Yves Mirabaud: «What is Actually Happening in Sustainable Finance?»

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This June, a large number of publications related to sustainable finance were issued. The players of the financial sector revealed their intentions, and the authorities have put their trust in them... for the time being. But what is actually happening?, banker Yves Mirabaud asks in an essay on *finews.com.*

By Yves Mirabaud, President of the Association of Swiss Private Banks

The annual report of Swiss Sustainable Finance confirmed the general impression: investments that meet sustainability criteria increased by 62 percent to 1,163 billion Swiss francs.

This means that almost one in three francs invested in Switzerland relates to environmental, social and governance (ESG) aspects of selected companies, far more than in other countries. And the good news is that the volume of assets thus invested that belong to private clients has almost tripled to 21% of this total.

Several Approaches

There is not yet a uniform definition of what constitutes a sustainable investment. On the contrary, there are several approaches (exclusion, integration, themes, norms, impact, etc.), which can be combined. The methods used by asset managers are validated by certification companies. As there is not just one way to do good, there is not just one way to consider the ESG aspects of an investment.

For its part, the European Parliament has recently approved the pillars of a classification which recognizes six environmental objectives, namely: reduction of greenhouse gas emissions, limitation of climate change, protection of water and marine resources, the transition to a circular economy, prevention and control of pollution, protection and restoration of biodiversity.

Impact in Switzerland

An activity that contributes to one of these objectives without endangering the others is considered sustainable. The case of nuclear energy, for example, is not yet agreed upon. There is no doubt that this classification, once complete, will also have an impact in Switzerland.

In Switzerland, the Federal Council shares the financial industry's goal of making Switzerland a leading financial center in terms of sustainability. To achieve this goal, the government wants to improve legal clarity, transparency and risk awareness. It is committed to improving the export capabilities of Swiss financial products and services, which would also include the removal of existing tax obstacles (withholding tax and stamp duty).

Even For Small Investments

The financial sector appreciates the confidence which is placed in it to develop the best products, which meet the customers' wishes to act for a better world. It is aware that it is responsible for offering training in the field and for setting up credible labels. Taking ESG factors into account is no longer a choice, it is a fact to be analyzed in the same way as a company's financial accounts.

Every bank must set internal standards, train its advisors in this new approach and discuss with clients their sustainability preferences. Sustainability is often linked with profitability, even for small investments.

Benchmark For Sustainable Finance

Finally, the financial market supervisory authority, Finma, also deals with climate risks in the financial sector and finds that lack of sustainability represents a financial risk, whether directly in the event of a natural disaster or indirectly if economic activity is substantially reduced. It also ensures that the information given to clients is clear, honest and understandable, including on costs.

Thus, between the expectations of clients, authorities and society, all are aligned for Switzerland to effectively become a benchmark for sustainable finance.