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Swiss Climate Scores create greater transparency for sustainable financial products

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Investment decisions can make a significant contribution to achieving global climate goals by steering financial flows towards sustainable products. The Swiss Climate Scores use a series of criteria to create more transparency for private and institutional investors and demonstrate just how sustainable financial products really are.

Switzerland is one of the top 10 countries worldwide for lowest GDP emissions intensity (greenhouse gas emissions per franc of economic output). Domestically generated emissions account for less than 0.1 per cent (46 million tonnes of CO2) of total global emissions. This is particularly attributable to its strong tertiary sector and a high-tech economy by international standards, with low-CO2 power generation. The overall picture is less favourable when the 69 million tonnes of CO2 of import-related emissions are taken into account – one and a half times higher than domestic emissions.

In Switzerland, the financial sector plays a key role in decarbonisation. Through its large investment volume and investments in equities, corporate bonds, and lending and mortgages, the financial sector acts as an important lever in reducing CO2 emissions to an extent that exceeds overall domestic emissions many times over.[1]

Improved transparency for sustainable financial product

A prerequisite for sustainable investment is that investors have access to meaningful and comparable information on the compatibility of the various investment products with global climate goals. With this is mind, in collaboration with the financial industry, the federal government developed the Swiss Climate Scores and published them at the end of June 2022. These comprise six indicators based on recognised standards and are intended to create comparison options for financial investments:

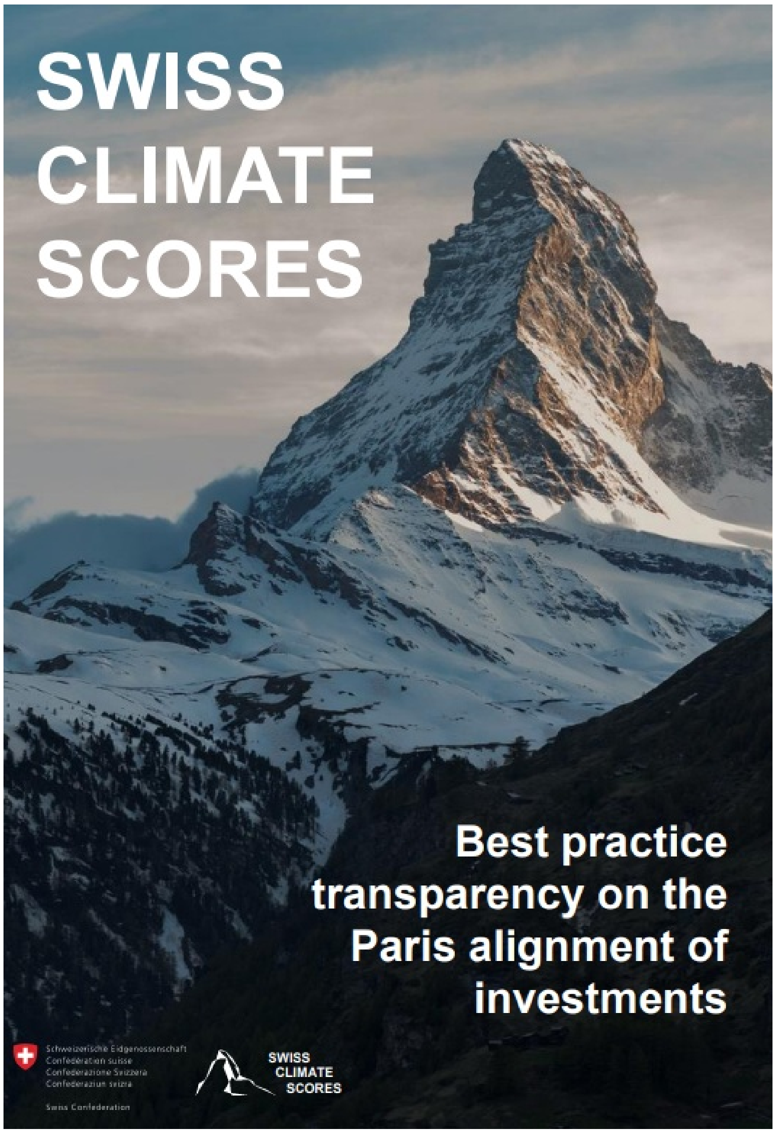
1. Greenhouse gas emissions
2. Exposure to fossil fuels
3. Global warming potential
4. Verified commitment to net zero
5. Credible climate dialogue
6. Management of net-zero objectives

The SIA’s involvement in the development of the scores

The Swiss Insurance Association (SIA) played a significant role in development of the scores and supports their introduction. In addition to existing frameworks, such as the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the net-zero alliances, the SIA sees the Swiss Climate Scores as a suitable instrument for financial institutions to use in order to improve the transparency and comparability of products.

The SIA also welcomes the voluntary nature of the Swiss Climate Scores for the financial sector and therefore also for the insurance industry. It is already apparent that the data basis for the various investment products is not yet available across the board in sufficient quality to be able to evaluate these products according to the score indicators.

The Swiss Climate Scores are in a pilot phase until the end of 2023, during which their practicability will be tested. Afterwards, the federal government will evaluate how the scores have been applied, the compatibility of the applications and the incentive effect they are able to produce in terms of sustainability practices.



Link to the Swiss Climate Scores.

[1] *Klimastandort Schweiz, study by McKinsey in collaboration with economiesuisse and the WWF, 2022*

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