

10 FINANCE INNOVATIONS

Geneva, the sustainable finance laboratory

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FOREWORD

CANTON OF GENEVA

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From Geneva's beginnings as one of the great medieval trade fair towns, the city has expanded and developed into the leading global financial center it is today. The years following the 2008 financial crisis have seen a number of reforms that aim to improve the operation and the integrity of the international financial system.

The financial industry has to face these new challenges, which involve fundamental changes to the way it operates. However, it should be noted that Geneva owes its status as one of the world's most competitive financial centers to the fact that — throughout its history — it has always succeeded in innovating and reinventing itself.

Geneva and Switzerland share a common tradition of innovation, as recognized in many world rankings. This was true in the past, thanks to world-renowned figures such as Gallatin, Rousseau and Dunant, and is still true today through initiatives such as the Human Brain Project and Solar Impulse.

In a unique ecosystem, featuring in particular a cluster of international organizations (known as International Geneva), this creativity plays a key role. It has brought about a flourishing of knowledge on sustainable finance, along with the development of expertise, products, ideas and tools of remarkable quality.

From the world's first microfinance funds to shareholder engagement, our region can rely on skills and expertise of global repute.

Though they are paradoxically better known abroad than in Switzerland, many experts from the Geneva area play a key role in the growth of this industry. Major banks, specialized financial institutions, international organizations and NGOs are constantly creating new and innovative products, services and concepts for the sustainable finance sector.

In this book, Sustainable Finance Geneva aims to build awareness of the unsung strengths of Geneva in the field of sustainable finance by sharing success stories, in line with the Council of State's goal of positioning our canton as a laboratory for this rapidly growing sector.

Although the economy depends above all on businesses, the State also has a role to play by creating a framework that fosters economic activity and enables synergies between companies and organizations. Geneva's Council of State has every intention of fulfilling this role and wishes every success to this endeavor showcasing the many initiatives in place that promote sustainable finance.

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SERGE DAL BUSCO

State Councilor
Department of Finance

PIERRE MAUDET

State Councilor
Department of Security and Economy

FOREWORD

GENEVA FINANCIAL CENTER FOUNDATION

SUSTAINABLE FINANCE: NO FREEDOM WITHOUT RESPONSIBILITY.

Today, sustainability is key.

We live in a world of unbridled individualism. On the political level, some politicians fail to look beyond their own re-election, to the detriment of projects that may be unpopular in the short term, but would provide real benefits to society in the long run. The most worrying consequence of this rampant individualism is the doubt that has been cast upon the merits of democracy, compared with more authoritarian systems.

The article “What’s gone wrong with democracy” published in *The Economist* on March 4, 2014 argues that democratic governments have become accustomed to systematically generating significant structural deficits through borrowing, to provide voters what they want in the short term, while neglecting long-term investments. The financial crisis provided a stark demonstration of the unsustainable nature of democracy based on debt.

In economic terms, many companies and their leaders have forgotten that they should serve a purpose and add the highest possible value for their clients – and for society in general.

In the eyes of many observers, the financial sector has become the epitome of an industry that has lost sight of the need to pursue aims that are useful to all. The pursuit of short-term profit has obscured the fact that money is not an end in itself, but a tool — and one of vital importance to the economy. Today, we are facing the consequences of this mindset. Ever-tighter regulation, to the point of being excessive, is making access to credit increasingly difficult. Financial innovation, which historically has been linked to economic growth, is diminished.

Fortunately, there are initiatives that aim to do things differently: those of sustainable finance.

The Geneva Financial Center Foundation has supported the Sustainable Finance Geneva project since 2008.

This is something we are proud of. Is there a place more appropriate than Geneva to remember that individual freedom always comes with responsibilities?

We can only avoid being suffocated by regulation and reverse the poor opinion that the public has of us by assuming greater responsibility.

We must demonstrate this responsibility by contributing to the harmony and sustainability of the planet.

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NICOLAS PICTET

President of the
Geneva Financial Center Foundation

PURPOSE OF THIS BOOK

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The Swiss financial sector has undergone an unprecedented wave of transformation in recent years. Along with increasing international pressure, notably through major and rapidly implemented new regulatory and tax provisions, Swiss financial institutions must also meet the new expectations of increasingly demanding customers and regain the trust of the authorities and of the general public.

Although periods of transition can be difficult, change and shifting boundaries provide unique opportunities for innovation and reinvention, to improve models and practices.

It is therefore no coincidence that past decades have been rich in innovations, particularly in the field of sustainable finance. The innovations presented in this book contribute to the positive and sustainable transformation of the financial sector and are levers of growth, job creation and competitiveness for the years to come.

In this book, Sustainable Finance Geneva seeks to highlight the key role that the Lake Geneva region has played in these developments. Thanks to its unique advantages, Geneva has acted as a testing ground for many of these major innovations, which have often gone on to spread worldwide.

This book does not aim to provide an exhaustive list. We selected ten innovations initiated or developed in the Geneva area, which we consider to be emblematic of how this laboratory of sustainable finance operates. Although these initiatives are not all “world firsts”, they have in common that they all benefited from Geneva’s unique ecosystem, which brings together a leading financial center, a network of international organizations, major foundations, and an active and enterprising academic sector, all in one place.

It is the richness of the exchanges between these different organizations, the meeting of people of different backgrounds and profiles that have created the conditions for these innovations.

Sustainable Finance Geneva is publishing this book in celebration of the “Geneva spirit”, to encourage new ideas that promote sustainable finance and to recognize the work of these innovators.

We hope you will find this book inspiring.

The SFG team

DID YOU KNOW?

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- 01** Geneva is one of the birthplaces of microfinance. It was in Geneva in the late 1990s that the idea was born to create the first microfinance investment fund. This was thanks to an innovative partnership between UNCTAD and the private banking sector. Today, Geneva and now Zurich host the largest specialist fund management firms, with almost 30% of all assets under management in the world.
- 02** The Ethos Foundation is a pioneer of shareholder engagement. It was founded in Geneva by two pension funds in 1997. Today, institutions that subscribe to its principles manage more than 25% of Switzerland's occupational pension schemes' total assets (more than 150 billion francs).
- 03** Based in Geneva, UNEP FI the (United Nations Environment Programme's Finance Initiative) is a successful partnership between the United Nations and the private financial sector, which has led to numerous studies and to the development of international initiatives such as the Principles for Responsible Investment (PRI), which now have over 1,260 signatories representing more than \$45 trillion under management.
- 04** Geneva is also home to the head offices of major banks that have developed pioneering products in responsible social investment, including Pictet, Lombard Odier and J. Safra Sarasin, in which several billion francs are invested.
- 05** In 2013, the people of the Canton of Geneva voted to accept the merger of two large public pension funds (CIA & CEH). This vote was historic because it placed the principles of sustainable development and responsible investment at the heart of the fund's management, paving the way for other institutional investors.
- 06** The Canton of Geneva is home to a unique concentration of over 1,000 charitable foundations, almost one foundation for every 440 inhabitants.
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GENEVA, THE SUSTAINABLE FINANCE LABORATORY

Geneva's unique ecosystem makes it a laboratory of sustainable finance.

- 01 **Geneva's financial center is one of the most competitive in the world.** It is notably one of the leading financial centers for the management of cross-border wealth. The private banking sector dates back more than 200 years and has a tradition of preserving assets for future generations and providing personalized service with a focus on quality.
- 02 **Geneva is the second seat of the United Nations.** For over 100 years, the city has been home to many international and non-governmental organizations. Today, over 30 major international organizations have their headquarters in the Geneva area and more than 400 non-governmental organizations in consultative status with the UN have also set up offices here.
- 03 **Geneva and Switzerland's spirit of innovation has been recognized in global rankings for many years.** This spirit has enabled our country to develop unique expertise, which it exports around the world — whether in industry, biotechnology or financial services.

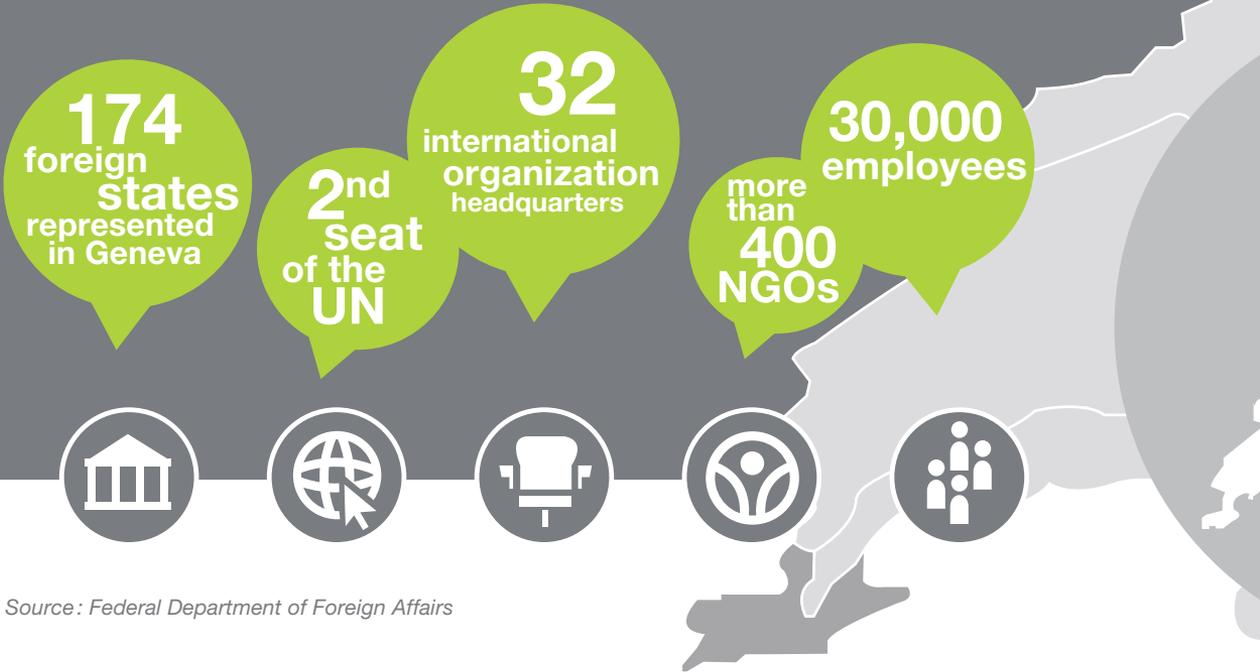
It is the coming together of these two worlds — finance and international development — and its spirit of innovation that makes Geneva a financial **laboratory** unique in the world.

This vibrant combination has made Geneva the birthplace of many sustainable finance products, concepts and tools, which have since spread worldwide.

ECOSYSTEM



INTERNATIONAL GENEVA



GENEVA FINANCIAL CENTER

SWITZERLAND,
NUMBER 1 IN
INNOVATION

123
banks

870
financial
intermediaries

37,000
employees



Source: Geneva Financial Center Foundation

MARKET COMPASS

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> The 2012 Eurosif survey on HNWIs (High Net Worth Individuals) revealed that the share of sustainable and responsible investments made by European HNWIs has increased by nearly 60% over the past two years. Sustainable investments rose to €1.15 trillion compared to €729 billion in 2009.

> Switzerland is home to some 200 organizations actively involved in sustainable finance (asset owners, asset managers, etc.).

Source: OnValues

> By the strictest definition of “sustainable investment”, 57 billion francs of such investments are managed in Switzerland, including a significant portion belonging to foreign customers. The sector has seen double-digit growth for a number of years: in 2013 a further increase of 17% was recorded.

Source: FNG

> The first global indexes for sustainable stock (DJSI) and microfinance (SMX), now used worldwide as benchmarks, were created in Switzerland.

10 Innovations



PUTTING SHAREHOLDERS BACK AT THE HEART OF COMPANIES

01

Putting shareholders at the heart of the company is what shareholder engagement is all about. In recent decades, the investment horizon has grown ever shorter and the relationship between shareholders and companies has weakened in favor of operational departments within businesses. Nevertheless, a shareholder is first and foremost a co-owner of the company in which he or she holds shares. He or she must be able to influence the company's strategy, management and business practices, in proportion to the number of shares he or she holds.

In total, members of the ETHOS Foundation represent over one million policyholders and 150 billion francs under management, nearly 25% of Swiss occupational pension plans.

It was in this spirit that, in 1997, a public pension fund and a private pension fund* based in French-speaking Switzerland innovated by setting up the Ethos Investment Foundation for sustainable development in Geneva. Ethos operates as a traditional asset management company. It is dedicated to institutional investors (mainly pension funds) and includes responsibility and sustainability criteria in the investment process. More specifically, its mission is to encourage investors to exercise their voting rights, by representing them and engaging in active dialogue with companies in which its clients have invested. The founding members of Ethos support strong commitment from shareholders and share a vision of responsible shareholding democracy. In its first year, Ethos numbered 25 member institutions and had nearly 300 million francs under management. Today, Ethos has over 140 institutional investors in Switzerland.

Since Ethos' inception, shareholder engagement has grown considerably and has become standard practice, especially in English-speaking and Scandinavian countries. Ethos is still today a global reference in matters of governance and executive pay. Many of Ethos' positions have led the way or have grown gradually into wider debates. For this reason, Ethos was opposed to the UBS-SBS merger due to fears of creating a systemic risk ("too big to fail" – fears that were justified a few years later). The "Say on pay" initiative also resonated at a national level, with the acceptance of the Minder initiative* and the shareholder vote on the salaries of corporate executives. Ethos has also greatly contributed to the awareness of governance issues in Swiss companies, in particular by encouraging the establishment of clear codes of conduct. Thanks to this work, most listed Swiss companies now have these tools in place.

In the years following the creation of Ethos, several other Geneva-based organizations have advanced the practice of shareholder engagement by developing their own approaches. This is the case of Actares (Association for a Sustainable Economy) and Guilé Funds, which conduct a "soft power" dialogue with companies by suggesting material improvements inspired by the principles of the United Nations Global Compact.

* The provident fund of teachers of public education and administrative officials of the canton of Geneva (CIA) and the Joint Provident Fund of the construction industry in Geneva (CPPIC).

* A federal popular initiative in Switzerland against excessive executive pay.



// We have a responsibility as shareholders, because unsustainability ultimately destroys value. Ethos was created with a pragmatic and visionary spirit, bringing investors, foundations and private bankers around the table. This is one way in which Geneva is a unique place that brings people together and fosters innovation. It is essential to continue this commitment in the future. //

Jacques-André Schneider
President of Ethos during its first ten years



// Today, involvement no longer means merely voting at companies' annual shareholders' meetings. Share ownership is a year-long commitment, which results in increased dialogue and results. This is how in the future we will change practices related to governance and sustainability in business. //

Dominique Biedermann
CEO of Ethos

EVALUATING COMPANIES AS A WHOLE

02

The analysis criteria used during the traditional investment process is mainly based on financial considerations (expected profit, multiples, debt, etc.). For some analysts, these criteria are insufficient because they ignore a number of externalities, risks and opportunities considered intangible or unquantifiable, but that nevertheless have an impact on the value of a company, especially in the long term. Practices that are detrimental to the environment or harmful to employees or communities, even if they are currently considered legal in some countries, will sooner or later face opposition, calls for compensation, or will simply become regulated, all of which will impact the finances and even the survival of a company. It is in this context that extra-financial analysis or ESG (environmental, social, governance) has developed. This additional investment selection tool does not replace conventional financial analysis, but strengthens it by including aspects hitherto ignored.

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More than 93% of the world's 250 largest companies now publish a Corporate Social Responsibility Report (CSR).*

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Inrate is a Swiss pioneer in the development of methods and tools for rigorous and innovative measurement to objectively evaluate non-financial business performance. This independent sustainable ratings agency was born of the merger of two companies, Centre Info, established in 1990, and Inrate created in 1995. It was the first European organization to assess environmental, social and corporate governance criteria. The documentation and analysis it produces is based on CSR reports and regular meetings with the companies it rates. The agency has led the way in several areas, such as in calculating the carbon footprint of financial portfolios. The methodology for this was developed in partnership with the EPFL (Ecole Polytechnique Fédérale de Lausanne). Inrate also developed Switzerland's first methodology for the sustainability analysis of private equity funds in 2009.

Inrate is today one of Europe's largest and most respected agencies. Its scope has widened and gradually internationalized; it is now able to assess most of the companies listed on major stock exchanges around the world. Extra-financial analysis is now used by many banks for their thematic products, for instance, or for sustainable discretionary mandates with ESG criteria.

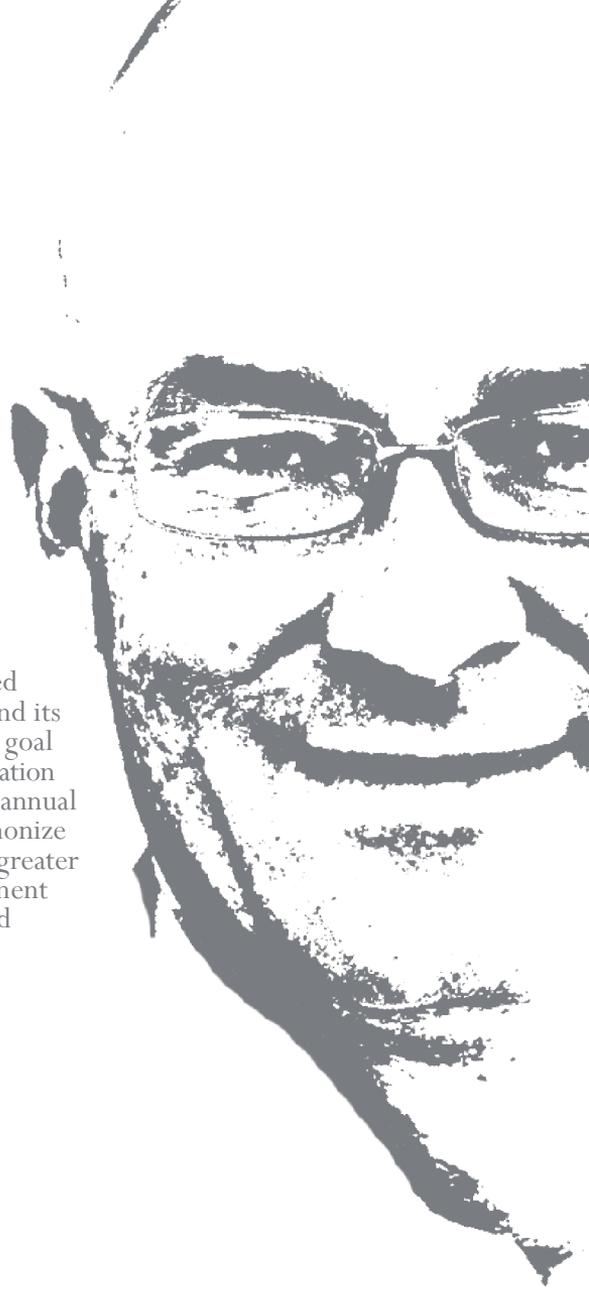
In the same field, RobecoSAM, which was founded in Zurich in 1995, is positioned as a management company exclusively focused on an ESG analysis approach. In 1999, the organization entered into a partnership with the U.S. Dow Jones index and created the first global sustainability index: DJSI (Dow Jones Sustainability Index). This group of indexes remains a global benchmark for investors today.

* Source: 2013 KPMG survey of Corporate Responsibility Reporting

// Investors increasingly wish to have a consolidated view of the finances of a company, its business model and its ability to create sustainable value. Providing this is the goal of ‘integrated reporting’, which brings together information currently spread across various publications (CSR report, annual report, etc.) in one single report. These efforts to harmonize are a key part of moving towards higher quality data and greater consideration of sustainability criteria. Their development will also further democratize both ESG analysis and Socially Responsible Investing (SRI). //

Philippe Spicher

Director of Inrate until 2014



CORPORATE REPUTATION IN THE AGE OF THE INTERNET

03

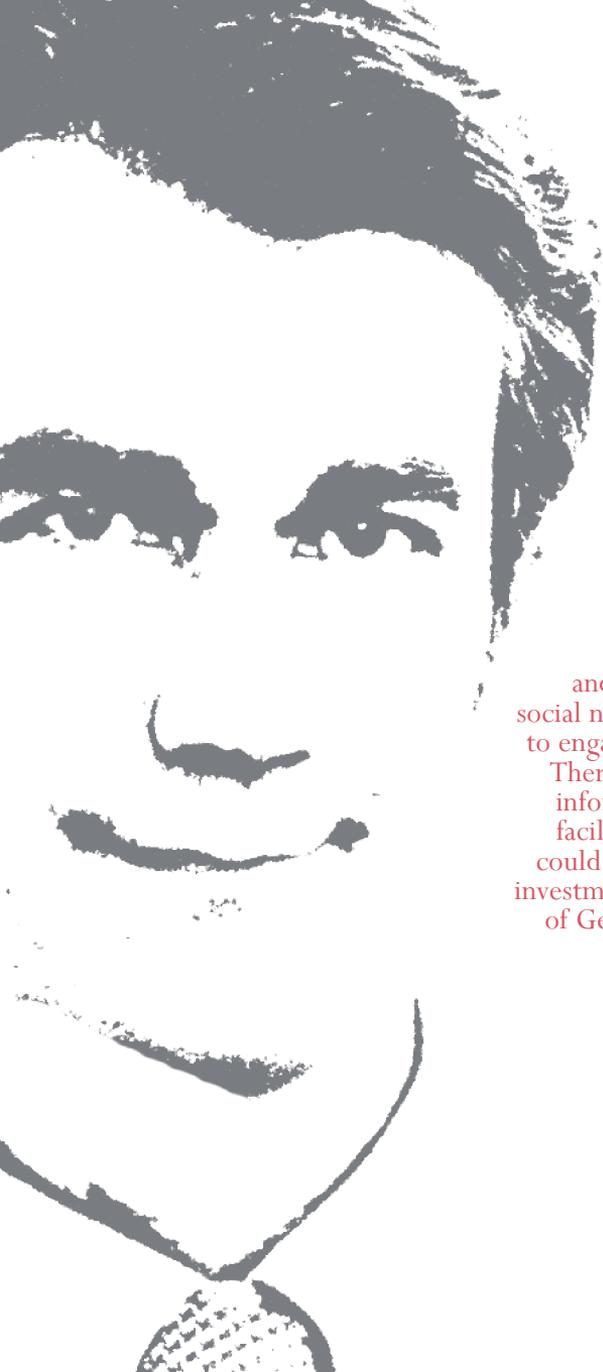
Traditional financial analysis is based on a variety of sources and information available throughout the world and in real time. For listed companies, the tools developed by Bloomberg and Reuters, for example, provide access to multiple financial criteria. Such tools are not yet available for extra-financial analysis. Direct contact with companies is almost always necessary. However, this can sometimes be insufficient or biased, as the only source of information is the company itself. However, with the advent of the Internet, corporate reputation has gradually become a comprehensive and critical issue for most companies' key business activities, particularly with regard to relationships with their customers, suppliers or prospective employees. The Internet has proven to be a powerful tool to diversify sources of information on companies.

According to the Global Compact CEO Survey 2013, 81% of CEOs believe that the sustainability reputation of their company is important in customers' purchasing decisions.

Taking into account these new challenges, Geneva-based company Covalence developed in 2001 a methodology for analyzing companies that includes both data released by the company and information published about the company by other sources — such as the media, NGOs, government bodies, etc. This innovation was made possible by the widespread use of the Internet. Covalence considered that it was essential to diversify sources of information to increase the credibility of ratings. As such, the critical perspective of NGOs, trade unions and the media provide a useful addition to those of the companies under scrutiny. Furthermore, for more pragmatic reasons, it has also become essential to record progress and developments in companies that have become increasingly responsive to social and environmental demands. Hence the development of a tool for measuring ethical reputation, based on permanent online monitoring, the automation of data extraction and classification, and the use of a team of analysts working alongside universities around the world.

Corporations have called upon Covalence to track and analyze their reputation on ESG issues, including large multinationals and international organizations. Businesses' need in this area is growing strongly. The EthicalQuote system has achieved recognition, enabling Covalence to expand into reputation management tools and ESG analysis for corporate stocks. For the past two years, Covalence has also provided extra-financial ratings for the leading index of sustainable Swiss equities. The company continuously provides data on sensitive issues affecting nearly 2,000 companies and has worked with more than 500 analysts in 40 countries since its creation.

With Covalence in 2001 and RepRisk in 2006, Switzerland and Geneva have witnessed the emergence of two ESG reputation measurement specialists.



// Companies' need for ESG management and reporting tools is growing strongly. In the age of social networks, annual reporting is not enough : it is essential to engage in dialogue and monitor media coverage regularly. There is also untapped potential for the use of local ESG information in developing countries. Switzerland could facilitate the development of a network of contacts that could feed this local data to the places where decisions and investments are made. This network could build on the vitality of Geneva, as a hub of international organizations, NGOs and multi-stakeholder initiatives. //

Antoine Mach

Co-founder and Director of Covalence

SUSTAINABILITY WITHIN REACH OF ALL INVESTORS

04

If sustainable investment solutions are to have a large-scale impact on corporate behaviour, it is essential that they do not remain the preserve of investors committed to the sector, but rather that they become as widely accessible as possible. To this end, it was necessary to devise new investment approaches focused on social and environmental issues that appeal to non-specialists. This meant developing specialised expertise that is not limited to a niche of the market and that can — on the contrary — be rolled out across a large number of companies while using conventional investment vehicles that fit easily into investor portfolios.

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The Geneva-based Pictet Group is a pioneer in this area. In 2000, it decided to invest in the water sector by creating Pictet-Water. Access to and proper management of water resources are a key issue of sustainable development. Furthermore, water is an industry that is growing at an average rate of 6% per year, with regular demand and low volatility because of the essential nature of water. At the time when the Pictet-Water fund was set up, the appetite for Nasdaq technology stocks had relegated sustainability to the status of a background issue. However, the Pictet Group was convinced that all the ingredients for success were combined in this area that is so critical for sustainable development – and has since successfully developed other environmental products.

Iconic funds such as Pictet-Water have paved the way for the development of specialist investment funds and given a broader audience access to sustainable investment. Geneva private banks have shown various levels of commitment in supporting innovative projects. Today, the vast majority of major banks in Switzerland offer one or more SRI funds.

J. Safra Sarasin Bank currently has the largest market share in Switzerland in the field of sustainable investment funds. Lombard Odier, for its part, was one of the first banks to commit dedicated resources in 1998. In 2007, the Lombard Odier Generation Fund was launched along with Generation Investment Management, a company founded by Al Gore. In the space of a few years, the fund has become one of the largest international funds, based on its unique approach, which integrates sustainability analysis at every stage of the investment process.

> PROPOSAL

Numerous initiatives have been launched in several global financial markets to improve transparency and forecasting of SRI funds. These have involved quality labeling, transparent accounting principles and specific legal structures for funds, as is the case in the European Union.

In 2013, SFG issued a call to action, following the publication of a study on the competitiveness of sustainable finance in Switzerland*. SFG is calling for the establishment of a sustainable investment fund structure in Switzerland, specifically designed for responsible investment strategies, in line with social and/or environmental criteria. Switzerland is thus enabling the creation of regulated SRI funds, based on simple and transparent criteria, which could attract a significant share of the SRI market.

* Path to the Sustainable Financial Centre Switzerland - A call to action, published in May 2013 by SFG and The Sustainability Forum Zurich.

GENEVA, BIRTHPLACE OF MICROFINANCE

05

Microfinance is a tool to provide financial support to micro and small business. It has expanded considerably since the 1980s, particularly in emerging countries. This tool enables small businesses and low-income households to access financial institutions offering basic services such as credit and savings. Today, there are around ten thousand of these institutions in operation around the world. The largest among them have hundreds of thousands of — mostly female — customers and are sometimes regarded as the best banks in their countries. Once mainly financed by development agencies, microfinance institutions have benefited from a decade of growing confidence from private and institutional investors.

The first microfinance funds were created in Geneva. Today Switzerland has almost 30% of global market share.

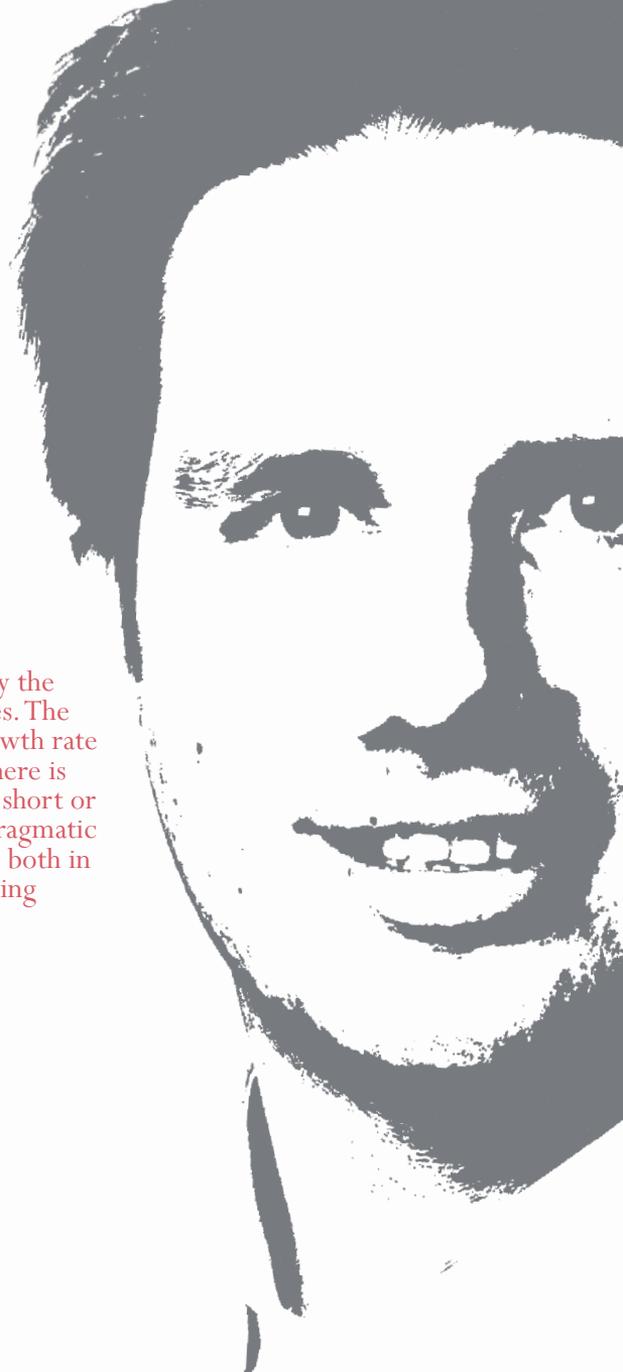
It is thanks to the collaboration between several UN agencies based in Geneva, such as the International Labour Office (ILO) and UNCTAD (the UN body responsible for development issues, specifically as relates to international trade), and visionary private bankers that Geneva was able to distinguish itself by enabling the launch of the first commercial investment fund dedicated to microfinance and BlueOrchard, the first fund manager specialized in microfinance.

In 1997, the General Assembly of the United Nations decided to make 2005 the year of microcredit. As a result, the UNCTAD microcredit unit in Geneva began working on several projects aimed at increasing transparency in the sector and promoting private financing for microfinance. The first project resulted in the launch of the Dexia Micro-Credit Fund in 1998, followed by the Virtual Microfinance Market, the microfinance information platform developed in 2000 by Geneva IT company Infobahn. Finally, in 2001, BlueOrchard was created in Geneva. As the year of microcredit approached, BlueOrchard succeeded in raising funds for its first fund, mainly thanks to Geneva asset managers, as well as structuring a product guaranteed by the U.S. government with J.P. Morgan in New York. These two successes showed the world that it was possible to combine commercial finance with a strong and lasting social impact.

Following in the footsteps of BlueOrchard, several Swiss management companies have emerged to dominate the global microfinance market thanks to their unique expertise. In 2003, responsAbility was founded in Zurich thanks to support from Credit Suisse. It manages the first microfinance funds authorized for distribution to the public. In 2004, Symbiotics was established, a new player that now manages a dozen funds, in particular on behalf of banks and pension funds.

// The future of this asset class requires better understanding by stakeholders, particularly the investment community and financial intermediaries. The microfinance industry has experienced an annual growth rate of between 20% and 40% over the past decade. There is no reason for this growth to slow down, either in the short or medium term. Nevertheless, it requires significant pragmatic and intelligent monitoring on the part of regulators, both in countries receiving capital and in capital exporting countries like Switzerland. //

Roland Dominicé
CEO and Co-founder of Symbiotics



THE POTENTIAL OF IMPACT INVESTING

06

Given its role as a pioneer in microfinance, it is not surprising that Geneva was the location for the first success stories in impact investing. Indeed, microfinance and impact investing share the same basic principles: invest in companies with social or environmental goals and use market mechanisms to solve complex large-scale social and environmental issues. The company becomes an instrument of change, rather than the source of the problem. Thus companies can replicate in healthcare, social housing, education, energy, etc., the models that have proven to be successful in the world of microfinance.

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Impact investing is growing at an annual rate of 30%. The market is expected to be worth \$650 billion by 2020, according to CGAP and the Calvert Foundation.

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The growth of microfinance in Geneva has created favorable conditions for multiple entrepreneurial initiatives in impact investing. Since it was founded in 2007, Bamboo Finance has pioneered this field by taking direct stakes in companies that provide practical solutions to problems faced by those at the bottom of the pyramid: financial exclusion, rural electrification, access to healthcare, etc. The company promptly diversified its activity and achieved prominence by attracting major international investors and by introducing traditional banks to impact investing. Just a few years after its creation, Bamboo Finance has invested in more than 25 countries and manages \$250 million of private and institutional investments.

While many organizations are now interested in this promising market, few have managed to implement solutions that work in the field and that are based on a solid business model. Fewer yet are willing to rethink the whole chain of investment to tackle the many challenges of impact investing. Geneva is home to the most recognized and advanced institutions in this area. These institutions all share the pragmatism, creativity and determination that are the hallmark of sustainable finance in Geneva and Switzerland.

Impact Finance Management is an example of these Geneva-based institutions. It was founded in 2010 and focuses particularly on value chains and on driving revenues as close as possible to the small-scale producers in emerging markets. Venture South International is a holding company for impact investing in SMEs in Latin America, Africa and Asia.



// Geneva has played a leading role in the birth of the impact investing movement; it can and must continue to do so in its further development. Geneva has all of the necessary assets to do this: international exposure, a concentration of leading financial intermediaries, a talent pool of entrepreneurs and more. This gives Geneva the opportunity to perpetuate and extend its long humanist tradition by placing impact investing at the heart of global finance. //

Jean-Philippe de Schrevel
Founder and CEO of Bamboo Finance



// The question of measuring impact is key and lies at the heart of the debate on impact investing. A given investment may pursue a clear social objective, but other elements must not be neglected: the perception of the impact must be holistic and systematic in order to be credible and comprehensive. //

Cédric Lombard
Co-founder and Partner at Impact Finance Management

GENEVA, A UNITED NATIONS CENTER FOR SUSTAINABLE FINANCE

07

Geneva has been home to the headquarters of many UN agencies and leading NGOs for decades. Over time this International Geneva has created multiple cross-collaborations with the finance industry, resulting in a unique ecosystem. Geneva has a well-established reputation for its commitment to human rights and peace; however, the organizations represented in Geneva also bring together many economic and financial experts through, for example, the World Trade Organization (WTO), the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Environment Programme (UNEP). The latter has even created a specific channel dedicated to sustainable finance in Geneva: the UNEP Finance Initiative (UNEP FI).

**The 1,260 PRI signatories
now account for over \$45 trillion
under management worldwide.**

UNEP FI was born in the wake of the Rio Summit in 1992. The creation of this specific sector within UNEP is based on the belief that finance plays a specific role in promoting sustainable development: banks and capital markets that finance the economy have both the power and the responsibility to fund sustainable economic models. UNEP FI is a public-private partnership that aims to highlight the financial materiality of environmental, social and governance issues to financial institutions. Its key achievements include the establishment of the international initiative Principles for Responsible Investment. The Secretary General of the United Nations, Kofi Annan, launched the initiative in 2005 and UNEP FI and the UN Global Compact coordinated the development of the principles. Financial institutions that are signatories to the six principles adhere to a spirit of cooperation for the public good, which is unique to the UN and to the spirit of Geneva, within the highly competitive world of international finance.

Since their launch, the PRI have enjoyed tremendous success. Today, more than 1,200 financial companies are signatories, whether as asset managers or investors. Geneva was the birthplace of a movement that has spread throughout the world and made sustainability a common commitment for all of these institutions. By requiring signatories to report on their progress towards sustainability, the PRI are gradually transforming good intentions into action and are influencing a momentum of tangible change that now pervades to the entire industry.

UNEP-FI also works in close collaboration and synergy with other institutions that have chosen to base themselves in Geneva, for example the World Business Council for Sustainable Development (WBCSD), a coalition of businesses that work together on sustainable development issues. The World Economic Forum is also one of the active institutions in this field.



// The International Energy Agency estimates that \$1 billion per year of additional investment in clean energy will be required over the next 35 years to stabilize global warming. Today, too little capital is flowing into these sectors. These inefficiencies highlight some of the shortcomings of the regulations that govern financial markets. From Geneva, UNEP FI is working closely with the UNEP Inquiry into the Design of a Sustainable Financial System in order to identify these inefficiencies and develop the necessary regulatory reforms to bring about a financial system that supports the transition to an inclusive, green and sustainable economy. //

Charles Anderson

Director of the UNEP Finance Initiative



// A cosmopolitan city where 180 nationalities make up half of the working population, Geneva is unique by its concentration of international organizations, NGOs, specialized university institutes and... financial institutions. It's Europe's fourth-largest financial center and its closeness to the UN makes it one of the world's leading centers of sustainable finance. Geneva manages a major part of the approximately \$450 billion invested from Switzerland in this area. And this amount is bound to increase exponentially, as the demand is out there. Only the opportunities are insufficient — and Geneva has all the assets required to change that. //

Ivan Pictet

President of the Fondation pour Genève

NEW FINANCE MECHANISMS FOR HEALTHCARE

08

The vast majority of international development programs are financed by public or inter-governmental funds. Aware of the limitations of public funding in the field of development, some international organizations, NGOs and foundations based in Geneva have developed innovative financial mechanisms to increase the impact of their actions. The issue here is the same as for Impact Investing: how can the private capital that is available on financial markets be directed towards actions that have strong social impacts?

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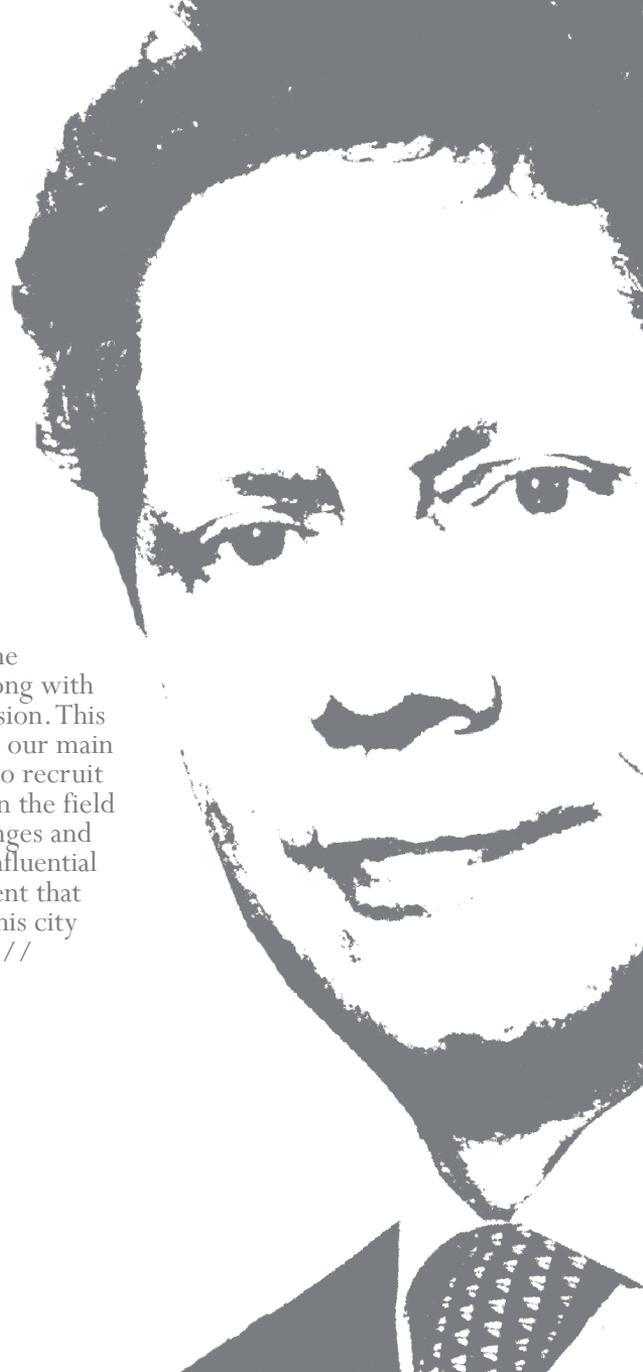
The Global Alliance for Vaccines and Immunization (GAVI) is based in Geneva and operates as a public-private partnership ; it focuses its action on immunization. Since its creation, GAVI has been a pioneer in new models of financing development that have enabled, for example, the expansion of childhood immunization in poor countries. In 2006, it launched “vaccination bonds” on financial markets. Dubbed “International Finance Facility for Immunization” (IFFIm), this instrument enables the conversion of long-term government bonds into immediately available financial resources, via the issue of bonds to private and institutional investors. Thanks to its strong financial base, IFFIm has been rated AAA by FitchRatings.

GAVI’s IFFIm has raised more than \$6.3 billion from a dozen sovereign donors. These mechanisms have enabled GAVI to double its investments in developing countries and are considered a major financial step forward in this area. In 2011, the consulting firm HLSP, which is dedicated to the health sector, confirmed in its report that the funds raised by IFFIm generate not only “extremely positive financial returns” but also have a significant impact on health.

Also in the area of health, GAIN (Global Alliance for Improved Nutrition) launched a new financial instrument last year from its headquarters in Geneva, called “Access to Nutrition Index” (ATNI). This index provides a multi-criteria evaluation of the top 25 global food companies to encourage investment in those that promote better access to nutrition. GAIN considers that nutrition is key to major public health problems. Taken together, the issues of obesity, poor and malnutrition affect about 2.3 billion people (one third of the world’s population) and have a significant economic and public health impact.

// GAVI's location in Geneva — one of the world's two capitals of international relations along with New York — is essential to the organization's mission. This closeness enables us to work more efficiently with our main partners, including the WHO and UNICEF, and to recruit highly qualified staff with international expertise in the field of development. Geneva is also a place of exchanges and encounters that provides access to a network of influential persons, such as the many members of government that come to visit the international organizations. This city is incredibly vibrant with people and ideas. //

Dr Seth Berkley
CEO of the GAVI Alliance



THE NEW PROFESSIONS OF PHILANTHROPY

09

Geneva has a long tradition of philanthropy and is especially notable for its long-standing involvement in humanitarian action, such as the creation of the Red Cross. Philanthropy changed little during the 20th century; however, a new generation of philanthropists emerged in the 1990s and is now exploring new approaches. Donors are often highly involved, have a strong personal commitment and a desire to witness the impact of their actions in their own lifetimes. They are eager to measure the effectiveness of their donations and seek expert advice and guidance in their initial choices and to assist them in implementing their philanthropic programs.

Geneva-based WISE was a pioneer in this field, positioning itself as an independent consultant in philanthropy in 2004. From its inception, WISE's goal has been to support donors and their families in defining and organizing their philanthropic projects in the manner that best reflects their aspirations and resources. This consultancy provider has benefited from the significant wealth transfers that have taken place in recent years, which are often the source of new philanthropic vocations. This is why Geneva, a global leader in wealth management, is also one of the leading centers for philanthropic consultancy.

WISE now enjoys a reputation beyond Switzerland's borders. Its experts work for private donors and their families, and for charitable foundations. The latter benefit from the particularly favorable regulatory framework for philanthropy in Switzerland. This attractive environment, and the significant presence of wealthy clients in Geneva, largely explains the city's position as a global center for philanthropy. On average, a new charitable foundation is set up every day in Switzerland, with Geneva one of the fastest growing cantons in this area.

In recent years, philanthropy consultancy has grown strongly in banks, such as UBS and Lombard Odier, both of which have established a range of philanthropy-related services to support the actions of their clients. Finally, the decision to open a House of Foundations at the Louis-Jeantet Foundation in Geneva has also helped to establish the Lake Geneva region's leadership in this field.



// Family businesses have always been deeply rooted in their communities. But today, often through the commitment of new generations, they are increasingly developing more innovative models in philanthropy and social entrepreneurship. I believe that capitalism is at a turning point and that Switzerland can play an important role in the development of new business models. //

Dr Denise Kenyon-Rouvinez
Wild Group Professor of Family Business – IMD



// We're seeing increasing professionalism and proactivity from entrepreneurs and private individuals responsible for legacies when they deal in philanthropy. In this respect, the wish to truly make a difference for the beneficiaries is combined with a philanthropic project of transmission of values to the next generations that has the support of the whole family. //

Etienne Eichenberger
Co-founder and Partner of WISE

WHAT'S NEXT ?

TRADE FINANCE IN AN ERA OF TRANSPARENCY

10

Where is the next innovation in sustainable finance in Geneva likely to come from? Perhaps from the “trade finance” sector. Many observers expect that the next wave of post-2008 financial regulation will likely address commodity trading and more specifically some of its practices, which may become more strictly supervised by regulators. Geneva and the Lake Geneva region are leaders in the field of international commodity trading, providing an increasing share of trading in several commodities such as oil and coffee. This involves essentially physical trading with a cluster consisting of companies that provide chartering, banks that provide finance and Swiss companies like SGS that certify products worldwide.

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The commodities sector has often been in the spotlight in recent years. It has faced questions regarding the transparency of its activities as well as the effects of its actions on the price of commodities — in particular on the price of food. International organizations based in Geneva have been particularly concerned about these two issues and are now seeking to work together with Geneva’s leading commodities institutions, which meet annually in the Lake Geneva region for three major international events*. A working group was formed on the initiative of UNCTAD (United Nations Conference on Trade and Development) in the spring of 2014. This commission is today working on the governance of the raw materials value chain.

This working group reflects the approach of the Geneva laboratory: it brings together the complementary expertise of a highly diverse group of stakeholders around a common theme. These stakeholders are from both the private and the public sectors and include representatives of several countries (including Côte d’Ivoire, Morocco and Switzerland), international organizations and NGOs (World Vision International, Café Africa), universities and media outlets (ICPublications, Agefi), research organizations (GeoE-conomica) and trading houses (Mercuria Energy Trading, Trafigura) and their umbrella organization in Switzerland, the GTSA (Geneva Trading & Shipping Association).

* Financial Times Global Commodities Summit, GTSA Trading Forum and UNCTAD’s Global Commodities Forum.



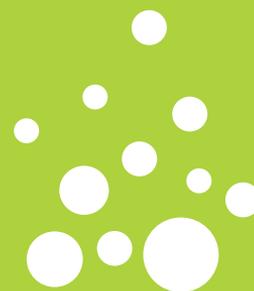
// The commodity trading industry employs almost 8,000 people in Geneva and accounts for 10% of the canton's gross domestic product. At the national level, the figures stand at 12,000 jobs and 3% of GDP. Geneva's financial services sector has survived rough times, not least thanks to global commodity finance and to the financial center's countercyclical contribution in terms of value added and banking jobs. This field of business will be a lasting asset for 'International Geneva' under two conditions: that the quality of service remains high and that the increasingly strict standards of conduct are respected. //

Blaise Goetschin

CEO, Banque Cantonale de Genève

Sustainable Finance Geneva

People leading change



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Among the most emblematic of the sustainable finance initiatives are the Principles for Responsible Investment (PRI - see page 37). Initiated within the United Nations and bringing together more than 1,260 major international companies, this “top-down” institutional approach has considerably raised awareness of these issues on a wide scale. However, at the origin of these principles was one person — Kofi Annan. At the same time, numerous ‘bottom up’ initiatives at a local and/or individual level usefully complement these large institutional projects. Their smaller scale can sometimes enable greater freedom of speech, higher responsiveness and stronger impact, thanks to their proximity to those targeted.

In 2008, some fifteen professionals decided to join forces and launch an exchange platform where stakeholders in the Geneva ecosystem could meet: this led to the creation of Sustainable Finance Geneva (SFG). These professionals share the conviction that Geneva is in a unique position to promote innovation and development in sustainable finance. Their non-profit organization has strong convictions and aims to bring together a variety of personalities and expertise in complementary areas such as asset management, investment funds, microfinance, international organizations, ESG analysis and philanthropy.

Sustainable Finance Geneva now leads the way from Geneva, as the key global platform for sustainable finance. It not only enables an ongoing dialogue between all local organizations, it also promotes Geneva and Switzerland as a center for sustainable finance. Major projects have been successfully completed over the last five years, thanks to the strength of its ever-growing network and the remarkable commitment of its members. Beyond the regular information and studies the organization produces on various themes related to sustainable finance, SFG has organized numerous conferences and discussions with national and international experts. True to its spirit of individual responsibility, SFG launched in 2012 its Individual Principles for the Responsible Investor (IPRI) to which individuals may commit.

Synergies within members of the organization have enabled innovation. Since the organization was created, four companies specializing in sustainable finance have been set up by its founding members. Conser Invest and Quadia are independent managers, The Blended Capital Group is specialized in consulting, while Impact Finance Management has launched an impact fund. These examples illustrate the vitality of the organizations based in Geneva and the ideal environment for innovation afforded by Geneva and the SFG platform.



// To increase their international influence and to promote “Swiss Made” sustainable finance on a larger scale, local organizations joined forces to create the Swiss Sustainable Forum (SSF). SSF and SFG’s complementary nature and their close working relationship will increase their positive impact as well as ensure strong representation for the promotion of Geneva’s financial center. //

Angela de Wolff

SFG first President, Founding Partner
at Conser Invest



// Sustainable finance has expanded at a fantastic pace in Switzerland over the past decade. It is essential to capitalize on this momentum and on Geneva’s ecosystem to continue to foster synergies and innovations in this field. It is also crucial that umbrella associations, politicians and the financial sector work together to ensure the prestige and influence of sustainable Swiss finance, which we believe is an opportunity for the competitiveness of Switzerland as a financial center. //

Bertrand Gacon

SFG President, Head of Impact Investing
at Banque Lombard Odier & Cie SA

Thank you

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*// Systematic innovation requires
the willingness to see change
as an opportunity. //*

PETER DRUCKER