

Summary Report

Zurich, June 3, 2021

Key Stakeholders Seminar

Exploring the potential of the Swiss-China Research Center for Sustainable Finance and Business (SCSB) –a bridging platform to enable collaborative action –



(Source: Zoom Meeting hosted by Philipp Aerni)

The Swiss-China Research Center for Sustainable Finance and Business (SCSB) was launched in fall 2020 by the Center for Corporate Responsibility and Sustainability at the University of Zurich and the Southwestern University of Finance and Economics in Chengdu, China.

The main purpose of the key stakeholder seminar was to discuss the center's potential to serve as a bridging platform that brings together various Swiss and Chinese stakeholders with a common interest in advancing sustainable finance and business.

The seminar took place on Friday, May 28, 2021 from 9:30 – 11:30 a.m.

The summary was written by Shan Jiang (shan.jiang@ccrs.uzh.ch).

Executive Summary

CCRS organized an online seminar on May 28, 2021 to explore the potential of Swiss-China collaboration on sustainable finance and business. Key stakeholders from both countries attended the seminar and identified several areas of mutual interest. There was a general agreement that a bridging platform could be of importance to embark on collective action.

In Switzerland, the topic gained importance and visibility in 2014 when Swiss Sustainable Finance (SSF) was launched to strengthen the position of Switzerland in the global marketplace for sustainable finance. Since then, investments in sustainable assets have grown exponentially.

China has officially announced in 2020 that it aims to become carbon-neutral by 2060. This decision commits the country to reduce its greenhouse gas emissions by 90% until 2060. China has high potential in realizing this goal since it had an impressive track record in making solutions scalable.

The complementarities in the field of sustainable finance and business between Switzerland and China are therefore striking, and recent moves in business and politics in both countries have demonstrated that there are increasing opportunities for effective collaboration for the Sustainable Development Goals (SDGs) of the United Nations through effective partnerships.

In April 2021 Switzerland launched “*China Strategy*” as well as an “*Action Plan for Green Fintech*”. The *China Strategy* identifies sustainable/green finance and AI technology in green fintech as major areas in Swiss-China collaboration and it is therefore well in line with the *Action Plan*. The collaboration builds upon recent achievements designed to advance joint action in areas of common interest such as trade (*Swiss China Free Trade Agreement in 2013*) and sustainable investment (*Memorandum of Understanding on Sustainable Investments in the Belt-and-Road-Initiative in 2019*).

The Chinese central government is committed to the Carbon Neutral Strategy 30/60, and the city of Chengdu, where SWUFE is located, will play a crucial role in its implementation due to its image as “Green City” and its expertise in the field of green finance and fintech. With the rapid expansion of the “Qualified Domestic Institutional Investor” (QDII) quota and other measures¹, the two-way opening up of the Chinese capital market offers opportunities for foreign financial institutions and may also intensify the collaboration between Swiss and Chinese Stock Exchanges in the area of sustainable/green finance.

Participants at the seminar shared the existing initiatives of sustainable finance and ESG investment in Switzerland and China, who discussed opportunities for collaborative action in view of recent key policy changes as well as the complementary roles of the two countries.

All parties welcomed the launch of such a “Swiss-China Research Center for Sustainable Finance and Business (SCSB)” as a very timely bridging platform that could set the stage for a collaborative way towards actionable roadmap in ESG indices development, ESG ratings and AI analytics services, as well as sustainable infrastructure investments – in both directions.

¹ The QDII program is a quota-based system through which Chinese mainland-based institutions can buy shares in foreign companies through mutual funds. Along with the qualified foreign institutional investors (QFII) and renminbi QFII, it is an important mechanism in the Chinese capital market's two-way opening up.

Seminar Report

Introductory Keynote Speeches

Philipp Aerni, the director of CCRS, introduced briefly the background that led to this event. In this context, he explained why the Swiss-China Center for Sustainable Finance and Business (SCSB), jointly launched in September 2020 with the Southwestern University of Finance and Economics (SWUFE) in Chengdu, has the potential to serve as a bridge-building platform for Swiss and Chinese stakeholders to embark on joint initiatives.

Sabine Doebeli, the CEO of Swiss Sustainable Finance, highlighted existing activities in sustainable finance and the exponential growth of ESG-based assets in Switzerland. She introduced Swiss Sustainable Finance, which has not only served the networks and dialogues among Swiss Financial Institutes as well as governmental and academic stakeholders, but also developed e-learning courses and innovative tools for members. She emphasized the importance of engaging more strongly with China in this field to achieve the desirable global impact and welcomed the SCSB as a vehicle to make it possible.

Prof. Jingmei Zhao, the Executive Dean at School of Finance from SWUFE, stated that first of all, “China 30/60” (Carbon Emission Peak by 2030; Carbon Neutrality by 2060) is the key “homework” for Chinese government and society as the whole; secondly Chinese policies have set up the agenda from central government to local authorities, which will drive the sustainable/green finance and business to develop in a fast track with clear timelines and milestones; thirdly Carbon Neutrality Targets and Chinese economic development agenda require a lot of innovative solutions as well as joint-venture internationally, so Swiss experts of sustainable finance play an important role. Hence, supported by Swiss Embassy in Switzerland and Chengdu Consulate of Switzerland as well as Chengdu Government, SWUFE FIC and CCRS are committed to make the bridging platform SCSB, which concentrates high-quality cooperation projects on research and innovation.

Conny Camenzind, the Chengdu Consulate of Switzerland, explained why they supported the launch of the SCSB in fall 2020. She introduced the mission of Switzerland in Chinese west-southern regions, especially for economy, trade, education, innovation and tourism. Economic growth rate in Chengdu, Sichuan and other southwestern regions have shown the attractiveness for Swiss and international investors. She argued that sustainable finance is an area where cooperation between China and Switzerland is of a mutual interest. It will offer great opportunities for the Swiss finance industry given that China is committed to open up financial market and achieve the targets of Carbon Neutral 2060.

Sino-Swiss Cooperation Outlook on Sustainable Finance

Mr. August Benz, Deputy CEO of Swiss Bankers Association, stated that Swiss Banks have 7.9 trillion CHF asset under management, making Switzerland as the key financial center globally. Swiss Bankers Association has its long history and is always interested in cooperation with China in terms of sustainable finance. He emphasized key business opportunities for Swiss and Chinese banks: green bonds and sustainable investment market in China. First of all, strategically Swiss Federal Council released “*China Strategy 2021-24*” (see box 1), in which

Switzerland will create enabling conditions for financial institutions to develop new business opportunities with China in sustainable finance and green fintech in particular. Secondly Wealth Connect will support Sustainable Development Goals as open policies allow overseas investors to buy mainland products, cementing Hong Kong's status as a gateway for capital flows in and out of China. Thirdly **Stock Connect** (see box 5) between Switzerland and China becomes top priority in 2021 and it will offer the infrastructure of sustainable finance services and ESG data business.

Box 1: China Strategy 2021-24

China has developed rapidly in recent decades. Relations between Switzerland and China are becoming closer all the time, but this also means that differing values are coming to light more frequently and more clearly than before. The number of actors in Switzerland who maintain contact with China is also rising. In light of this, the Federal Council adopted a new strategy for China at its meeting on 19 March. The strategy was drafted in a process that involved all government departments.

Link: <https://www.eda.admin.ch/eda/en/fdfa/fdfa/aktuell/newsuebersicht/2021/03/china-strategie-2021-2024.htm>

Mr. Christoph Baumann, State Secretariat for International Finance(SIF), shared that Switzerland has its strategic agenda to keep it as the top center for sustainable finance globally. And three key pillars are 1) Carbon pricing and internalization of carbon emission costs; 2) Transparency improvement in global community (e.g. G20 and People Bank of China) and engagement with Taxonomy development of Sustainable Finance; disclosure improvement with Japanese central bank; 3) Swiss Green Fintech and Green Technology as well as **Green Fintech Networks Initiatives** (see box 2).

Box 2: Green Fintech Network Initiatives

The Green Fintech Network was set up in November 2020 with the assistance of the State Secretariat for International Finance SIF. The newly presented action plan contains 16 concrete proposals for a future-proof combination of digital technology and a sustainable financial sector. They range from setting up a platform for sustainability data to the launch of an innovation challenge for green fintech start-ups, to the promotion of open finance and the expansion of funding options for green fintechs.

Link: <https://www.sif.admin.ch/sif/en/home/dokumentation/fokus/green-fintech-action-plan.html>

Mr. Qizhou Liang, Chengdu Municipal Financial Regulatory Bureau, emphasized that SCSB is highly appreciated by Chengdu Government and such a seminar is very important to develop the cooperation in the long term. He stated that Chinese central government has set the agenda and targets of Carbon Neutrality 2060. As a result, capital investment for Chinese carbon neutral targets will reach over 100 trillion RMB (about 15 trillion USD), which requires both governmental investments and private financing. Chengdu is taking actions on it with initiatives (e.g. carbon neutral pioneer city) and Chengdu positions itself as the leading city for green finance system establishment with the following initiatives: to develop green finance

think tank; to establish green finance infrastructure and green finance certification as well as others. Carbon neutral bonds and green bonds are issued at Chengdu; **Environmental Exchange** (see box 3) is built up in Chengdu, promoting carbon and other environmental rights trading; National Pilot Zone for Green Finance Reform and Innovation is also applied by Chengdu government, which will promote investment and innovation for carbon neutral targets.

Box 3: Sichuan United Environment Exchange (SUEE)

The establishment of Sichuan United Environment Exchange (SUEE) seizes the unprecedented opportunity of the low-carbon economic development and industrial transformation, through its market-oriented service to improve enterprise and local economy preempting the future technology and industry commanding height, SUEE facilitates the energy saving emission reduction and the upgrade of whole industry structure.

Link: https://www.sceex.com.cn/index.htm?language=zh_US

CCRS-SWUFE research cooperation and pilot projects

Yonggang Zhao from China Securities Index (CSI), has shared two dimensions in his speech: starting with “Opening-up of Chinese Financial Markets”, he implied that China was further opening up its financial service market; President Xi Jinping announced a range of policy options to pursue a new round of high-level opening up in 2018 and The China Securities Regulatory Commission (CSRC) will promote the implementation of nine programs to enhance the level of opening-up of capital market; Efficiency of **QFII/RQFII** and **Stock Connect** programs (see boxes 4 and 5) as well as bond market openness will bring potential opportunities for Swiss financial institutes. Secondly he emphasized “Index and ESG cooperation opportunities” and China Securities Index Company, as one of the leading index providers in Asia, focuses on Index Business, Bond Valuation, ESG rating and Data services.

Mr. Zhao emphasized the opportunities of ESG research cooperation between Switzerland and China, delivering the ESG investment solutions for both Chinese and international investors. By the end of 2021 Q1, there were 1056 index products in total, including 761 index products tracking CSI-managed indexes with an AUM of RMB 1.7 trillion, which was over 67.1% of all index products. CSI has been deeply engaged in ESG research, actively explored the best practice in China, and made important exploration and contribution on ESG ratings methodology, ESG indices and ESG research.

Box 4: What is QFII and RQFII?

Qualified Foreign Institutional Investor (QFII) Scheme was introduced in 2002, and was one of the first key efforts to internationalize mainland China’s financial markets. It is a transitional arrangement that allows international institutional investors who meet certain qualification to directly invest in a permitted range of financial products in mainland China’s capital market, in the context of incomplete free flow of capital accounts.

RMB Qualified Foreign Institutional Investor (RQFII) was launched in late 2011, which allows qualified foreign investors in certain pilot countries or regions to directly invest in mainland China’s capital market using offshore RMB.

In general, to invest through the QFII/RQFII scheme, an investor has to apply for a QFII/RQFII license at the China Securities Regulatory Commission (CSRC), and then file or apply for investment quota at the State Administration of Foreign Exchange (SAFE) before starting to invest.

⁵ <http://english.sse.com.cn/start/rules/related/qfii/>

Box 5: Stock Connect

Key Difference Between QFII/RQFII and Stock Connect

	QFII/RQFII	Stock Connect
Eligible Investors	<ul style="list-style-type: none"> • Institutional investors with QFII/RQFII Licenses • QFII: certain type of institutional investors with certain AUM and operation experience • RQFII: institutional investors meet general operation and compliance requirements • Entry requirements to be simplified and unified, quantitative criteria to be cancelled 	<ul style="list-style-type: none"> • All Hong Kong and overseas institutional and individual investors
Investment Scope	<ul style="list-style-type: none"> • Primary and secondary market, including the SSE STAR Market • Almost all exchange-listed or traded financial products, including equities, bonds, funds, futures and derivatives • Further investment scope expanding under evaluation 	<ul style="list-style-type: none"> • Secondary market only, excluding the SSE STAR Market • Eligible A shares listed in SSE and SZSE
Quota Control	<ul style="list-style-type: none"> • Individual-level quota • Filing and approval required • Quota limitation and approval management to be abolished 	<ul style="list-style-type: none"> • Market-level Daily quota
Key Features	<ul style="list-style-type: none"> • Onshore mechanism • Close to domestic institutional investor treatment with access to wide range of financial products 	<ul style="list-style-type: none"> • Offshore mechanism • Relatively flexible with limited range of eligible financial products

⁶ <http://english.sse.com.cn/access/stockconnect/rules/>

Shan Jiang from CCRS directly stated the challenges and opportunities in Chinese sustainable finance/ESG market, especially for ESG data analysis. The artificial neural network technology shall be researched and applied for the potential solutions on ESG data analysis. CCRS and SWUFE FIC could complement with each other by developing high-quality research projects. Shan Jiang introduced a research result by the fintech solution (SUSFINTEQ) targeting ESG

analysis on Chinese listed companies. Given that fintech strategy and supercomputing center at Chengdu, in addition to **National Green Investment Fund** (see box 6) on Yangtze River Economic Belt, SWUFE FIC and CCRS are planning to develop a “ESG monitor and assessment system for listed companies at Yangtze River Economic Belt”, applying geographic and ESG information.

Box 6: National Green Investment Fund

The National Green Development Fund Co., Ltd. was jointly launched by the Ministry of Finance, the Ministry of Ecology and Environment and Shanghai Municipality. The funds raised by the company will be directed to investment fields such as pollution control, ecological restoration, afforestation of national land, conservation of energy and resources, green transportation and clean energy.

Of the initially raised capital, 28.6 billion yuan was contributed by the Ministry of Finance and 11 provinces and cities along the Yangtze River, while 57.5 billion yuan came from financial institutions and 2.4 billion yuan from state-owned and private enterprises.

Link: http://www.xinhuanet.com/english/2020-07/16/c_139215364.htm

Alessandra Oglino from RepRisk, introduced the RepRisk development history and business mode briefly. Then she emphasized the pain points in terms of ESG data business globally, which include disclosure coverage limit, black-box & unstable methods and other problems. Alessandra Oglino described ESG risk database and application of AI technologies by RepRisk. RepRisk considers the Chinese market to be of strategic importance, and in its ESG risk database RepRisk increased the coverage of Chinese listed companies and key infrastructure projects. RepRisk has reaffirmed its interest to engage with CCRS and SWUFE FIC, to support the SCSB.

Panel discussion

Mr. Bruno Sauter, CEO and Founder of SAB Management and former head of Economy and Labor of the Canton of Zurich, moderated the panel discussion and directed the following questions to the panelists:

1. What are the opportunities and bottlenecks for Sino-Swiss cooperation on Sustainable Finance?

Mr. Urs Sauer from SIX Group stated that since the launch of the Free Trade Agreement in 2013 between China and Switzerland, SIX Group has signed a strategic MoU with Shanghai and Shenzhen Stock Exchange. By stakeholder communication in China SIX Group has made efforts to promote Stock Connect opportunities and tackle regulatory obstacles, supported by the key meeting between Mr. Ueli Mauer and Mr. Liu He in 2021. For sustainable finance business, SIX Group invested in Orenda for ESG data analytic business expansion.

2. How do you think of the efficiency of Chinese open policies in financial services market

Prof. Shuyu Xue stated that international rating agencies (e.g. Fitch and MSCI) have entered

Chinese market, delivering ESG assessment and rating besides credit rating. Chinese domestic financial institutions haven't developed their own ESG assessment standard for listed companies widely accepted yet. The competition from international agencies in Chinese market will also drive more opportunities to develop Chinese sustainable finance market.

3. What is the Corporate Strategy of Swiss Re in China on sustainable finance market, especially in regional markets like Chengdu

Mr. Remo Steinmetz introduced the business history of Swiss Re in China, emphasized the opportunities of Chinese quality growth in the new development stage. Sustainability and resilience are key strategic topics for Swiss Re in Chinese market, so insurance programs for mitigating climate change and natural catastrophe risks have been set up in China; for inclusive growth and poverty alleviation Swiss Re has made the efforts to bring the competence in Chinese mobility, agriculture and healthcare sectors; digitalization of Swiss Re is driving the operation less costly and the service more efficiently; Swiss Re asset management is also focusing on ESG practices.

4. What are the most important opportunities in sustainable finance between China and Switzerland

Mr. Yonggang Zhao stated that Chinese capital market is the 2nd biggest market globally, so international cooperation of joint-research on Sustainable finance and ESG will serve both Chinese and international financial institutes, enhancing the effective analysis on Chinese listed companies; NLP and Machine Learning technologies as well as Human Intelligence could be jointly developed by Sino-Swiss cooperation on Sustainable Finance and ESG.

5. Are there training or research cooperation projects with Chinese institutes yet?

Mrs. Alessandra Oglino from RepRisk stated that rather than training, research cooperation with universities has been developed by RepRisk. Specifically, geographical information application, Fintech and AI applications are of great interest for RepRisk to participate research cooperation in China due to the new business trend. **Mr. Urs Sauer** emphasized that the bond business could be developed further when the Stock Connect program with China is executed; SIX Group continues to make efforts for it. Bond and ETF business shall be attractive areas in terms of more research cooperation with Chinese institutes for SIX Group.

6. Identified Synergies and suggestions for collaborative action

Mr. Yonggang Zhao suggested that ESG data, rating services and products as well as sustainable finance development are important for Chinese openness of financial service market. So *an effective exchange mechanism between Switzerland and China such as seminar, workshop and conference shall be established*; the other areas will be the *joint-development of ESG investment products (e.g. index and ETF) by making high-quality research*. Prof. Shuyu Xue agreed that Swiss expertise and institutes of sustainable finance and ESG shall cooperate with Chinese research institutes for *the main challenges in ESG data collection and Analysis*. *SWUFE FIC has accumulated alternative (ESG relevant) raw data from medias about all Chinese listed companies in Shanghai and Shenzhen Stock Exchanges for years dated back to 2003*; therefore, CCRS and SWUFE FIC have identified the complementary role between

Switzerland and China in sustainable finance.

Mr. Remo Steinmetz stated that Swiss Re has applied ESG criteria to assess the assets from Insurance companies as well as established solid partnerships with Chinese provincial governments in *promoting sustainable investment and public-private cooperation*. Swiss Re is interested in cooperating with SWUFE FIC in terms of *digital solutions of risk assessment on ESG and sustainable finance*.

Mrs. Sabine Doebeli suggested “Innosuisse Project” could be applied to accelerate the Sino-Swiss cooperation on digital solutions for sustainable finance; for education purpose, the Swiss Sustainable Finance could *propose the “e-learning” program for further cooperation*. Mr. Shan Jiang emphasized that the action of SCSB would be as follows: *seminar or workshop in series, potential visit to SWUFE FIC in Chengdu, identification of key requirements for research and business projects among key stakeholders*.

Mrs. Alessandra Oglino stated that AI technologies and Y-generation in China will drive transformative change in consumption mode in parallel with deep awareness of Climate Change, so RepRisk intends to explore the *research cooperation with SWUFE FIC and CCRS*. Mr. Urs Sauer suggested that by the *support of Swiss Embassy in China* it is feasible to make the concrete Sino-Swiss cooperation progress in the field of sustainable finance.

Concluding remarks by Thomas Streiff

Mr. Thomas Streiff has been a partner at BHP Bruggler and Partner since 2004. In his wrap-up, he asked the provoking question if there is need of a bridging platform - as the Swiss-China Research Center for Sustainable Finance and Business describes its role - bringing together Chinese and Swiss stakeholders with the aim to advance sustainable finance and business in China, Switzerland and globally. Fact is, that the finance sector is strongly required to achieve the ambitious and important sustainability targets such as the SDGs and carbon neutrality in 2050 or 2060 respectively. Although ESG integration in investment decisions and financial solutions no longer serves just a niche market but has become mainstream, the participants of the workshop have addressed several challenges such as data reliability, transparency, timeliness, coverage, and disclosure of non-financial information as well as ESG knowhow of professionals. *A cooperation between Swiss and Chinese scientists and experts could focus on “alternative ESG data collection” and “innovative digital solutions combined with human intelligence”.*

Both sides require fair, balanced and reasonable way to develop the Sino-Swiss cooperation, fulfilling the demand of current and future markets beyond providing financial solutions reducing the carbon footprint. *Bridging platforms aimed at developing and promoting financial solutions with positive sustainable impact such as the Swiss-China Research Center for Sustainable Finance and Business are required and concrete follow-up actions are expected for various stakeholders in this seminar.*

Identified areas of joint interest and potential collaborative action

- ***Stock Exchange Collaboration on Stock Connect and ESG investment products (e.g. ESG Indices, Green Bond and ETFs)***

- *Research Opportunities for foreign participation & investment in sustainable infrastructure finance (e.g. green investment projects along Yangtze River)*
- *Pilot projects using Geospatial and Alternative Data (ESG related) to assess and monitor listed companies along Yangtze River Economic Belt*
- *Pilot training programs of Sustainable Finance, targeting Chinese executives and senior officers from regulatory and provincial governments*
- *Building and operating a bridging platform (e.g. based on membership fees or other feasible modes) to facilitate communication and potentially match Chinese and Swiss partners interested in jointly exploiting opportunities in the field of sustainable finance.*

Further links

CCRS would like to thank all the speakers and all of the panel participants for their excellent presentations and insightful inputs.

BHP – Brugger & Partner AG <https://www.bruggerconsulting.ch/>

CCRS <https://www.ccrs.uzh.ch/de.html>

China Securities Index Company <http://www.csindex.com.cn/en>

RepRisk <https://www.reprisk.com/>

Swiss Re <https://www.swissre.com/>

SIX Group <https://www.six-group.com/en/home.html>

Swiss Sustainable Finance <http://www.sustainablefinance.ch/>

Swiss Bankers Association <https://www.swissbanking.ch/en>

SWUFE <https://e.swufe.edu.cn/>