

Sustainability preference: from obligation to opportunity

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Sustainable investing is constantly developing. 100 years ago, the idea of “ethical” investing took centre stage, but nowadays it is increasingly expected that sustainable investment solutions will have an ecological and /or social impact. Providing evidence of such an impact in the real world is anything but trivial and it is common to hear accusations around motives for sustainable investing.

With the support of Raiffeisen Switzerland, an experimental study conducted in 2023 by the universities of Zurich, St. Gallen and MIT in Boston, was able to debunk these accusations. According to the study, sustainable investments are not being used as a substitute for political engagement. In addition, the study confirmed there was a widespread preference among investors for sustainable investment solutions – even if returns are lower. For example, 76.8% of the experimental group in which participants received information on

the carbon footprint of the fund in addition to key financial indicators chose the climate fund. On the other hand, in the control group in which only the financial information was shown and it was known that the performance was slightly higher, it was just 30.1%.

What does this mean for customer advice? While it is true that performance is important to investors who are sensitive when it comes to climate change, it is no more important than the greenhouse gas emissions associated with investments. Since the beginning of the year, the Swiss Bankers Association has made questioning all clients about their sustainability preferences mandatory. To be able to make such an informed decision based on preferences, meaningful sustainability reporting containing data on both performance and greenhouse gas emissions is necessary. This study demonstrates that this obligation is in fact more of an opportunity.

Percentage of those questioned who chose the climate fund
Only the participants in the study who were in the experimental group received climate-related information about the two funds available to choose from.

