Press release

"Swiss Sustainable Investment Market Study 2023" by Swiss Sustainable Finance: Reduced volume of sustainability-related investments in Switzerland mirrors negative overall market performance - trend towards impact-related investments persists

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As the latest market study published by Swiss Sustainable Finance (SSF) shows, the total volume of sustainability-related investments in Switzerland fell by 19 percent, to CHF 1,610 billion, in 2022. The decline is mainly attributable to the negative market performance (around 18 percent) and tighter definitions of sustainability-related investments by respondents. Thematic investments and impact investments have defied the market dynamics and are showing strong growth. This year's market study for the first time looks at the market volumes through different lenses thereby focusing on impact-related investments. The report reveals that greater transparency is needed regarding sustainability approaches, as well as on achieved goals.

After years of double-digit growth, the market volume of sustainability-related investments in 2022 declined by 19 percent to CHF 1,610 billion. "Even sustainability-related investments could not escape the bear markets. In addition to the negative market performance, volumes were affected by a tighter definition of sustainable investments by respondents, as well as changes in our methodology. Despite these effects, sustainability-related investments still attracted new inflows in the past reporting year," explains Sabine Döbeli, CEO SSF. The share of sustainable funds compared to the entire Swiss funds market remained practically the same, at 52 percent, with half of fund investments still applying sustainability criteria to investment decisions.

Different perspectives on sustainability-related investments

This year's market study analyses the overall volume of sustainability-related investments from three different perspectives for the first time. As in previous studies, various combinations of different SI approaches (such as exclusions, best-in-class) are examined first, which provides insight into the different angles in the management of sustainability-related investments. With around two-thirds of all volumes applying a combination of three or more approaches, the majority of sustainability-related investments reflect the ambition of considering multiple investor motivations, ranging from values alignment, to financial performance, to a contribution to a positive change. As a second perspective, the definition of the self-regulation of the Asset Management Association Switzerland (AMAS) is used. A total volume of CHF 1.38 billion, or 85 percent of the surveyed market volume, is defined as sustainable on this basis. This corresponds to all investments that go beyond the sole application of exclusion criteria or ESG integration alone. The third perspective references a Eurosif white paper (explained further below).

New approach embedded in market: climate-alignment
Despite the poor market performance over the past year, two SI approaches reported much higher volumes in 2022: sustainable thematic investments increased by 86 percent and impact investing by 80 percent, reflecting growing investor appetite for impact-related approaches. For the first time this year, data was collected on the climate-alignment approach, which focuses on reducing the carbon footprint of a portfolio according to the targets set in the Paris Agreement on climate change. With CHF 375 billion, or around 20 percent of total sustainability-related assets, this approach is already well established in the Swiss market.

Pilot study based on a Eurosif white paper
Eurosif, the leading European-wide association for the promotion of sustainable finance, of which SSF is also a member, produced a white paper last year introducing a new classification for sustainability-related investments, in order to contribute to a deeper discussion of the definition of "sustainable investments". As part of the Swiss Sustainable Investment Market Study 2023, SSF has tested this classification as a pilot in the market study. To this end, investments were classified in terms of their main objective and ambition level to contribute to the transition to a sustainable world. Thirty-five percent of all sustainability-related assets fall into one of the three more ambitious categories, while 21 percent have a clear link to impact, whether by investing specifically in companies that have a positive impact or by actively promoting impact-related activities. With 52 percent, Basic ESG, which is considered to have a marginal ambition level with regards to contributing to a sustainable transition, accounts for the largest share of assets. However, a closer look at these assets reveals large volumes (around 60 percent) could be reclassified as Advanced ESG if they applied and reported ESG performance measurement. "Greater transparency regarding sustainability-related assets is key to building deeper investment trust and strengthening the Swiss financial market," explains Professor Timo Busch from the University of Hamburg, co-author of the study.

SI approaches across all asset classes
Once again SI approaches are applied across all asset classes, both in major asset classes and alternative assets. The top assets classes – equity, corporate bonds, sovereign bonds and real estate – all show decreased volumes in line with the overall market performance. Together these asset classes make up around 78 percent of the total volume. All other asset classes are substantially smaller, though private equity, infrastructure and mortgages experienced absolute increases.

Dynamic changes in the regulatory environment

Last year the Swiss regulators (Parliament, Federal Council, FINMA) stepped up their activities related to sustainable finance. Financial associations followed suit in the area of soft law. More far-reaching, principle-based rules for all areas of the financial sector would help protect investors and enhance the international competitiveness and reputation of the Swiss financial centre, as well as contribute to a clearer definition of terms. In the EU, the complexity of the regulatory framework on sustainable finance presents major challenges for providers in meeting disclosure and reporting obligations. Nevertheless, the regulations have sent a strong signal to the market to address the issue of sustainability and have encouraged a continuous improvement in transparency.

The full report, "Swiss Sustainable Investment Market Study 2023" by Swiss Sustainable Finance (SSF) is available here.

Additional information:
> Swiss Sustainable Investment Market Study 2023 (PDF)
(German summary, French summary)
> Key points at a glance (Microsite for market study 2023)

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The mission of **Swiss Sustainable Finance (SSF)** is to strengthen Switzerland's position as a leading voice and actor in sustainable finance, thereby contributing to a sustainable and prosperous economy. The association, founded in 2014, has representative offices in Zurich, Geneva and Lugano. Currently, SSF unites over 230 members and network partners from financial service providers, investors, universities and business schools, public-sector entities and other interested organisations. Through research, capacity-building and the development of practical tools and supportive frameworks, SSF fosters the integration of sustainability factors into all financial services. An overview of SSF's current members and partners can be found on its website: sustainablefinance.ch