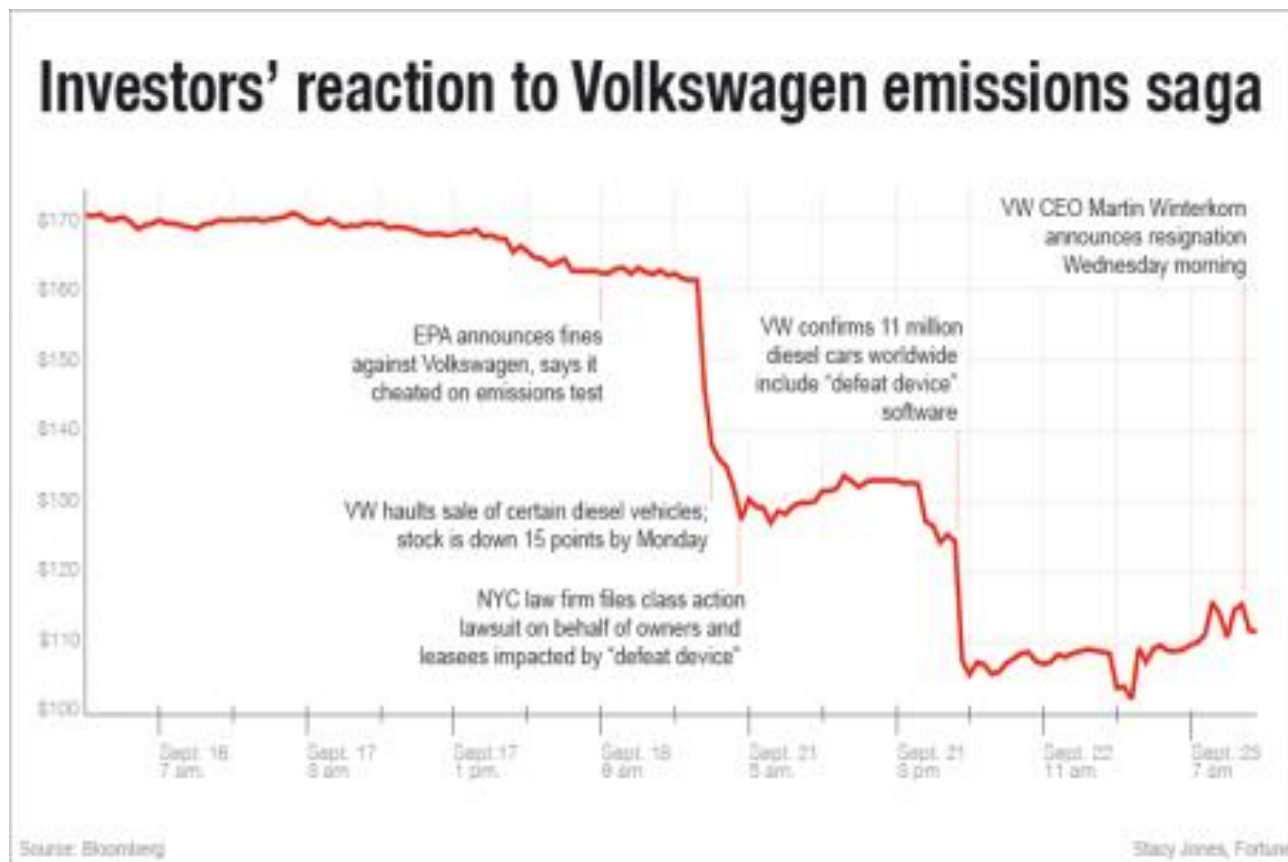


Identify innovation for tomorrow's solutions

- Tesla
- Urban Farmers



## Sustainability issues with potentially strong effect on financial performance

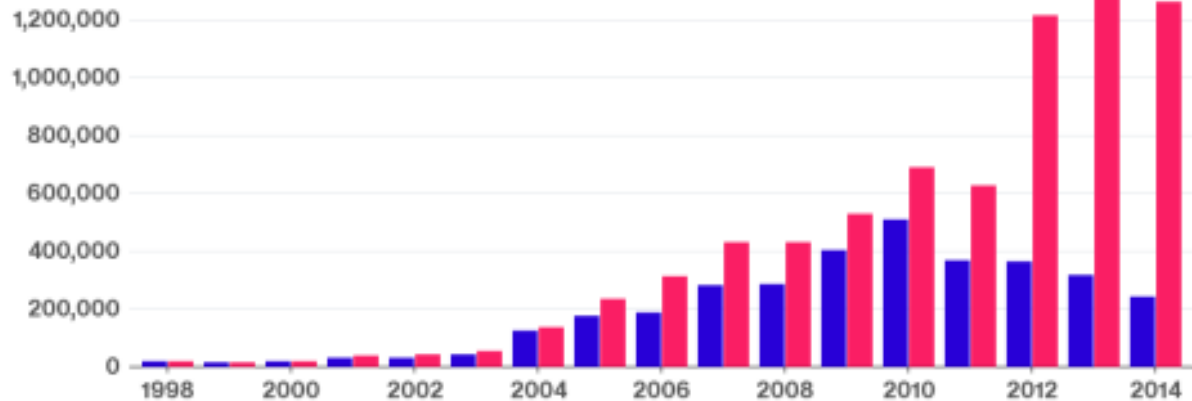


## Sustainable products offering growth opportunities

### Toyota: Hybrid King of the World

How Prius kickstarted Toyota's rise into a hybrid juggernaut

■ Prius sales ■ Toyota hybrid sales



Source: Company data

Bloomberg

# 2

## Motivations and approaches for sustainable investing

## Three main motivations for sustainable investing

Align investments with international/national norms or specific values of organisation

Improve risk/return profile of investments

Fostering a long-term sustainable economy and society

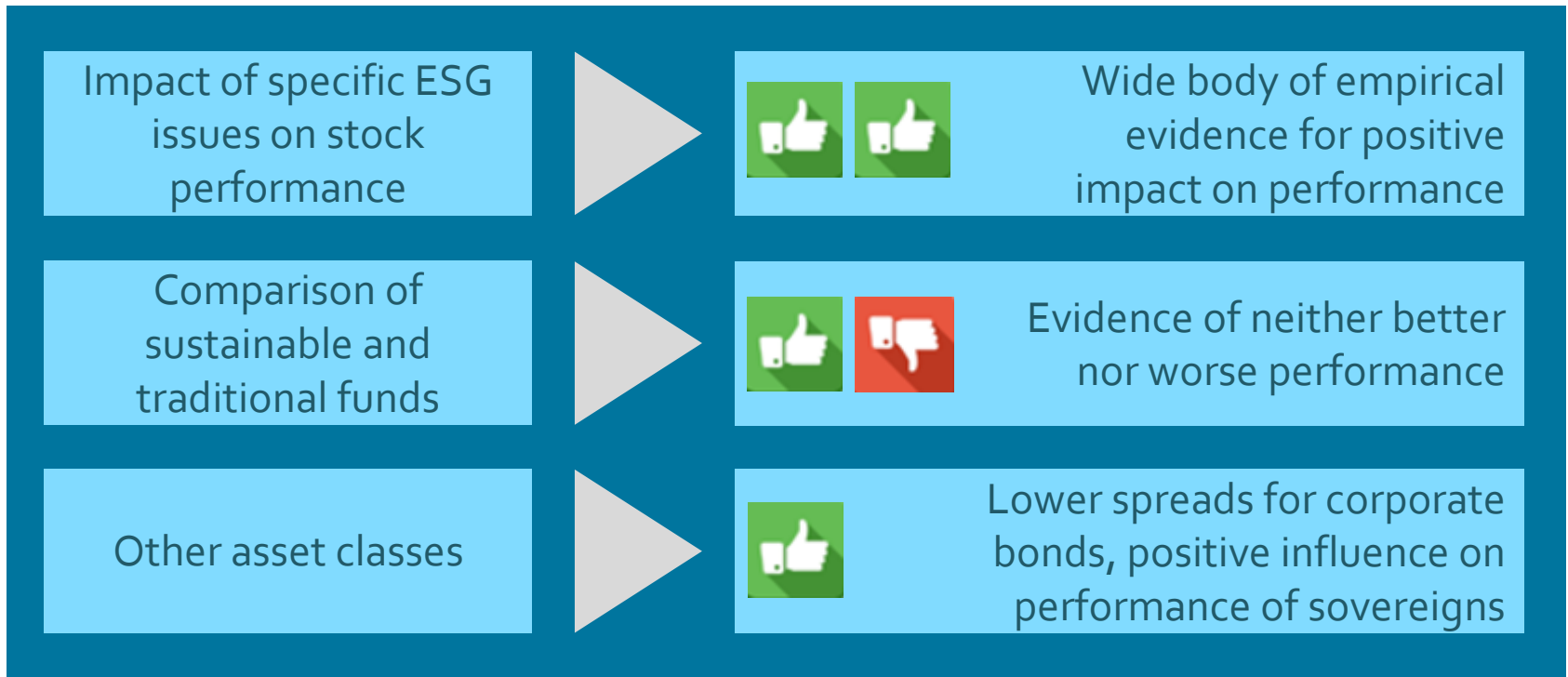


| Before investment decision                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | After investment decision                                                                                                                                                                                                                          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Exclusions</b></p> <ul style="list-style-type: none"> <li>– Values based (i.e. Tobacco)</li> <li>– Norms based (i.e. cluster bombs)</li> </ul> <p><b>Positive screening</b></p> <ul style="list-style-type: none"> <li>– Best-in-class</li> <li>– Thematic investments (i.e. Cleantech, Microfinance)</li> </ul> <p><b>ESG Integration</b></p> <ul style="list-style-type: none"> <li>– Environmental, Social, and Governance-Criteria (ESG) integrated in investment process</li> </ul> | <p><b>Engagement</b></p> <ul style="list-style-type: none"> <li>– Active dialogue with corporates on ESG topics</li> </ul> <p><b>Proxy Voting</b></p> <ul style="list-style-type: none"> <li>– Actively using stakeholder voting rights</li> </ul> |

# 3

## Opportunities to diversify and reduce risk

## Scientific reports conclude: sustainability has neutral to positive influence on performance

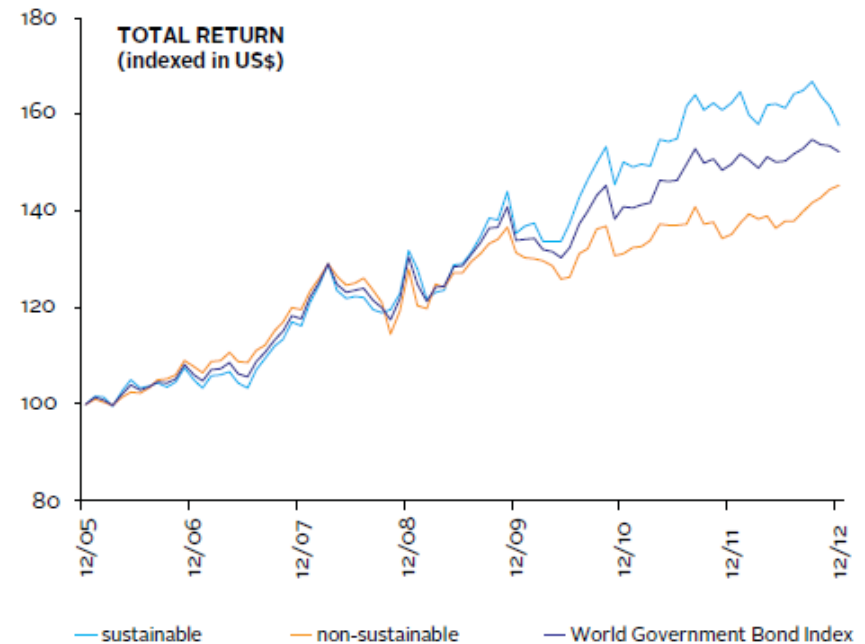


Sources: Meta-Studie «Nachhaltige Investments aus dem Blick der Wissenschaft: Leistungsversprechen und Realität», Steinbeis Research Center for Financial Services, Februar 2013. Gunnar Friede, Timo Busch & Alexander Bassen, (2015): "ESG and financial performance: aggregated evidence from more than 2000 empirical studies", Journal of Sustainable Finance & Investment, 5:4, 210-233, DOI: 10.1080/20430795.2015.1118917; nach LGT

## Sustainability and sovereign bond performance

- Corruption as one of the key social factors of ESG
- Tax avoidance and false financial statements on a massive scale undermine nations' credit strength and mislead investors
- Academic research show that corruption and sovereign debt performance are clearly correlated

**Figure 6:** Market-weighted performance of sovereign bonds from sustainable and non-sustainable industrialised countries.  
 Source: Sarasin, Datastream.



Source: UN PRI, (2013) *Sovereign Bonds: Spotlight on ESG Risks*.

## Investments for Development: interesting satellite in low-interest environment

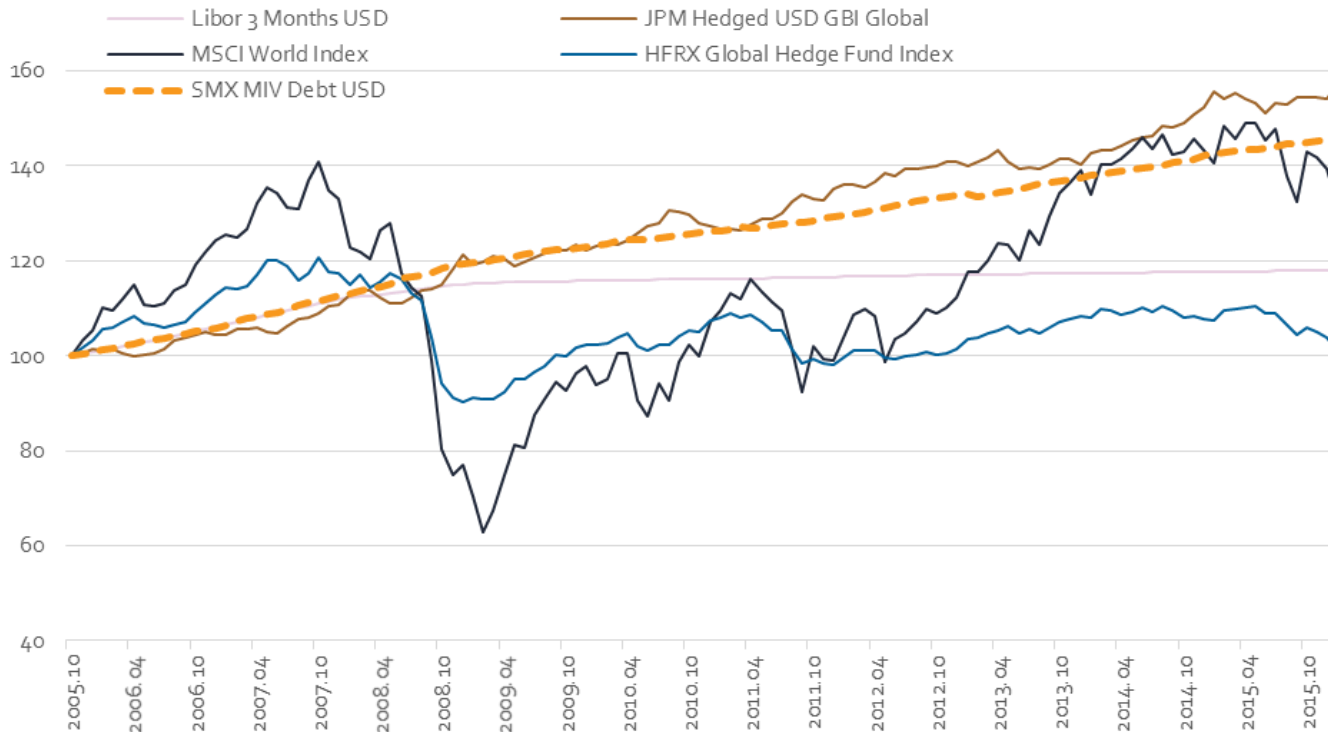
- Average of 4.5% target return
- Solid track record of over 10 years
- Investments correlate only marginally with global equity and bond markets
- Contribution to economic development in developing and emerging markets



Source: Swiss Sustainable Finance, (2016) *Investments for a Better World. The First Market Survey on Investments for Development*.

# Example Microfinance Investments

Cumulative returns of microfinance vs. other asset classes over the last 10 years<sup>1)</sup>



| Correlations between various asset classes and microfinance index |       |
|-------------------------------------------------------------------|-------|
| Cash                                                              | 0.57  |
| Bonds                                                             | 0.02  |
| MSCI World                                                        | -0.09 |
| Hedge funds                                                       | -0.13 |

Source: Symbiotics , (2016)

1) As of 31.12.2015 based on monthly returns in USD

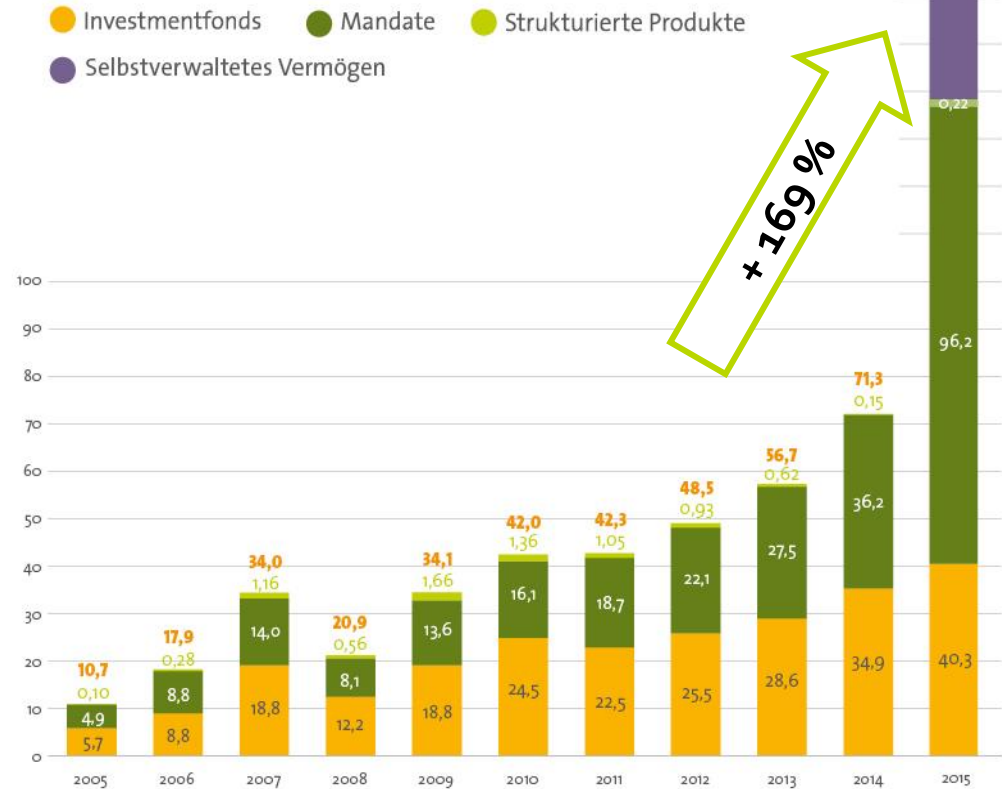
# 4

## Swiss Market Development

# Sustainable Investments in Switzerland

## CHF 191.9 Bn (2015)

GRAFIK 5.3: Nachhaltige Investmentfonds, Mandate und strukturierte Produkte in der Schweiz (in Milliarden CHF)



Data: Forum Nachhaltige Geldanlagen / Swiss Sustainable Finance



# International developments in sustainable finance with effect on Switzerland

Divesting from Carbon picks up speed

## Norway confirms \$900bn sovereign wealth fund's major coal divestment

Parliament's move come as analysis shows largest fossil fuel divestment yet will affect 122 companies across the world, including SSE and Drax in the UK



## Danish pension investor PKA says it may exclude more firms over coal dependence

€31bn investor steps up strategy — as Peabody Coal seeks bankruptcy protection

by Jan Wagner | April 13th, 2016

12.06.2016

**SonntagsZeitung**

## Pensionskasse des Bundes steigt bei der Kohle aus

Zu grosse Risiken wegen Klimawandel und Einführung einer CO2-Steuer

# Financial market policy of Federal Council points out sustainable investments as an opportunity for Switzerland

- Switzerland can build on existing strengths
  - One third of global investments for development managed in Switzerland
  - Innovative sustainable finance products developed here
- Federal council aims to foster innovation with focus on fintech and sustainable investments by
  - Intensifying dialogue with industry to be able to offer beneficial frameworks
  - Reducing market entry barriers for new forms of finance
  - Contributing to international sustainable and green finance initiatives



## SSF vision

Switzerland becomes a leading centre for sustainable finance, offering growth opportunities for the Swiss economy and benefitting society at large



## SSF mission

We strengthen the position of Switzerland in the global marketplace for sustainable finance by informing, educating and catalyzing growth

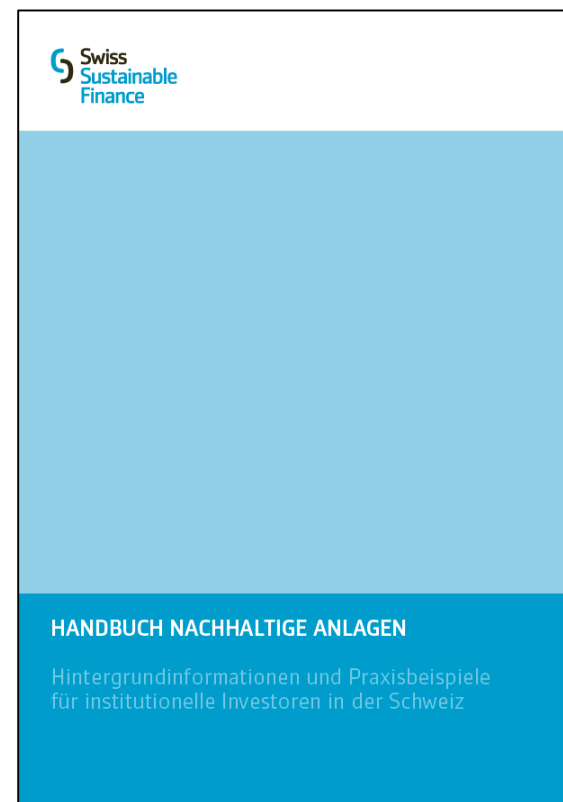
## Our objectives and activities

- **Information on sustainable finance**
  - Events, publications, media work
  - Market studies
- **Education on sustainable finance**
  - Offering courses and preparing training material\*
  - Cooperation with universities and business schools for integration of sustainability in finance education
- **Catalysing growth in sustainable finance**
  - Sustainable investing in private wealth management\*
  - Support for institutional asset owners\*
  - Investments for development\*
- **Positioning Switzerland as a leading centre in sustainable finance**
  - Political dialogue
  - International representation

\*SSF workgroup in place

## Handbook on sustainable investments prepared by Swiss Sustainable Finance

- Publication on 28 November 2016
- Contributions from over 30 Swiss experts
- Editorial team includes representatives of institutional asset owners
- Content:
  - Context of sustainable investments
  - Guide on different approaches
  - Tipps on how to get started
  - 8 case studies of Swiss pension funds, foundations, insurance companies and family offices
- Languages: German and French



# 5

## Conclusions

## Conclusions

- Taking ESG factors into account is relevant for investors and part of their fiduciary duty
- Sustainable investments form a mature market; many different approaches serve different motivations
- Sustainable investments help to reduce risks and add to diversification
- Strong growth of SI market and increasing interest both from institutional investors and Swiss government
- Swiss Sustainable Finance unites over 90 members with the joint objective of making Switzerland a leading centre in sustainable finance

## Contact

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