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# Factsheet

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# High potential for sustainable finance in Switzerland

**Switzerland's strong environmental commitment and financial sector of global relevance with its sustainable finance pioneers constitute a favourable position for the transition to a green economy.**

Natural resources are essential to the well-being of our society. If resources like water, soil, clean air and biodiversity, and minerals, such as energy raw materials and metals, are no longer available in sufficient quantities and quality, this poses a threat to the economic growth and quality of life.

The quantity of natural resources currently consumed greatly exceeds their capacity to regenerate, which leads to phenomena such as climate change, biodiversity loss and increasing soil scarcity. The world population already needs an equivalent of one and a half planets to satisfy its consumption. Given demographic growth and the growing world economy, the pressure on the environment will increase. To increase natural resource efficiency is of paramount importance. Achieving a green and inclusive economy is not possible without mobilising sufficient capital to finance the long-term needs of a resource efficient future. Investments in infrastructure, clean technologies or in natural conservation are needed.

The financial sector has a significant direct and indirect impact on the sustainable development of the economy through its intermediary functions that help channel the supply of money (loans, insurance services, equity and other financial products). Given the global relevance of the financial centre Switzerland, the Swiss financial sector has the potential to play an important role in the global transition towards a green economy.

### Switzerland: Financial centre of global relevance

The financial sector is a important pillar of Switzerland's economy. Switzerland's financial centre makes a significant contribution to gross value added and employment. In 2014, total value added of approximately CHF 66 billion was generated through the provision of financial and insurance services. This equates to a 10.2% share of gross domestic product (GDP), which is similar to the level found in other major financial centres: 8% in the United Kingdom, 11.8% in Singapore and 7.2% in the United States. However, it is considerably lower than that generated in Luxembourg, i.e. 26.9%.

Relative to the Swiss economy, the financial sector has grown at an above-average rate over the past 20 years: while GDP grew by a factor of 1.6, the added value of the Swiss financial centre almost doubled. Some 210,000 people were working in the Swiss financial sector at the end of 2014, which corresponds to an almost 6.0% share of total employment.

The prominent role played by asset and wealth management is a unique characteristic of Switzerland as a financial centre of global relevance. With its market share of around 26% (figure 1), Switzerland is the number one destination for cross-border asset management.

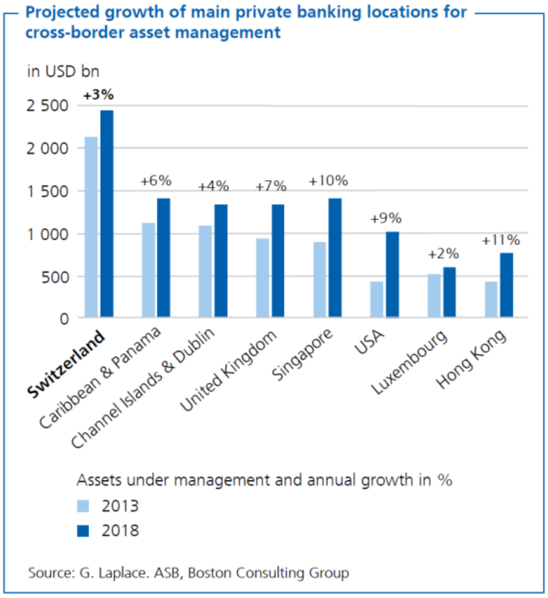


Figure 1: Projected growth of main private banking locations for cross-border asset management

In addition to banks, insurers, pension funds and independent asset managers also form part of the financial sector. The insurance sector in Switzerland is growing much faster than the banking sector, and its contribution to GDP is almost equal to that of the banking sector. The capital investments of Swiss insurers amounted to some CHF 540 billion at the end of 2013. Half of this sum was invested in fixed-income securities. Likewise, almost 2,200 pension funds and some 2,300 independent asset managers are also important players in the financial sector. At the end of 2013, the assets managed by pension funds amounted to CHF 720 billion, one third of which was invested in bonds and one quarter in equities. In 2012 independent asset managers managed client assets of approximately CHF 560 billion.

## Switzerland’s strong environmental commitment

Switzerland is embracing the challenge of the transition to a green and inclusive economy accompanied by a successful national and international environmental policy. The fundamental principles for the making and enforcement of environmental law are the precautionary principle, the polluter pays principle, the principle of addressing the root cause, the holistic approach principle and the cooperative principle. Stringent domestic environmental standards – e.g. in the areas of air pollution control, forest and water management, natural hazard prevention and biogenic fuels – and technical expertise testify to the pioneering role played by Switzerland in the area of resource management. At the international level, Switzerland pursues the development of an active and successful international environmental policy. In doing so, it contributes to the global protection and sustainable use of the world’s natural resources.

Switzerland is also home to many international institutions active within the field of sustainability, for example the IPCC, ILO, IISD, UNCTAD, UNECE, WEF, WBCSD, WWF, the UNEP’s Economic and Trade Branch and the Green Growth Knowledge Platform. Geneva forms a green economy cluster. It is also home to UNEP’s core initiatives for examining the role of the finance sector in greening economies, the UNEP Finance Initiative, and, last but not least, the UNEP Inquiry into the Design of a Sustainable Financial System.

## Sustainable Finance in Switzerland

Switzerland is home to some 220 individual firms and organisations which engage in sustainable finance activities. The volume of sustainable investment products in Switzerland had reached CHF 56.7 billion by the end of 2013. The volume of sustainable investments has been growing by an average of about 23 percent each year since 2005. And yet, with a market share of approximately 4 percent, sustainable investments still represent a niche in relation to overall investments. The reasons of why not more funds are invested in sustainable assets are manifold. They extend from market liquidity and the lack of capacity for making effective use of Environmental, Social and Governance (ESG) information in the investment process to a lack of predictability in the regulatory and framework conditions.

## Switzerland – large hub of sustainable finance specialists

Switzerland forms an important hub of sustainable finance specialists that creates a beneficial environment for launching innovative sustainable finance products. Furthermore, business associations such as Swiss Sustainable Finance, an association founded in 2014 to strengthen the position of Switzerland for sustainable finance in the global marketplace by informing, educating and catalysing growth, play an important role in providing visibility for sustainable finance within the broader financial sector. Research events, such as the Geneva Summit on Sustainable Finance and various prominent examples of organisations and companies with innovative pioneering products and business models in sustainable finance constitute a favourable position for seizing the business opportunities in the global transition to a green and inclusive economy.

## For further information contact


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