

No Green Finance Without a Green Economy

By Grégoire Bordier, President of the Association of Swiss Private Banks



Accusations of greenwashing have been growing lately. After targeting the two largest banks and even the Swiss National Bank, activists have been acting mystery shoppers in search of green products, and they have been disappointed. This can be explained, Grégoire Bordier writes in an essay for finews.first.

There is no uniform definition yet of what a green product is. The 1,520 billion francs of sustainable assets identified by Swiss Sustainable Finance at the end of 2020 are based on several approaches, which can be combined. Among these, the integration of sustainability criteria in the selection of securities, the dialogue with companies and the exclusion of certain sectors of activity remain the most widely used.

It is, therefore, possible to include a stock that some would consider 'polluting', but which is less polluting than its competitors or is committed to making its activities less polluting. Activists were also probably looking for companies that have a positive impact on society or the environment; this approach was the fastest growing in 2020 (+70 percent), but still only represents 6 percent of all assets, as the positive impact must come from the companies themselves.

The Federal Council, therefore, plans to require large Swiss companies to publish a report that shows the effects of their activities on the climate or the environment in a comparable way. After all, sustainability is everyone's business.

A recent study by the Swiss Bankers' Association and the Boston Consulting Group shows where to invest in order to reduce greenhouse gas emissions in Switzerland. This mainly concerns the renovation of buildings and the renewal of vehicles. Banks can finance these expenses, but they must be decided by each individual and each company.

The publication of climate risks in the real economy is a prerequisite for banks and their clients to take these risks into account in an appropriate way. And since it is known that replacing fossil fuels with renewable energies will require a lot of debt-financed expenditure, Parliament should quickly adopt the reform of the withholding tax, so that these bonds can be issued in Switzerland and still remain attractive to international investors.

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