

The future of sustainable finance

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Sustainable finance was promised a place in this Part when Part E, Chapter II and Part F, Chapter V discussed the rules on climate disclosure and greenwashing and the appearance of the Basel name in exclusion lists. It deserves separate treatment here because its trajectory is less certain than it appeared a few years ago. Between 2015 and 2021, sustainable finance moved from a niche to the centre of the strategies of most large banks and asset managers. The Paris Agreement, the creation of the Network for Greening the Financial System and the European Union's action plan on sustainable finance gave the movement an institutional framework.¹ Switzerland followed with an approach that combined voluntary industry standards with selective binding rules.

The Swiss toolkit has several elements. The Swiss Climate Scores, launched by the Federal Council in 2022 and revised since, offer a set of indicators that financial institutions can use to show how far their investment portfolios are compatible with the goals of the Paris Agreement.² The Ordinance on Climate Disclosures, in force since 1 January 2024, requires large public interest entities, including banks and insurers above certain thresholds, to report on climate matters in line with the recommendations of the Task Force on Climate-related Financial Disclosures.³ FINMA requires the largest institutions to disclose climate-related financial risks and has published a circular on nature-related financial risks. The self-regulation of the Swiss Bankers Association and the Asset Management Association Switzerland defines minimum standards for products marketed as sustainable and for the integration of sustainability preferences into advice.⁴

Since about 2022, the movement has met resistance from several directions. In the United States, a number of states adopted laws or policies that restrict the use of environmental, social and governance criteria by public pension funds or penalise asset managers considered hostile to fossil

fuels. Several large banks and asset managers left international climate alliances in 2024 and 2025. The Net-Zero Banking Alliance, according to reports, ceased to operate as a membership-based alliance in 2025.⁵ In the European Union, the legislative package of early 2025 known as the omnibus simplification reduced the scope and timing of the corporate sustainability reporting and due diligence rules. The review of the Sustainable Finance Disclosure Regulation was also expected to change the product classification of sustainable funds.⁶ In Switzerland, the Federal Council examined a regulation on greenwashing but weighed it against the self-regulation of the industry. The status of that project should be checked against current sources.⁷

For the scenarios of this chapter, sustainable finance is best understood as a field in which three forces interact. Climate change itself is a predetermined element: its physical effects on property, agriculture, insurance and supply chains will be larger in 2035 than today, regardless of political fashion. The regulatory response is a critical uncertainty, since it depends on political majorities in the United States, the European Union and Switzerland. Client demand forms the third force, which varies between generations and regions. The heirs described above are, according to many surveys, more interested in sustainable investment than their parents, although the strength of that preference when it conflicts with returns is disputed.⁸

Three variants of the future of sustainable finance can be distinguished. In the first, sustainable finance becomes ordinary risk management: banks treat climate and nature risks as financial risks like any other, supervisors require it, and the label "sustainable" loses its marketing value because all products are expected to account for such risks. The second variant is one of fragmentation, in which the European Union, Switzerland and the United States move in different directions and global banks must maintain different standards for different markets. In the third variant, sustainable finance retreats to a specialised segment for clients who explicitly request it, while mainstream products return to purely financial criteria. These variants can be combined with each of the four scenarios below. For Basel, the first variant would favour the institutions that have built expertise in the field, among them Bank J. Safra Sarasin, which made sustainable investment a speciality, and the research and policy community around the BIS, which has worked on climate-related financial risks through the Basel Committee and the Financial Stability Institute.⁹

1 Notes

1. On the Paris Agreement of 12 December 2015, the Network of Central Banks and Supervisors for Greening the Financial System (NGFS, founded 2017) and the European Commission's Action Plan on Financing Sustainable Growth of March 2018 (followed by the Taxonomy Regulation (EU) 2020/852 and the Sustainable Finance Disclosure Regulation (EU) 2019/2088), see the respective official publications. To be verified. ↩
2. On the Swiss Climate Scores, introduced by the Federal Council in June 2022 and updated in subsequent years, and their use by financial institutions on a voluntary basis, see the publications of the State Secretariat for International Finance and the Federal Office for the Environment. Status to be verified. ↩
3. Ordinance on Climate Disclosures of 23 November 2022 (SR 221.434), in force since 1 January 2024, implementing the non-financial reporting obligations of Art. 964a ff. Code of Obligations for climate matters on the basis of the TCFD recommendations. To be verified. ↩
4. On FINMA Circular 2025/3 on nature-related financial risks (published in December 2024, with transitional periods), the guidelines of the Swiss Bankers Association on the integration of ESG preferences and ESG risks into investment advice and portfolio management, and the self-regulation of AMAS on transparency and disclosure for sustainability-related collective assets, see the publications of FINMA, the SBA and AMAS. Numbering and status to be verified. ↩
5. On the anti-ESG measures of several US states, the departures of large banks and asset managers from the Net-Zero Banking Alliance and the Net Zero Asset Managers initiative in 2024–2025, and the reported end of the NZBA's membership-based operation in 2025, see the press and the publications of the alliances concerned. Status to be verified. ↩
6. On the European Commission's omnibus proposals of 26 February 2025 on the simplification of the Corporate Sustainability Reporting Directive (EU) 2022/2464 and the Corporate Sustainability Due Diligence Directive (EU) 2024/1760, the "stop-the-clock" directive and the review of the SFDR, see the Official Journal and the publications of the European Commission. Status to be verified. ↩
7. On the Federal Council's examination of an ordinance on the prevention of greenwashing in the financial sector (consultation and subsequent decisions 2024–2025) and its relationship to the self-regulation of the SBA and AMAS, see the publications of the Federal Department of Finance. Status to be verified. ↩

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8. On surveys of the investment preferences of younger wealthy clients and heirs regarding sustainability (various bank and consultancy surveys) and the academic literature on the willingness to pay for sustainable investments, see, for example, the studies of Swiss Sustainable Finance and the research literature on investor preferences. To be verified. ↩
9. On the work of the Basel Committee on climate-related financial risks (Task Force on Climate-related Financial Risks, Principles of June 2022, disclosure framework of 2025) and of the BIS and its Financial Stability Institute on climate and nature risks, see the publications of the BIS. Status to be verified. ↩

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