

The Relevance of Sustainability in Switzerland: Opportunity and Challenges for investors to gain potency

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Bachelor of Science HES in International Business Management**

by

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Disclaimer

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Executive Summary

The world is facing enormous challenges due to the excessive consumption of natural resources, climate change, demographic changes, and poverty in various parts of the globe are posing significant challenges to the world. (Ernst & Young 2022) The United Nations (UN) Sustainable Development Goals (SDGs) and the Paris Agreement on Climate Change have established specific aims for addressing these issues. The financial sector, acting as a mediator, holds a critical responsibility in achieving these goals and creating a more sustainable economy and society. (*Finance durable* 2021)

This research investigates the current state of sustainable investment in Switzerland, presenting key findings and data that shed light on the opportunities and challenges faced by investors seeking to align their portfolios with sustainable principles. The objective is to initiate a dialogue with all significant actors and interested parties in the financial sector and encourage practical steps that will facilitate the transition towards a sustainable economy and society in Switzerland.

Switzerland has many strengths, including its noteworthy history in wealth management, exceptional education standards, and its potential to innovate. (SSF 2022) Moreover, the presence of a significant number of international bodies and organizations in the country provides Switzerland with a unique strength and potential competitive advantage. Several of these organizations, including those associated with the United Nations and the World Economic Forum, are already engaged in sustainable finance, either explicitly or implicitly, along with other relevant initiatives. The primary emphasis for effectively tackling urgent global issues is on how the financial industry can generate favourable outcomes for the tangible economy through its operations. To achieve this, it is crucial to comprehend the requirements of investors and their underlying incentives for gaining an advantage.

This analysis is intended for investors who believe in the transition from a conventional approach to sustainable investing. They may be small or large institutions concerned about the long-term stability of the environment and society. They may also be individual investors who want their children and grandchildren to inherit a just and sustainable world. All investors have the opportunity to participate in this important transition, and early adopters will undoubtedly benefit. (Burckart and Lydenberg, *21st Century Investing*, 2021)

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1. Introduction

1.1 Context

The unprecedented circumstances of recent years have caused many people around the world to rethink their priorities, leading to the Great Resignation and a period of voluntary turnover. In recent years, we have seen an increase in ethical investment vehicles. (Burke 2014) In the very definition of this new kind of product, investment becomes meaningful when an individual sees his investment goal linked to a value. This new way of investment, also called Socially Responsible Investment (SRI), seems to unite humanistic ideas and values with financial products. (Lombard Odier 2022)

Until their arrival, the only factors relevant to the construction of an investment portfolio were risk and return. With the arrival of SRI, a third factor is now involved in the decision-making process, namely responsibility. (Lombard Odier 2022)

Abroad, Swiss financial services are considered to be of excellent quality. Our country is perceived as a respectful environment and sustainable development. It is even one of the few states to have enshrined sustainability in its constitution. Article 73 of the Federal Constitution requires that “the Confederation and the cantons to work towards the establishment of a balance between nature, in particular its capacity for its capacity for renewal, and its use by human beings”. (*RS 101 - Constitution fédérale de la Confédération suisse du 18 avril 1999* 2022)

It is therefore clear that sustainable finance represents a promising strategy for the renewal of the Swiss financial sector. In conjunction with a transparent clean money strategy, sustainable finance could certainly become a highly-rated export commodity. (La finance durable et la Suisse, 2016)

1.2 Statement of the problem

Throughout history, the world has always been a dangerous place, but the nature of the risks we face today has changed in terms of context, scope, and scale. There are now more global risks than local ones, which are difficult to reverse. Issues like melting polar ice caps, the extinction of species, embedded social inequality, and destabilized democracies pose significant threats to social and environmental systems. Unfortunately, it often takes global crises to prompt action. Challenges like income inequality and climate change could destabilize these systems' fundamental aspects. (Deloitte 2022). The COVID-19 pandemic was an unexpected wake-up call, and the

world is still unprepared for its long-term social and economic impacts. As an investor, it's crucial to respond to these challenges since time is running out. (BURKART, LYDENBERG 2021) System-level investing requires collective action, and investors have the power to prepare and manage such systemic challenges. The good news is that investors can not only address such risks but also have a positive impact at the global level.

As demographics shift, businesses run the risk of losing up to 80% of their assets if they fail to align with evolving market demands. (Ernst & Young 2022) This is particularly relevant in the case of sustainable investments, as the demand for such opportunities is fueled, in part, by millennials who prioritize investing by their own values. According to a study made by EY, "Millennials are set to inherit over \$30 trillion in wealth, and the demand for sustainable investments is expected to steadily increase." (Ernst & Young 2022). Climate concerns are not limited to youth: in 2019, the organization "Grandparents for Climate" asked the cantonal pension fund (CPEV) to divest from its carbon-related investments. (Mache Antoine 2023). Beyond these different generations, other actors are calling for a greater role for financial actors. In February 2023, for example, a group of activists known as "Extinction Rebellion" covered the walls of Geneva banks with drawings and paint to urge governments to respond to the ecological crisis and climate emergency about finance.(Mache Antoine 2023). In a similar context, parliamentary debates took place during the borrowing of Swiss cities and cantons from FIFA. (Mache Antoine 2023). A consensus is emerging on the importance of dialogue between climate activists, citizens, and finance professionals. With this increase in demand, asset managers need to stay on top of the latest investment trends and pay special attention to the clients of tomorrow. (BURKART, LYDENBERG 2021) The latter must now offer investments that are both responsible and profitable to attract a maximum number of investors. Savers will discover here how if well chosen, sustainable funds are a real opportunity. Al Gore, former US Vice President and Founding Partner of Investment Management said: "Combating climate change is not just your generation's life or death struggle, but also the single biggest investment opportunity in history." (Deutsch Bank 2019)

1.3 Research question and objectives

The purpose of this work is to explore sustainable investing in several dimensions in order to determine the challenges and opportunities for investors in Switzerland.

First, it is important to define the types of sustainable investments and the possible regulatory frameworks in place. Then, it is necessary to explore the universe of possible and existing bond & equity investments on the markets to have a 360° view of the issue. Finally, to understand how companies and financial products are rated, it is essential to expose the rating methods as well as their possible subjectivity. These theoretical aspects will be analyzed in the literature review which provide insight and allow us to understand better sustainable investment. In addition, we will try to understand investors' motivations for sustainable investment in Switzerland. The main objectives would be to study the behavior of investors, are they ready to modify their financial investments to be consistent with the values of sustainable finance? What are their needs in terms of quality, and price to make it a growing place? How to increase their visibility among the products offered today? According to a study, only 24% of investors declare to be aware of the existence of sustainable investments. (SOMMERER 2021)

By studying the topic of sustainable investing, the objective of this thesis is to bring new perspectives compared to previous studies and to encourage all economic actors to contribute to the success of these investments. The findings and recommendations of this study will be useful for asset managers, issuers, young investors, but also institutional investors, and companies that want to leave a green footprint.

2. Literature review

2.1 *Switzerland's financial strength: attractive to domestic and foreign investors*

The global financial system influences the future of our planet. By directing financial flows towards sustainable activities, the financial sector can make a decisive contribution to transforming markets and shaping the economic systems of tomorrow. The Swiss financial center plays a leading role internationally in this respect and has taken various measures to promote the development of sustainable finance.

At the national level, in 2019 the Federal Council set itself the goal of reducing greenhouse gas emissions to zero by 2050. In 2020, it also published a report and guidelines on sustainability in the financial sector, in order to further strengthen the leading position of the Swiss financial center in this area. (OFEV no date)

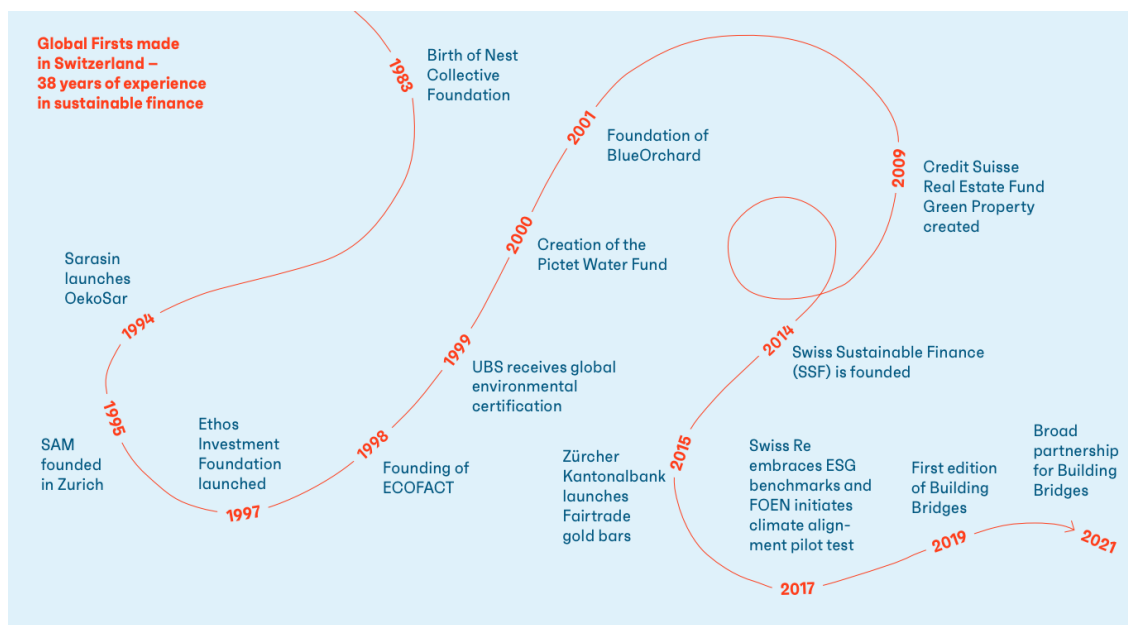
At the international level, as a member state of the UN, Switzerland has adopted the Sustainable Development Goals (SDGs) and ratified the Paris Climate Agreement. These international conventions aim to preserve the living conditions of future

generations by enabling a transition to a sustainable economy and society. (FDFA no date)

To ensure Switzerland's position as a world leader in sustainable finance and to make an effective contribution to sustainable development, the Swiss Banker Association (SBA) has launched several initiatives in recent years. In 2020, the SBA and its members developed a guide for the integration of ESG factors in the advisory process for private clients. In August 2021, it conducted a study on the investment and financing requirements for climate neutrality in Switzerland by 2050 in collaboration with the Boston Consulting Group (BCG). Finally, in February 2022, it published a discussion paper on climate-efficient mortgages. (Steiner et al. 2021)

The forced acquisition of Credit Suisse by UBS, with support from the Swiss National Bank and the government, highlights how poor risk management and governance can harm not only a bank but an entire financial center's competitiveness. It will take some time to fully understand the consequences of this extraordinary event, but one thing is certain: a sustainable financial center cannot be achieved if essential governance principles are ignored. (SSF 2022) Addressing environmental challenges can only be accomplished effectively if the "S" and "G" in ESG receive the necessary attention.

Figure 1: Global firsts in sustainable finance created in Switzerland



Source: Swiss Sustainable Finance, 2021

2.2 ESG origins

As introduced earlier, Socially Responsible Investment (SRI) complements traditional financial analysis with an extra-financial analysis that considers Environmental, Social, and Governance (ESG) criteria. (Deutsch Bank 2019)

This term was first used in 2004 in a document that included the 20 largest financial companies in the world, stating that companies that positively address ESG issues will have a positive long-term effect on the value they deliver to investors. Having a company sensitive to these aspects would make it better able to manage its risks such as regulations or access to other markets. The indirect consequence of taking these factors into account would be a stronger reputation and brand among consumers. (Nicolas, Mottis 2022)

2.3 The different strategies for sustainable investment

Sustainable investment approaches can be classified into three broad categories:

Best-in-class: The Best-in-class approach is a strategy used in Socially Responsible Investment (SRI), where companies with the best extra-financial ratings are preferred. This methodology has become popular as it is suitable for passive investment approaches and has a low tracking error. However, it is considered a "light sustainable investment" because the resulting portfolios are similar to typical portfolios and not significantly different in terms of sustainability. (BERNARD-ROYER 2009)

Negative screening: In Europe, including Switzerland, the exclusion criteria approach is very common in socially responsible investing. This method involves avoiding investments in companies involved in activities like nuclear energy, the arms industry, and those that violate international standards such as the International Labour Organization guidelines. The tolerance levels set for these exclusions can vary greatly, with most portfolios allowing only 5-15% of a company's revenue to be related to excluded activities. However, some portfolios are more lenient and allow up to 50% or more of a company's revenue to be related to these excluded activities. (BERNARD-ROYER 2009)

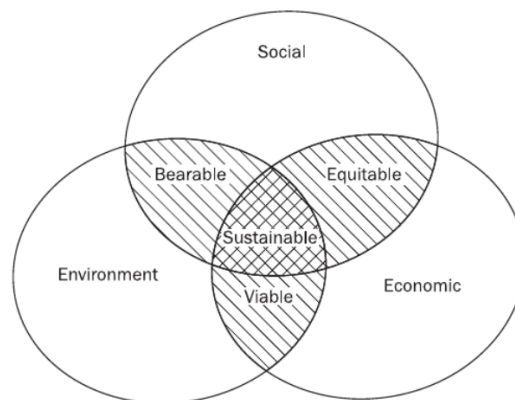
Positive Screening: Positive screening is a unique sustainable investment strategy that is highly focused on achieving positive environmental and social outcomes while simultaneously achieving financial returns. This approach is the most environmentally and socially conscious because it specifically targets positive changes in society through investment activities. Positive screening requires a clear vision of the type of change it

seeks to make, and it is not left to chance or coincidence that impact outcomes and financial returns are achieved. Each investment is subjected to due diligence to evaluate its potential to deliver the desired impact outcomes. (BERNARD-ROYER 2009)

2.4 ESG and other sustainable strategies

Sustainable development is frequently portrayed as an effort to address and balance three different types of limitations, namely economic, social, and environmental. The three-bottom-line (TBL) approach gives a holistic view of how businesses should strive to achieve it. There are numerous measures that organizations, managers, and scholars can employ to conceptualize the sustainability of a business and attribute monetary worth to investments in business sustainability. (Rowley, Saha 2011)

Figure 2: The triple bottom line of business sustainability



Source: Adapted from IUCN (1994)

Integration Model

There are four stages to the integration model, which involve the following activities:

The first stage consists of a qualitative analysis through gathering relevant information such as the company reports and third-party investment research and identifying factors affecting the company. Then, the quantitative analysis allows investors to assess the impact of material financial factors on securities in portfolios and investment universe and adjust financial forecasts and valuation models appropriately. The two previous analyses will lead to a decision to buy or increase weighting (hold), maintain weighting, or decrease weighting (sell). This stage is called “the investment decision”. Finally, investment analysis and an investment decision will initiate or support company engagements and inform proxy voting. The additional information gathered and voting

activities will feed back into future investment analysis, and hence have an impact on subsequent investment decisions. (Principle for responsible investment 2023)

Thematic investment

These investments are centered around the belief that certain industries or technologies will expand due to worldwide environmental problems like climate change, pollution, and resource depletion. Investing in such companies provides investors with a chance to invest in innovations. However, it should be noted that equity market returns can be unstable in the short term, and past performance and market trends may not predict current and future results with certainty. (BERNARD-ROYER 2009, p.61) Thematic investment is currently not very popular with Swiss investors. Indeed, as it focuses on a specific universe, the return and risk depend exclusively on it. (FAURE 2021)

Impact investing

The idea behind impact investing is that investors can use their capital to support and promote sustainable and socially responsible initiatives, while also earning a financial return on their investment. The first step in impact investing is to identify an issue that the investor wants to address. This could be anything from climate change to poverty reduction to access to education. Impact investing requires ongoing monitoring and evaluation as it is a direct investment. (BERNARD-ROYER 2009, p.44)

Finally, we can conclude this point by noting that the different approaches are not equally effective. Negative screening is the least effective method of all: by not investing, investors can only have a minimal influence on unsustainable companies. Conversely, more active approaches, such as impact investing and thematic investing, can generate a greater ecological effect with better performance. (Paetzold et al. 2022)

Figure 3: Development of sustainable finance strategies in Switzerland, in millions of francs

	2015	2020
BEST IN CLASS	28'072	31'216
NEGATIVE SCREENING	233	12'833
POSITIVE SCREENING	17'406	28'501
INTEGRATION	9'128	24'441

THEMATIC INVESTMENT	13'467	13'579
IMPACT INVESTING	25'068	35'066

Source: (Peter, Medernach, Bonnet 2021)

2.5 ESG rating agencies

ESG rating agencies have been in operation since the early 2000s, with their primary goal being to evaluate companies' environmental, social, and governance practices, without considering their financial performance. Unlike traditional agencies like MCO, non-financial agencies are paid directly by investors.

Clients can request customized analyses of the companies they are interested in. These agencies' assessments of non-financial criteria are then used to incorporate socially responsible investment strategies into portfolio construction.

ESG rating agencies are critical to socially responsible investment because they provide transparent, unbiased, and reliable information on companies. Without such data, it would be challenging to obtain accurate and impartial information from companies.

2.5.1 Examples

To illustrate what has been quoted above, here is a non-exhaustive list of rating agencies composed of companies already active in the creation of more traditional indices:

MSCI

MSCI is a company that has been creating equity indices for over 50 years. Their indices are used by active fund managers as alignment factors for their investment objectives, but also by passive fund managers who use them as a database to build their index funds and ETFs. Approximately \$180 billion in assets have been invested based on the ESG indices offered by MSCI.(GUILMIN 2022)

- **MSCI Global Sustainability Indexes**

This grouping of benchmarks targets the top-rated companies in the top 50% in terms of capitalization that make up the underlying indices. Target clients are interested in gaining exposure to companies with high sustainability standards while having a relatively low tracking error². (Calvin, Street 2020)

- **MSCI Global SRI Indexes**

This one follows the same logic as the previous index, but in a more restricted way, selecting 25% of the best companies in terms of sustainability and excluding industries that can be linked to the specified "sins stocks" previously. Alcohol, pornographic entertainment, and weapons are among the sectors excluded from these indices. (Calvin, Street 2020)

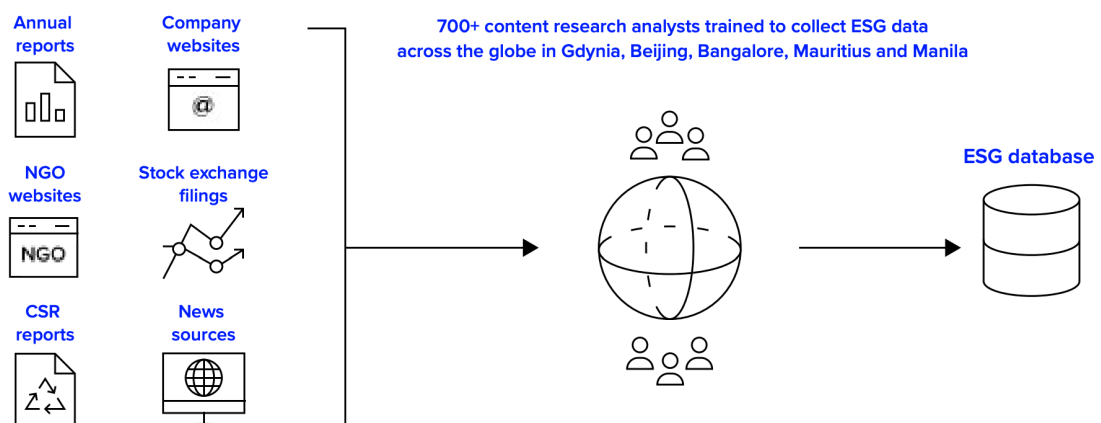
Refinitiv

Refinitiv provides an extensive ESG database that covers a significant portion of the global market capitalization, encompassing over 630 different ESG metrics with a historical record dating back to 2002. The platform allows users to easily incorporate ESG factors into portfolio analysis, equity research, screening, and quantitative analysis.

The scores are based on company-reported data and cover 10 main themes such as emissions, environmental product innovation, human rights, and shareholders, among others. The platform also offers an overall ESG combined (ESGC) score, which considers significant ESG controversies that impact the covered corporations.

Refinitiv boasts one of the largest ESG content collection operations globally, with a team of over 700 trained content research analysts. These analysts gather ESG data from various publicly available sources, processing it meticulously to ensure it is up-to-date, objective, and comprehensive. With expertise in local languages and a presence in different locations worldwide, the aim is to provide standardized and comparable information across the entire range of companies. The ESG database is continuously updated and involves the addition of new companies. (Refinitiv 2023)

Figure 4: Data process of Refinitiv



Source: Refinitiv, LSEG Business, 2023

Sustainalytics, a subsidiary of Morningstar, offers ESG risk and corporate governance analysis to help clients with their investment decisions. Unlike MSCI ESG Ratings, Sustainalytics does not assign a rating but provides an indication of ESG risks based on three pillars: corporate governance, material ESG issues, and specific issues. One of the main advantages of Sustainalytics compared to other ESG rating agencies is its focus on materiality industry-specific analysis. It recognizes that ESG issues vary by sector, and it provides customized ESG analysis and ratings for different industries. This approach allows investors to compare companies within their own industry and to identify best practices and potential risks that are specific to that industry. (Morningstar 2023)

2.6 Legal Framework

COP 21 and the Paris Agreement have spurred demand for sustainable finance products. (Bisaga 2022) This demand is hampered by a lack of visibility into the different types of investments. In response to this need, several jurisdictions such as the EU Taxonomy or the SFDR, have begun legislating to create regulatory definitions of sustainable finance.

2.6.1 EU Taxonomy

The COVID-19 crisis has accentuated the need to shift investments to sustainable projects to build the resilience of economies, businesses, and societies to environmental and climate shocks, including in health systems. To accomplish this objective, it is essential to establish a shared terminology and a precise understanding of the concept of "sustainable." This is why the action plan on financing sustainable growth created Article 8, known as the "European taxonomy". Article 8 is based on a simple principle: to increase market transparency and prevent greenwashing. (Bréhier 2021)

In other words, the aim is to establish a common frame of reference to determine which economic activities can be considered sustainable for the European Union (EU). To achieve this goal, companies must therefore publish information on their sites regarding the following six environmental objectives:

Figure 5: The six environmental objectives established by the Taxonomy Regulation

Climate change mitigation
Adaptation to climate change

Sustainable use and protection of aquatic and marine resources Transition to a circular economy
Pollution prevention and reduction
Protection and restoration of biodiversity and ecosystems

Source: (EU taxonomy for sustainable activities 2021)

2.6.2 SFDR

In March 2022, the European Union issued a new text - « Sustainable Finance Disclosure Regulation », more commonly known by the acronym SFDR. (Lysak, Houston, Juwadi 2021) This is a regulation that financial services actors will have to follow when publishing sustainability information related to investments. This legislation may have several consequences on the investment environment. This regulation may encourage an increase in ESG indices. The SFDR imposes various new obligations for product disclosures in relation to sustainability. The criteria encompass not just ESG-related products, but also conventional or non-ESG-related products..(Lysak, Houston, Juwadi 2021)

2.6.3 Swiss Sustainable Finance

In Switzerland, the Swiss Sustainable Finance (SSF) association is the leading organization working in the field of sustainable finance. It was established in 2014 and brings together more than 200 members and network partners, such as banks, asset managers, institutional asset owners, service providers, research and education providers, and other organizations. At the regulatory level, it works closely with FINMA, the Swiss Code of Obligations, and Swiss Finance Associations such as the Asset Management Association Switzerland (AMAS), Swiss Banking (SBA), and Association Suisse des Institutions de Prévoyance (ASIP). (SSF, 2023)

2.7 Investment active & passive

There are different approaches to managing equity funds, and one of them is active management, where the goal is to outperform a benchmark by choosing products, securities, or sectors that are likely to grow faster than the market. Another approach is passive management, where the fund simply tracks the performance of an index, making it less expensive than active management. In this discussion, we will focus on the passive strategy. (HILL 2021)

2.7.1 Stock Market

Shares are portions of ownership in companies that are listed on stock exchanges, and they offer financial benefits such as receiving regular dividends and having the right to vote for the company's board of directors. However, investing in shares also involves risks that are linked to the performance of the company. To mitigate this risk, investors can diversify their portfolios by investing in a variety of securities, either directly or through mutual funds or index funds. Both individual and institutional investors, such as pension funds or insurance companies, invest in shares directly. (HILL 2021)

2.7.2 ETF and Index Funds

An index is a group of securities or other assets that is designed to represent the performance of a particular economic sector or market segment at a given time.

One of the most significant differences between Exchange Traded Funds (ETFs) and index funds is that ETFs are traded on an exchange, while index funds are not. ETFs can be bought and sold at any time during trading hours, but index funds are traded through the fund's sponsor, and their price is set once a day after the exchange closes. (Greifeld, Potter 2023)

From a tax perspective, Swiss index funds have an advantage because they are not subject to stamp duty or trading duty, while foreign index funds are taxed at the time of purchase at a rate of 0.15%. ETFs, on the other hand, are treated like equities and are subject to stamp duty on purchase and sale. (Landis 2008)

The choice between ETFs and index funds depends on the investor's investment strategy and financial situation, and professional investors consider factors such as strategy, fund management, costs, liquidity, and fund volume when making their selection. (Huang 2023)

ETFs typically provide a more diversified range of investment opportunities in terms of strategies or asset classes than index funds, which may have minimum investment requirements that can be a barrier for private.

2.7.3 Example of Index Funds :

Here is an extract of indices that can be used as a reference to measure the performance of a portfolio and what they represent:

- **Dow Jones Industrial Average** - represents the 30 largest US companies excluding technology. (Staff 2021)

- **NASDAQ 100** - This index is a basket of the 100 largest companies with a daily volume of 200,000 shares that have been traded on the US market for at least 3 months. (Staff 2021)
- **S&P 500** - This index contains stocks of 500 large companies with common shares listed on the New York Stock Exchange or the NASDAQ stock market. (Staff 2021)
- **SMI** - 20 largest companies traded on the Swiss market (SIX Swiss Exchange) Bonds Market. (*Comparative Performance Table: Total Swiss Market - ProQuest* 2023)

2.7.4 Bonds Market

To date, equities have been the dominant asset class in responsible investment. However, institutional investors, including pension funds and insurance companies, have been limited in their allocations due to the additional risk involved in this asset class. The emergence of a new financial instrument in the debt market now provides access to the world of responsible investment for institutional investors who are concerned about their image and are aware of their role in combating climate change.

The debt market, which includes both corporate and government debt, is much broader than the equity market. ESG investments in the debt market can be made in several ways. First, various funds invest in bonds issued by companies or governments with ESG characteristics, similar to the equity market. The second way is through the purchase of "green bonds," which are designed specifically for a corporate project that aligns with the ESG objectives of investors. (HILL 2021)

A bond, or any fixed-income security, represents a loan taken out by a company or government from the market. The issuer agrees to repay the principal on a specific date in return for a predetermined amount of interest. The fixed yield is perhaps the most important feature of bonds, as investors typically know the return that will be paid each year. (LENOX Michael, DUFF Rebeca 2021)

2.7.5 Green bonds

Another way to invest in bonds in a sustainable way is to invest in "green bonds". They work in the same way as traditional "plain vanilla" bonds, but they differ in two main ways: (Chatziantoniou et al. 2022)

- The total allocation of funds to an environmental project

- Transparency through annual reporting

With green bonds, the issuer guarantees to the investor that the funds invested will be used for specific environmental projects. Before the bonds are issued, a detailed project report is provided to the investor, followed by an annual report on the use of the funds and the environmental impact of the investment. In terms of financial characteristics, green bonds are similar to conventional bonds in that they pay fixed or variable interest rates, have a defined maturity, and are issued by a wide range of entities, including governments, corporations, and financial institutions. The main difference is that the proceeds of green bonds are used exclusively for environmentally sustainable projects, whereas conventional bonds do not have such a restriction. Rating agencies assign a rating based on the same criteria as a traditional bond, and the rating is that of the issuer, not the project. Thus, the rating of a green bond is identical to that of a traditional bond issued by the same issuer, allowing investors to take no additional risk while still being exposed to responsible investment. (LENOX Michael, DUFF Rebeca 2021)

3. Methodology

For the first three chapters, which include the introduction, the study objectives and the literature review, the research was based on the explorations of several databases. Several sources were used, including books available on Scholar Vox provided by the HEG, business articles, and reports. This research method poses the problem and allows the reader to quickly understand the world of investment.

3.1 Surveys

In this phase, we were interested in what motivates investors at the individual level to invest in sustainable investments. The study's goal is to answer the following question: "What factors influence investors' sustainable investment decisions and how do these decisions affect their long-term investment portfolio?" A survey using Qualtrics was conducted with people between 18 and 80 years old in Western Switzerland. This survey allows us to collect a large amount of primary data quickly and efficiently. The survey questions were brief and structured in a way that ensured respondents would take no more than 7 minutes to complete the entire form. The survey was intended to maintain anonymity, allowing participants to provide honest and candid responses. Once the primary data was collected, it was then a matter of analyzing it with the help of diagrams and other visual aids, which we will reveal under the heading "Results".

3.2 Interviews

In addition to the quantitative data obtained through the questionnaire, qualitative research was conducted through three interviews with different stakeholders. These financial professionals typically work closely with their clients and invest in a diversified portfolio of assets to achieve their financial goals, such as generating returns, hedging risks, or meeting their obligations to their clients or beneficiaries. It was decided to interview financial professionals because their insights are very valuable. They have a strong understanding of the financial markets, investment strategies, and risk management. They may offer personalized financial plans and investment recommendations based on a client's goals and they are always well-informed about current trends because they provide ongoing support. They are also important players in the financial markets because they provide advice and guidance not only to individuals but also to institutional investors and can therefore influence the prices of the assets they invest in due to their large size and market power.

The primary goal of this qualitative research, as stated in the title, is to investigate the opportunities and challenges for these professionals, specifically to learn why and through which intermediary, as well as to gain insights into what they are looking for when investing in green investment.

The interviews took place with three managers based in Switzerland to learn about their experiences and their perspective on the emergence of sustainable investment. There was also a will to learn what they currently offer is suitable for their customer and what about the demand. Finally, it was asked what are their future plans and their progress in this trend.

3.3 Neutralizing bias:

Non-response bias was the only bias identified in the study conducted. In the survey, over 120 responses were collected, but only 115 respondents answered each question. To neutralize this bias, a sorting process was conducted to ensure that only complete responses were received.

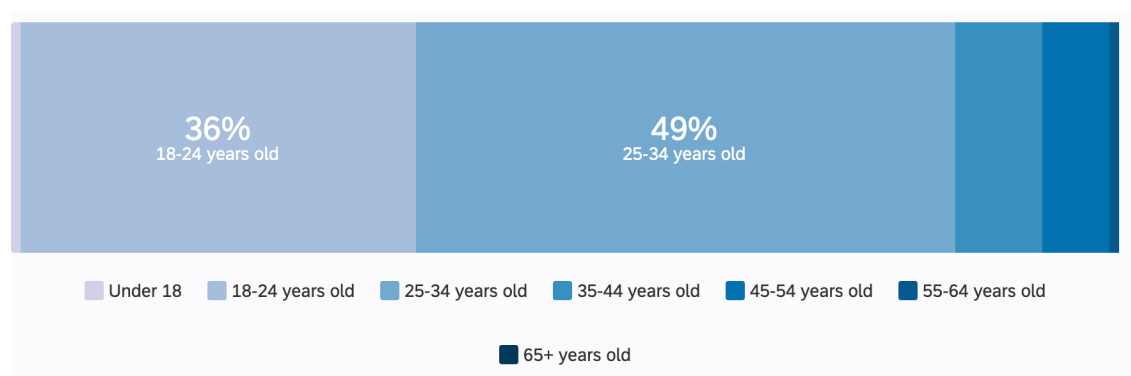
3.4 Limitations of the study:

One challenge was encountered during the study for this publication. For the survey, most of the participants were part of the Z generation (36% - born between 1995 and 2010) and Millennials (49% - born between 1981 and 1994). Many young people from Gen Z do not yet have the funds to invest and therefore do not have the financial

knowledge to invest in financial products. Therefore, it would be insufficient to rely solely on this study, as it presents a single sample of the population in French-speaking Switzerland.

Nevertheless, this young population, which represents about 85% according to our survey, is aware of global challenges such as the climate crisis, pollution, and social inequality. These generations are also twice as likely to invest in companies with a significant positive social or environmental impact as older investors. This is due to the ongoing intergenerational wealth transfer to millennials.

Figure 6: How old are you?



4. Results

4.1 Survey Results

Our findings reveal four main themes and provide key insights for banks or other institutions that seek to satisfy the sustainable investor proactively:

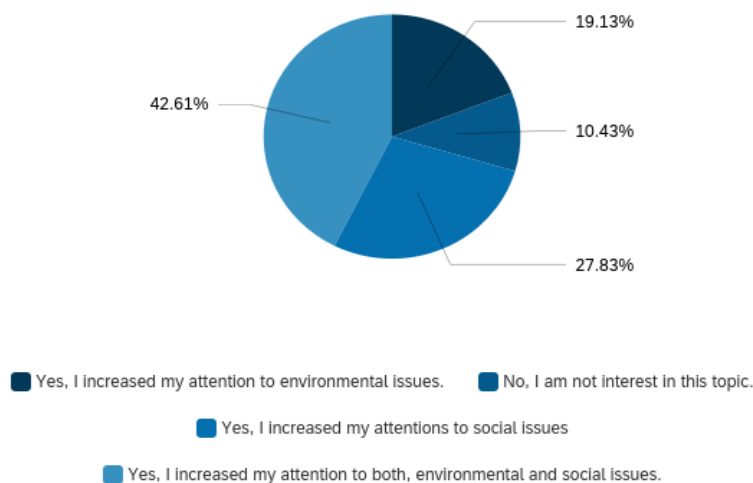
- Investors' interest rises
- Investors seek products that suit their interest
- Investor conviction counterbalance trade-off concerns
- Investors want to be more knowledgeable

4.1.1 Investors' interest rises :

The first question, "Are you paying attention to environmental and social issues?" gave pleasing results. More than 42.61% of the respondents admit that they care about the environment and social problems. Some are more concerned with the environment

(19,13%) while others are with social issues (27,83%). Although the question is general, people are increasingly aware of the consequences of their actions on others and on the environment. They may be interested in making positive changes to ensure that their actions are ethical and sustainable. There is still a minority of 10.43% who have no interest in this topic. One reason for this lack of interest could be the insignificant impact at the individual level. These people may believe that environmental and social issues should be dealt with at the government or corporate level. They may feel powerless and think they cannot make a difference.

Figure 7: Are you paying attention to environmental and social issues?



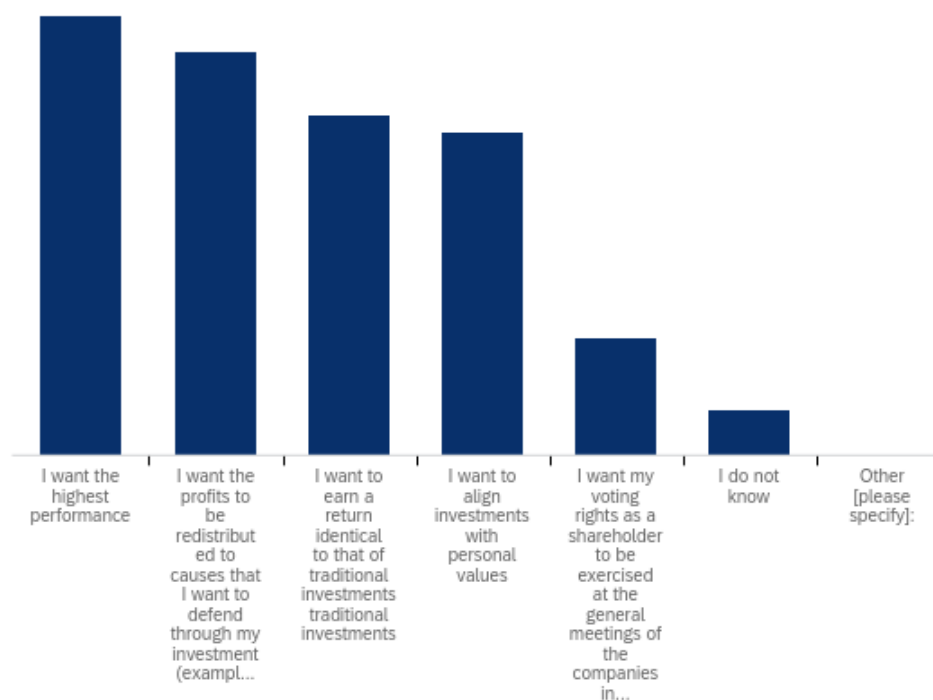
4.1.2 Investors seek products that suit their interests:

According to the study, 26,4% of investors consider performance when they invest. People are driven by performance when they invest because they are seeking to achieve financial returns on their investments. Investing is a way for people to grow their wealth over time, and performance is an important factor in determining the success of an investment. Around 20.43% of investors are looking to achieve the same level of return as they would with traditional investments.

It's worth noting that while financial performance is an important consideration, investors may also consider other factors when making investment decisions, such as the proxy voting right (6,99%), and the ability to tailor their investments to their values (24,9%). Indeed, voting rights give investors the power to influence the direction of a company. By voting on important issues, investors can help to shape the company's policies and

strategies and ensure that their interests are being represented. Finally, many people want to align their investments with their convictions, as they feel that this is consistent with their overall worldview.

Figure 8: What do you think is important if you were to invest in a sustainable investment product?

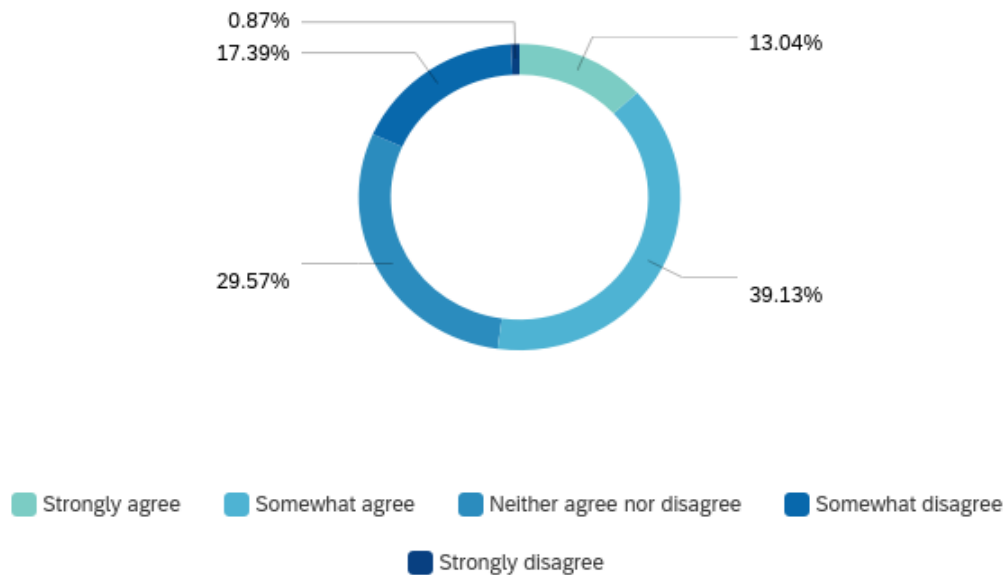


4.1.3 Investor conviction counterbalances trade-off concerns:

The increasing acceptance of sustainable investing demonstrates investors' rising assurance that they can positively impact social and environmental issues while also achieving financial returns. According to our survey, nearly 39,13 % of the participants agreed that it is feasible to balance financial profits with a concentration on social and environmental outcomes. Over 13.04% of investors hold the belief that sustainable practices have the potential to generate higher profitability. However, there are still perceptions of trade-offs, as 17.39% agree that investors must make a choice between financial gains and sustainability. This indicates that investment professionals can enhance the adoption of sustainable practices by providing better investor education that dispels misconceptions about trade-offs.

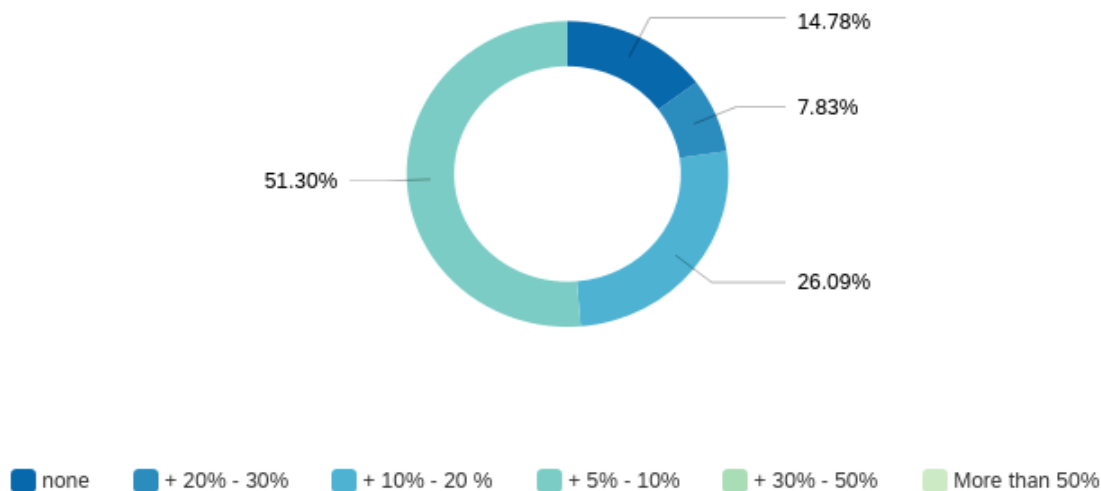
Despite this positive picture, the industry still has work to convince skeptical investors (29,57%) that investing in social and environmental impact does not necessarily entail financial sacrifice.

Figure 9: It is possible to balance financial gains with a focus on sustainability



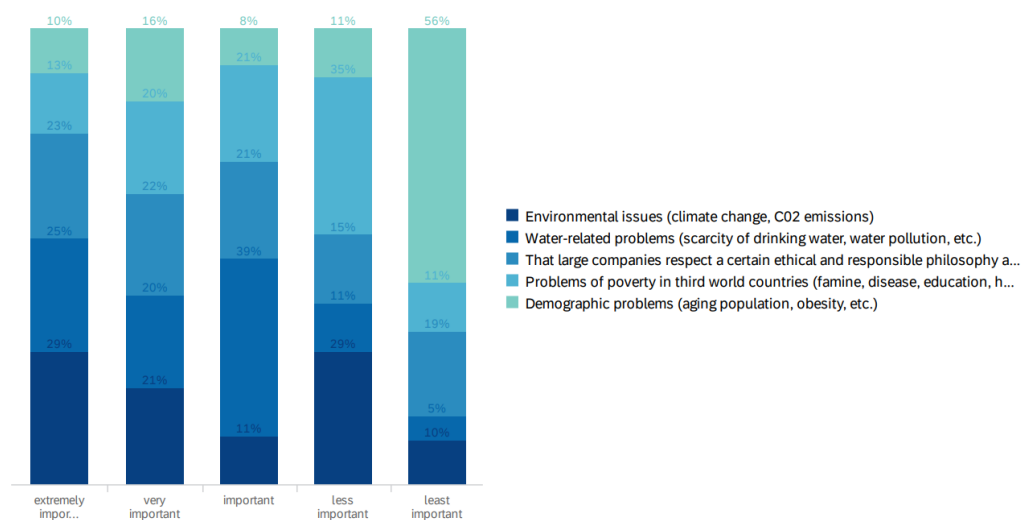
Investors are willing to pay more for a sustainable target. More than half of respondents said that they would be willing to pay a premium between 5% to 10% to support a cause. They may be willing to pay more for products or services that support a cause as a way of contributing to something larger than themselves.

Figure 9: How much more would you be willing to pay for something that supported some of the causes?



Investors are looking for products tailored to their interests. Overall, 50% agree that their investment decisions can influence climate change. 45% agree that their investments can lift people out of poverty through economic growth. These beliefs closely align with the sustainability themes that respondents wanted to incorporate into their investment portfolios. 21% find it "extremely important" that large companies respect a certain ethic and have a responsible philosophy and 10% are "very interested" in community development and want to solve demographical problems.

Figure 10: Which of the Sustainable Development Goals below do you want to advance with your investments?



4.1.4 Investors want to be more knowledgeable:

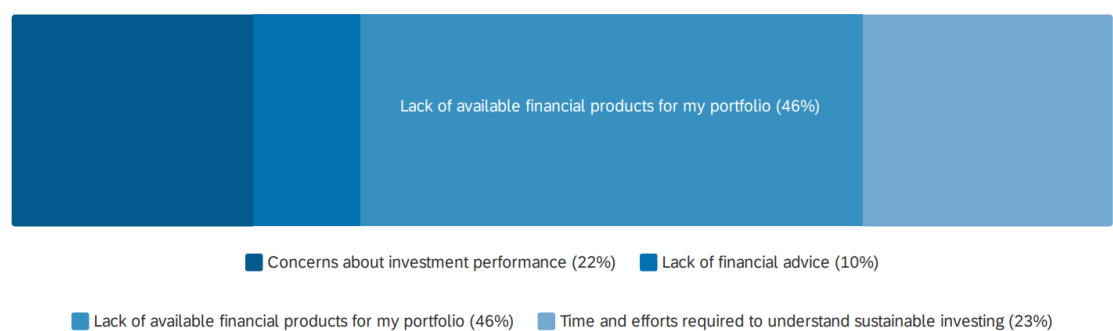
When people were asked about potential barriers to sustainable investing, 46% said that there was a lack of available financial products for a sustainable portfolio. One reason is that sustainable investing is a relatively new field, and it can take time for financial institutions to develop and offer sustainable investment products. Furthermore, some financial institutions may not see sustainable investing as a profitable venture, and therefore may not invest the resources necessary to develop sustainable investment products. Finally, regulatory, or legal barriers may make it difficult for financial institutions to offer sustainable investment products.

22% of respondents admit that the time and effort required to understand sustainable investing is a barrier. It is true that sustainable investment is a complex field that requires specialized knowledge and expertise. As most of our respondents are young and don't have much knowledge about the subject, they may find the learning curve steep and the information overwhelming, which can make it difficult for them to make informed

investment decisions. Additionally, sustainable investing requires ongoing monitoring and analysis of ESG factors, which can be time-consuming and require a significant investment of time and resources.

In our survey, 10% of respondents identified the absence of financial guidance as a hurdle. This finding serves as a clear indication for financial advisors and asset managers that there is still work to be done in addressing investor apprehensions regarding performance.

Figure 11: How significant are the following as barriers to including sustainable investing in your portfolio?



Another concern that investors have noted is greenwashing. Around 65% of the respondents said that they were somewhat worried about greenwashing.

Greenwashing is the act of presenting deceptive or inaccurate information regarding the environmental advantages of a product, service, or organization. (filipeboni 2023) Companies that engage in greenwashing may use vague or ambiguous terms to create the impression that their products or services are environmentally friendly, without providing evidence to back up those claims. To promote sustainable investment, companies need to be more transparent in their sustainability reporting and certified by reputable third-party organizations, such as the Forest Stewardship Council, the Rainforest Alliance, or the Energy Star program.

Figure 12: The word ‘greenwashing’ is used to mean claiming activities are green when they are not—for example, companies making unrealistic claims to sustainability. As an investor, how worried are you about greenwashing?



4.2 Interview Results

In order to meet the expectations of their clients, the people in charge of finance and investments use specific methods, all different from each other. An advisor's company starts for example by ranking all Swiss-registered funds based on outperformance against their index over a period of at least 3 years. Then they evaluate how well each management company integrates sustainability into its fund management. "Of the almost 10,000 funds reviewed at the financial level, more than 1,000 are reviewed at the ESG level and 400 are selected. We then check the consistency between the process described and the actual composition of the portfolio. We draw up an individual analysis sheet for the 100 sustainable funds that perform well financially." Following this initial analysis, they evaluate various criteria such as the expertise of the investment team, its commitment to sustainability, the type of approach used (exclusion or best-in-class), the rigor of the process, and its originality. The funds are rated from 1 to 4 according to their approach to sustainability. This step allows us to shortlist the funds, which are then submitted to a jury that selects about five per category, i.e. about 50 in all, for a "mini due diligence". They then validate the consistency between the investment process and the actual composition of the portfolio. "We examine each position using our internal tool: ESG Consensus. This is based on collective intelligence and a market consensus approach.

The Family Office uses an investment strategy based on a combination of exclusion criteria (tobacco, nuclear energy, gambling, weapons) and a best-in-class strategy. In order to differentiate its sustainable investment universe, the private wealth management advisory firm uses an external bank for an initial screening and then estimates the risks

internally. The Family Office also invests in microfinance, granting loans to low-income people to access financial services and thus promoting entrepreneurship and economic development.

The pension fund uses a collaborative shareholder approach: "We have adopted the Sustainable Investment Charter to improve the integration of ESG factors in the management of mobile and real estate assets, as well as the exercise of voting rights and dialogue with shareholders." The latter has chosen not to invest in hedge funds and commodities for the sake of transparency in sustainability.

The 3 people interviewed have the same opinion when it comes to performance: these investments, although sustainable, are part of a financial logic, where financial interests remain important. Profitability should not be compromised and according to these experts, it is quite possible to invest sustainably while performing as well as a conventional investment. Moreover, according to an advisor, in a few years, ESG will be an established standard: "The future of ESG is to be profitable. There will always be fewer ESG market segments, but there will no longer be a demand for non-ESG." In this sense, the investment fund believes that the inclusion of ESG criteria could increase capital value on a risk-adjusted basis. Another criterion that all have in common is the time horizon. All three mentioned a long-term strategy as it allows investors to minimize risks related to regulatory changes or controversies, benefit from long-term economic growth, and identify opportunities related to emerging sustainability trends.

As for the future of sustainable investment, all interviewees share the same opinion: According to a financial consultant of an investment fund: "The sustainable investment strategy contributes to risk reduction because the sustainability of a company can be seen as an indication of 'good governance'. Taking ESG criteria into account promotes confidence in investment decisions, and short-term fluctuations are better managed. In addition, this strategy creates a change in perspective that leads to new investment ideas." Another consultant believes there will be a lull, so people have time to get used to it. "In 10 years, sustainable investing will be the norm". The evaluation criteria will be completely integrated into the financial evaluation criteria. No one will want to invest in a poorly managed company anymore, because automatically the financial results will not be good."

5. Discussion

During this study, we have seen that sustainable investments are no longer considered a niche market with lower returns. Studies have shown that sustainable investments can perform as well as or better than traditional investments.. (Cunha et al. 2020) Investors are becoming more interested in sustainable investments to achieve financial returns while contributing to positive social and environmental outcomes. (Peter 2021)

It is very encouraging to see the growth of sustainable investment in Switzerland. The literature review suggests that the observed growth is mainly the result of the decisions of various market players, such as the legislative evolution of the EU. (Peter, Medernach, Bonnet 2021) The EU Taxonomy is a standardized classification system that assesses various economic activities based on technical selection criteria (TSC) derived from scientific data in relation to the EU's climate neutrality objectives. It is not a definitive list of economic activities that must be invested in, although it aims to create the first "green list." In April 2021, the European Commission finalized the EU Taxonomy framework and introduced the initial set of criteria for assessing environmental performance. This criterion establishes the criteria that define the circumstances in which economic activities can be considered significant contributors to the first two environmental goals of the EU Taxonomy, namely climate change mitigation, and adaptation. TSCs also determine the conditions for compliance with the "Do No Significant Harm" principle (DNSH), which requires that, in addition to contributing to at least one of the six environmental objectives, the activity does not significantly harm any of the others. (Peter, Medernach, Bonnet 2021)

At the Swiss level, Swiss Sustainable Finance (SSF) acts as a platform for Swiss financial actors wishing to strengthen their commitment to sustainability. The association also provides tools to help financial actors integrate ESG criteria into their investment decisions and develop sustainable investment products. (SSF 2022)

Although there is a guideline, each market player adopts its own responsible investment strategy. We see this through the qualitative analysis of the various interviews. The pension fund, for example, uses a collaborative shareholder approach. This approach aims to give investors a voice through the exercise of voting rights. The family office uses an investment strategy based on a combination of exclusion criteria (tobacco, nuclear energy, gambling, weapons) and a best-in-class strategy. Finally, the third respondent uses a more analytical method that consists in defining a basic universe based on financial criteria only. Following this first analysis, they evaluate different criteria such as

the expertise of the investment team, its commitment to sustainability, and the type of approach used (exclusion or best-in-class). From these 3 interviews, we retain one crucial point: Profitability must not be compromised.

Our analysis qualitative, through survey, confirms that sustainable investing has become an integral part of conventional financial strategies. The survey questions were designed to determine whether investors are interested in sustainability, and what challenges were holding them back. With the exceptional adoption rates and high levels of interest indicated by the poll, the discussion has now shifted from whether sustainable investing is a temporary trend to exploring opportunities and obstacles for further expansion. Our results provide powerful signals from investors, which can assist in steering the development of the field.

As understanding of sustainable investment approaches grows, a large majority of investors are seeking more choices in products for sustainable investing. They want to tailor their investments to specific issues ranging from poverty reduction to climate change and measure the impact against these themes.

This is positive news for the industry, reflecting the growing commitment and sophistication of investors. The challenge is to keep up with the demand and find solutions to meet that demand to maintain that enthusiasm. Swiss asset managers pride themselves on their proximity to their clients and the quality of their advice. In view of the growing demand from clients for sustainable investments, it is essential to develop a sustainable offer.

Thanks to this double trend, i.e., this growth driven by markets and investors, and the path towards more transparency thanks to the various regulations, the evolution towards a financial system that has integrated sustainability in its functioning seems to us to be on the right track.

6. Recommendations :

First, we have noticed that sustainable finance lacks general harmonization. The establishment of a base of common criteria and rating calculations by the agencies is a sine qua non-condition for the development of sustainable finance.

ESG methodologies are relatively new and include indicators that may be influenced by the subjective views of the rating agencies. This can lead to bias in the way ratings are made. Sustainability on the other hand, already stands out from other ESG rating

companies because it uses an evaluation method based on academic research and market best practices, taking into account each company's geographic, sectoral, and regulatory contexts. Sustainalytics also uses a qualitative rating approach, which assesses each company's ESG practices and policies, rather than simply collecting data and converting it into a numerical score.

Investment funds and financial products need to be more transparent in order to offer the investor a means of comparison. It is not always clear why a fund is considered sustainable and on what basis it is built. To remedy this, certification by an independent entity such as Leed-certification, SGS system, and certification Inc, Label SRI, is a solution. (Coleman 2005) On the one hand, this would push the manager to adopt a defined SRI strategy. On the other hand, investors would be able to understand the details of the funds and thus be able to compare them. In addition, it would allow managers to highlight their sustainable investment products. Fund marketing is indeed essential to make themselves known.

The construction of a global SRI portfolio remains problematic, particularly for individual investors. Institutional investors, on the other hand, have been able to quickly adapt to regulatory requirements. Institutional investors generally have greater financial and human resources and specialized skills. In addition, institutions can benefit from greater portfolio diversification through their ability to invest in a wider range of asset classes and markets. The individual investor who wishes to build a 100% SRI allocation faces a much more difficult task, even when accompanied by an advisor. At the private investment level, financial advisors, like final clients, still know too little about the range of responsible investment offerings and, as we have seen, the many jargons used ("SRI," "CSR," "ESG," "green finance," "best-in-class," "best-in-universe") require a minimum of semantic knowledge.

Finally, the uniformity of geopolitics is also a key element. The European Commission has understood this, by implementing Article 8 of the Taxonomy Regulation which requires financial and non-financial companies to provide investors with information on the environmental performance of their assets. Durable(*Finance durable* 2021) With this standardization's implementation, Europe is willing to increase transparency and unify. In the United States, President Biden's \$2 trillion green economy stimulus plan shows that politicians are ready to align themselves with the mentality of investors. (*L'Express* 2021)

Finally, we point out that sustainable investing requires skills and a long-term investment horizon, which not all investors necessarily have.

7. Conclusion

This research aimed to answer the following question: “What are the opportunities and challenges for investors to gain potency?” It was possible to answer this question following theoretical studies and two empirical analyses.

The pandemic has undoubtedly helped elevate the importance of environmental and social issues to unprecedented high levels across the public and private sectors worldwide. COP 21 and the Paris Agreement have also boosted demand for sustainable finance products. Now, at a deeper level, companies and investors are, as our survey shows, actively redefining their role and relationship with society and placing sustainability increasingly at the core.

The survey also confirms the sense that a true generational shift is underway in how future investors perceive their role and responsibility in the transition to a more sustainable world. To secure a larger portion of the market and attain a competitive edge in this rapidly changing industry, asset managers need to embrace investment options that are aligned with values and cater to the preferences of a new generation of investors. They also need to be better educated to guide investors in making sustainable investment decisions.

The stakes of the climate crisis are well known and the potential for improvement is still substantial. More and more people are incorporating sustainability into their decisions. These choices now encompass areas such as energy consumption, mobility, food, and clothing, but it is certain that finance will become just as important. It is a promising opportunity for those who know how to seize it.

8. Glossary

Term	Definition
Benchmark / Sustainability index	A metric used to assess the worth of a specific segment of the stock market. This measure is determined based on the prices of stocks chosen through the application of sustainable investment principles.
CSR	Corporate Social Responsibility
COP21	The official name for the Paris Climate Conference is the 21st Conference of the Parties under the United Nations Framework Convention on Climate Change (UNFCCC).
DNSH	Do No Significant Harm assessment
ESG	Environmental, Social and Governance
EU Taxonomy	Refers to the Taxonomy Technical Report published by the EU Technical Expert Group on Sustainable Finance
FINMA	Financial Market Infrastructure Ordinance
Impact Investing	Investments intended to generate a measurable, beneficial social and environmental impact alongside a financial return.
Microfinance	Variety of financial instruments, such as loans, savings accounts, and money transfer services, specifically tailored for individuals who are excluded from conventional banking services. These tools aim to provide financial inclusion and support to those who lack access to traditional banking systems.
MSCI	Morgan Stanley Capital International
MCO	Moody's Corporation
NGO	Non-governmental organization. NGOs operate autonomously from government entities and work towards specific goals related to social welfare, human rights, environmental conservation, or other relevant causes.
OECD	Organization for Economic Co-operation and Development
Paris Agreement	The Paris Agreement, established during the COP21 conference in Paris in 2015, aims to enhance global action against the risks of climate change. Its primary objective is to ensure that the increase in global temperatures remains significantly below 2°C compared to pre-industrial levels. Additionally, it encourages endeavors to limit the temperature rise to an even more ambitious target of 1.5°C.
PRI	Principle for Responsible Investment
Proxy Voting	Proxy voting refers to the act of one individual casting a ballot on behalf of another. Shareholders enjoy the privilege of participating

	in corporate decision-making by exercising their voting rights. This enables them to have a say in specific matters concerning the company.
SBA	Swiss Association Bankers
SDGs	The Sustainable Development Goals (SDGs) are a set of 17 objectives established by the United Nations in 2015 to promote sustainable development worldwide. These goals encompass a wide range of areas, including poverty eradication, gender equality, and the promotion of decent work and economic growth.
SFDR	Sustainable Finance Disclosure Regulation
SSF	Swiss Sustainable Finance
SRI	Socially Responsible Investing
Sustainable finance	Any type of financial services classified as sustainable under this taxonomy and aligned to the core environmental and social principles
Sustainable Finance Framework	Refers to the 'Taxonomy'
Triple Bottom Line	Holistic framework for assessing performance that encompasses three dimensions: environmental, social, and financial. These dimensions are often referred to as the three Ps: people, planet, and profit, or the fundamental pillars of sustainability.
UN	United Nations

Source: The Responsible Investment Association (RIA), BNP Paribas, KPMG, PwC, the World Bank, the Sustainable Stock Exchanges (SSE) initiative, the Organization for Economic Co-operation and Development (OECD)

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Appendix

Appendix 1: Interview with a Financial Consultant of a company

« Pouvez-vous me fournir des informations sur votre méthode de sélection qui vous permet de satisfaire des critères ESG rigoureux sans compromettre la performance, et ce de manière objective ? »

« Tout d'abord, nous examinons qualitativement le processus d'investissement de toutes les sociétés de gestion des fonds identifiés par l'entreprise. Nous évaluons différents critères tels que l'expertise de l'équipe d'investissement, le type d'approche utilisée, la rigueur de processus ainsi que son originalité. Ensuite, les fonds sont notés de un à cinq en fonction de leur degré de durabilité. Cette première étape permet de faire une présélection des fonds qui sont ensuite soumis à un jury qui en retient environ cinq par catégorie, soit une cinquantaine en tout pour une "mini due diligence". Ensuite, nous examinons chaque position grâce à notre outil interne : « ESG Consensus ». Cette opération repose sur une logique de consensus de marché. »

« Les investisseurs ne veulent plus être trompés par des informations mensongères, liées au greenwashing. Sont-ils légitimes de penser cela ? »

« Bien sûr. Nous constatons souvent des revendications approximatives de "compétence historique" qui sont souvent difficiles à vérifier. Nous avons découvert des sociétés de gestion qui prétendent avoir 15 ans d'expérience en matière d'ESG, alors que personne ne connaissait leur "expertise" il y a seulement 2 ans. Dans ce domaine, il y a une tendance à l'auto-déclaration.

Tout le monde parle de durabilité, mais certains en abusent. Les investisseurs sont à la recherche d'une approche objective, indépendante de discours souvent creux. Ils sont également à la recherche de performance, car investir dans des projets durables ne signifie pas renoncer à ses revenus, surtout lorsqu'il s'agit de préparer sa retraite. Le durable est important, mais cela ne veut pas dire qu'il faut sacrifier ses rendements. »

« J'ai lu que vous adoptiez une approche duale. Pouvez-vous m'expliquer en quoi cela consiste et comment procédez-vous ? »

« Pour chaque catégorie, nos spécialistes définissent un univers de base en se basant sur des critères financiers uniquement. Seuls les fonds enregistrés en Suisse et appartenant à la base de données Morningstar, avec un montant supérieur à 30 millions de francs et un historique de performance de plus de quatre ans, sont retenus. Ensuite, pour chaque fond, nous calculons sa performance afin de déterminer s'il surperforme ou sous-performe. Nous évaluons également la stabilité de cette performance à l'aide d'un

ratio à la hausse et à la baisse. Ces résultats nous permettent d'établir un classement de tous les fonds dans chaque catégorie. À ce stade, nous ne faisons pas de sélection mais simplement un classement : tous les fonds de l'univers de base sont pris en compte. »

« Quels sont les principaux paramètres et indicateurs que vous utilisez pour vous assurer que les investissements durables sont non seulement financièrement attrayants, mais qu'ils contribuent également de manière positive à la société et à l'environnement ? »

« Tout d'abord, nous classons tous les fonds enregistrés en Suisse en fonction de leur surperformance par rapport à leur indice sur une période d'au moins 3 ans. Ensuite, nous évaluons la façon dont chaque société de gestion intègre la durabilité dans sa gestion de fonds, en se basant sur la description de ses processus. Sur les presque 10 000 fonds examinés au niveau financier, seulement 400 sont retenus. Nous vérifions ensuite la cohérence entre le processus décrit et la composition effective du portefeuille. Nous établissons ainsi une fiche d'analyse individuelle pour les 100 fonds durables affichant de bonnes performances financières. »

« Comment voyez-vous l'évolution de l'investissement durable dans les années à venir ? »

« Il va y avoir une certaine accalmie, pour que les gens aient le temps de s'y habituer. Dans 10 ans l'investissement durable sera la norme. Les critères d'évaluation seront complètement intégrés dans les critères d'évaluations financiers. Plus personne ne voudra investir dans une société mal gérée, car automatiquement les résultats financiers ne seront pas bons. »

« Quels sont les défis auxquels vous êtes confrontés au niveau de l'analyse de la durabilité et comment les relevez-vous ? »

« L'un des problèmes auquel nous faisons face est la couverture des petites entreprises. Celles-ci sont rarement ou même jamais évaluées par les analystes et pour lesquelles il n'existe aucun consensus. Il devient alors difficile de corroborer l'opinion sur la composition du portefeuille. »

« Seriez-vous prêt à rendre vos investissements plus durables au détriment de la performance ? »

« Non, l'avenir de l'ESG est d'être rentable. Il y aura toujours des segments de marché moins ESG, mais il n'y aura plus de demande pour du non-ESG. Pour moi, non ce n'est clairement pas une raison de délaisser la performance. »

Appendix 2 : Interview with a Portfolio Manager at a family office

« Pouvez-vous me fournir des informations sur votre méthode de sélection qui vous permet de satisfaire des critères ESG rigoureux sans compromettre la performance, et ce de manière objective ? »

« Le family office investit dans différentes catégories d'actifs, mais jusqu'à présent, la prise en compte des critères de durabilité se limite principalement au portefeuille d'actions. La stratégie d'investissement repose sur une combinaison de critères d'exclusion éthiques tels que les jeux d'argent, le tabac, les armes et l'énergie nucléaire, ainsi qu'une stratégie Best-in-class. L'empreinte carbone du portefeuille est également régulièrement évaluée. »

« Vous adoptez donc une approche d'exclusion. Pouvez-vous m'expliquer en quoi cela consiste et comment la mettez-vous en application ? »

« La mise en œuvre s'est faite progressivement. La famille a toujours appliqué des critères d'exclusion éthiques. Depuis plusieurs années, notre entreprise familiale investit également dans la microfinance. Nous avons même mesuré pour la première fois les émissions de dioxyde de carbone du portefeuille d'actions. Nous avons même voulu aller plus loin en intégrant systématiquement les aspects durables. C'est ainsi que la stratégie Best-in-class a été mise en place : un titre ne peut être considéré pour un investissement que s'il est jugé durable. Les critères de durabilité sont également pris en compte dans l'analyse qualitative, ce qui a une influence sur chaque décision d'investissement. »

« Quels sont les principaux paramètres et indicateurs que vous utilisez pour vous assurer que les investissements durables sont non seulement financièrement attrayants, mais qu'ils contribuent également de manière positive à la société et à l'environnement ? »

« Pour cibler son univers d'investissement durable, l'entreprise collabore avec une banque partenaire. L'évaluation des aspects durables, dans le cadre de l'analyse qualitative, est effectuée en interne. L'accent est davantage mis sur une évaluation globale des risques, en se basant sur le "sens commun" plutôt que sur la prise en compte d'indicateurs précis. »

« Quels sont les défis auxquels vous êtes confrontés au niveau de l'analyse de la durabilité et comment les relevez-vous ? »

« Un des plus grands défis auquel nous avons dû faire face est de démontrer que l'investissement durable ne conduit pas à une augmentation des coûts. Il fallait aussi prouver qu'il ne nuit pas aux performances et ne présente pas un risque plus élevé. Un autre défi était de convaincre nos investisseurs que l'adoption d'une stratégie

d'investissement durable était nécessaire et prioritaire. Finalement, les ressources étaient évidemment limitées. En effet, les thématiques de durabilité évoluent très vite et il n'est donc pas toujours facile d'être bien informé. »

« Seriez-vous prêt à rendre vos investissements plus durables au détriment de la performance ? »

« Absolument pas et ce n'est pas du tout le cas ! Selon moi, l'investissement durable contribue à la réduction des risques. L'une des raisons principales est que l'entreprise est avantagée car elle bénéficie d'une bonne image et donc d'une bonne gouvernance. Je pense aussi que la prise en compte des critères ESG favorise la confiance dans les décisions d'investissement. De plus, cette stratégie engendre un changement de perspective qui conduit à de nouvelles idées d'investissement. »

Appendix 3 : Interview with an Advisor of a pension fund

« Pouvez-vous me fournir des informations sur votre méthode de sélection qui vous permet de satisfaire des critères ESG rigoureux sans compromettre la performance, et ce de manière objective ? »

« En résumé, notre convention d'investissement responsable, recommande l'intégration des critères environnementaux, sociaux et de gouvernance dans la gestion des actifs. Elle favorise aussi l'exercice des droits de vote et le dialogue avec les actionnaires. Finalement, elle préconise l'exclusion des sociétés impliquées dans l'armement et la pornographie. Nous refusons aussi d'investir dans les matières premières ou encore les hedge funds car ils sont trop risqués. »

« Vous adoptez donc une approche de dialogue actionnarial collaborative. Pouvez-vous m'expliquer en quoi cela consiste et comment la mettez-vous en application ? »

« Depuis longtemps, l'équipe interne est consciente et réceptive à toutes les problématiques liées au développement durable. Afin d'intégrer ces considérations dans les procédures d'investissement, la caisse de pension a adhéré à l'Engagement Pool et sollicite régulièrement des conseillers externes. Elle s'appuie également sur les gestionnaires pour faire progresser leur processus d'investissement et proposer des solutions novatrices compatibles avec notre Convention »

« Quels sont les défis auxquels vous êtes confrontés au niveau de l'analyse de la durabilité et comment les relevez-vous ? »

« La difficulté majeure reste le contexte économique, qui présente de nombreux défis auxquels nous devons faire face pour garantir la durabilité des prestations tout en

garantissant également une bonne performance. 2021 et 2022, avec le Covid, puis la guerre en Ukraine ont par exemple été plus compliquées car d'autres thématiques comme celles de la santé, la consommation de base, ou encore les armes, ont été des secteurs qui ont extrêmement bien performés contrairement aux secteurs durables comme les énergies renouvelables. »

« Seriez-vous prêt à rendre vos investissements plus durables au détriment de la performance ? »

« Non, nos rendements espèrent une rentabilité similaire à ceux des placements conventionnels. Notre Charte est d'ailleurs en accord avec une gestion financière rigoureuse, afin de ne pas nuire aux intérêts financiers à long terme de la caisse de pension de Prévoyance. »

« Comment voyez-vous l'évolution de l'investissement durable dans les années à venir ? »

« L'investissement durable est appelé à continuer à croître dans les années à venir, car cette tendance donne un tournant positif dans les décisions d'investissement. On a vu un particulier une nette amélioration de la transparence, du renforcement du dialogue avec les partenaires externes, ainsi qu'une meilleure gestion des risques, grâce au suivi renforcé des controverses. »

Appendix 4 : Survey questions :

1. "Are you worry about your financial security and stability?
(On a scale of 1 to 10, with 10 being the highest and 1 being the lowest conscience)"
2. "Are you paying attention to environmental and social issues?"
3. "Have you ever invested part of your wealth in financial assets (stocks, bonds, commodities, funds, structured products)?"
4. "If yes, how do you choose your investments? [Several choices possible]"
5. "Have you ever invested in sustainable investment products (socially responsible investment) ?"
6. "If yes, how did you find out about the sustainable investment offer ? [Several choices possible]"

7. "Do you think that socially responsible investments are a way to ease your conscience? (On a scale of 1 to 10, with 10 being the highest and 1 being the lowest conscience)"
8. "Are you willing to pay extra for brands that support causes you care about ? (On a scale of 1 to 10, with 10 being the highest and 1 being the lowest conscience)"
9. "How much more would you be willing to pay for something that supported some of the causes?"
10. "What do you think is important if you were to invest in a sustainable investment product ? [2 possible answers] »
11. "Please indicate if you have done the following in the past 12 months : Purchase from a brand in particular because of the company's social or environmental impact"
12. "Please rate the following in terms of how much you agree or disagree with each statement."
 - a. "It is possible through my investment decisions to influence the amount of climate change caused by human activities."
 - b. "It is possible through my investment decisions to create economic growth that lifts people out of poverty."
 - c. "It is possible to balance financial gains with a focus on sustainability."
13. "The word 'greenwashing' is used to mean claiming activities are green when they are not—for example, companies making unrealistic claims to sustainability. As an investor, how worried are you about greenwashing?"
14. "How significant are the following as barriers to including sustainable investing in your portfolio?"
15. "Do you think that sustainable investments are a drag on performance and do present a higher risk than conventional investments?"
16. "What part of your wealth is invested in financial assets (stocks, bonds, commodities, funds, structured products)?"

17. "Which of the Sustainable Development Goals below do you want to advance with your investments? Rank from 1 to 5 (1 being the most important and 5 the least important)."
18. "In which canton do you live?"
19. « How old are you ? »
20. "What is your current professional profile?"
21. "What is your gross annual income?"