

Dr. habil. Berthold M. Kuhn

Freie Universität Berlin



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Sustainable finance

The EU is examining how to integrate sustainability considerations into its financial policy framework in order to mobilise finance for sustainable growth.

ESG investing

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FTfm The week's best fund management articles
ESG funds forecast to outnumber
conventional funds by 2025

New EU rules and growing investor focus on
sustainability will fuel rapid growth, says PwC

OCTOBER 19 2020



European Union

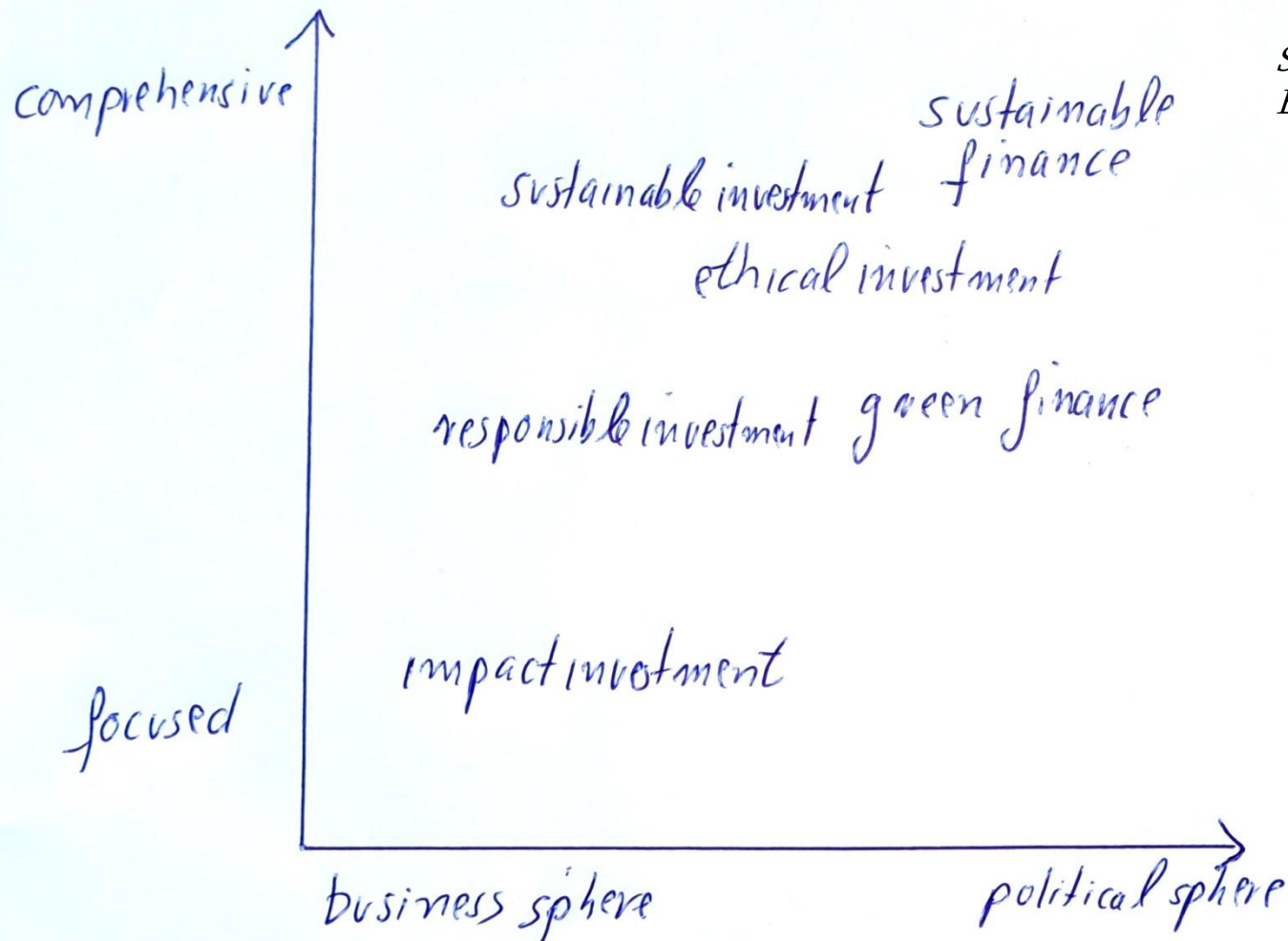
Is Brussels green bond washing?

European Commission's plan to become world's largest
issuer of sustainable debt raises questions

Terms related to sustainable finance

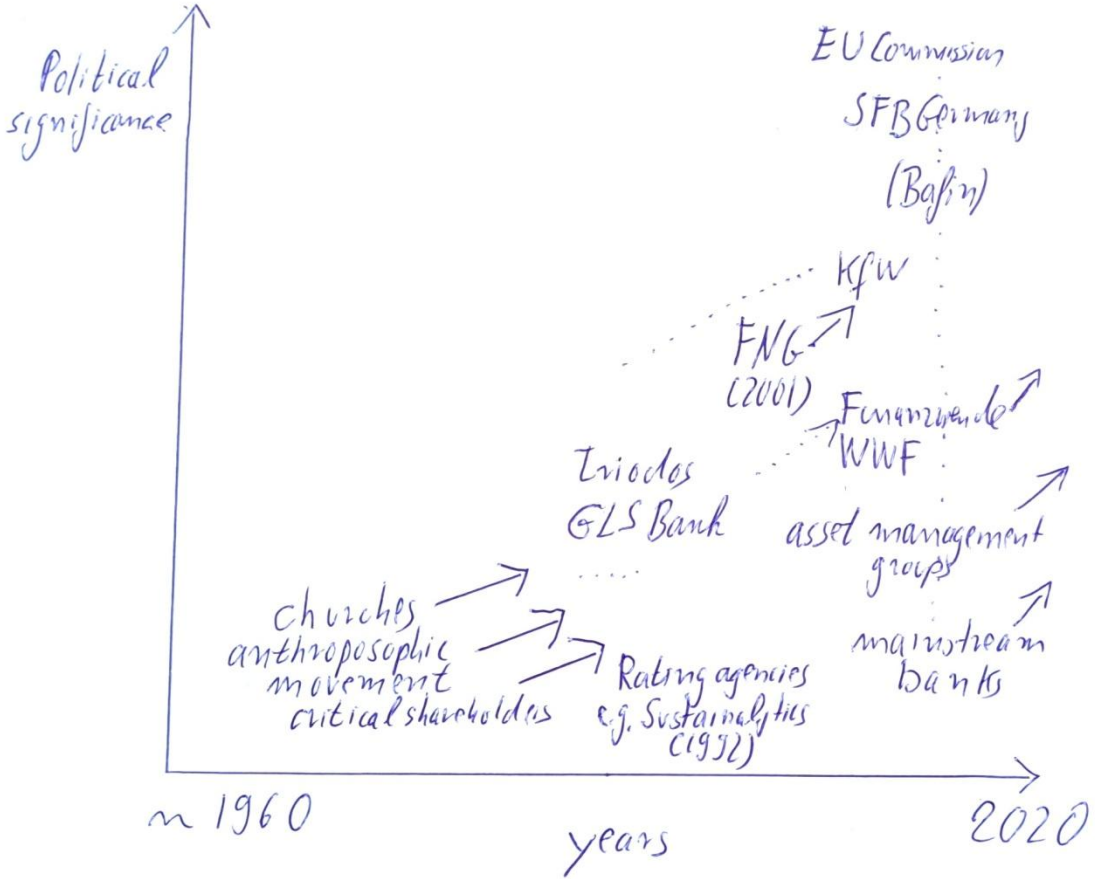
- **Sustainable finance**, responsible finance, green finance, ethical investment, and impact investment are terms closely related to each other.
- **Sustainable Finance (SF) has a more comprehensive meaning than other terms.** Proponents of sustainable finance are concerned with political supervision, regulation and better macro-management of the financial sector.
- **Pro-active role of political authorities has long received strong criticism** by financial industry. It is still the case, but many **big players** started to catch up with this new trend and **present themselves as part of the solution rather than part the problem.**

Perception and use of terms related to sustainable finance



See
Endnote 2

Emergence of sustainable finance actors: from pioneers to mainstream banks



See
Endnote 3

Jan. 13, 2020

Fridays for Future Movement

NEWS

Australia: Activists outraged as Siemens backs Adani mining project

The German engineering firm has reaffirmed plans to support the controversial Adani coal mine project. Siemens has come under fire for the project's climate implications, with bushfires currently raging across Australia.



Siemens sticks with controversial mining project

<https://www.dw.com/en/australia-activists-outraged-as-siemens-backs-adani-mining-project/a-51977565>

Public controversies and with whom to engage?

Example: Blackrock –world's largest asset manager

Making sustainability our standard

Sustainability, and climate change in particular, are poised to transform investing.



Larry Fink's letter to CEOs

A fundamental reshaping of finance

Climate change is driving a profound reassessment of risk and we anticipate a significant reallocation of capital.

[Read Larry's letter >](#)

ESG and selection criteria

- The topics of **Sustainable Finance (SF)** and **Sustainable Investment (SI)** primarily refer to the integration of **Environmental, Social and Governance criteria (ESG)** in investment decisions
...and to different types of negative exclusion criteria and positive selection criteria for investment decisions. Norm and theme based positive selection criteria have recently got more attention.

Please refer to my paper for further details:

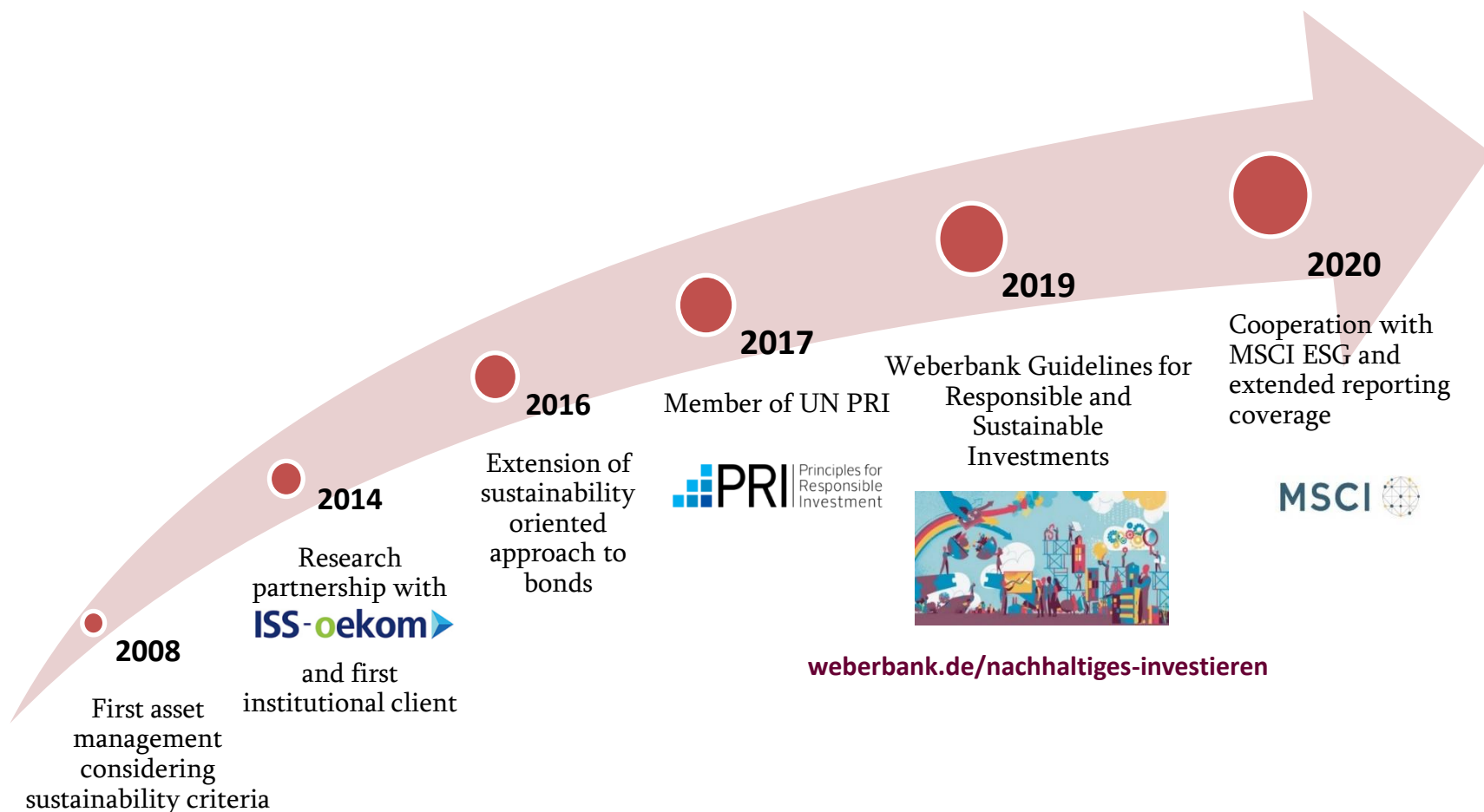
Berthold M. Kuhn (2020) Sustainable finance in Germany: mapping discourses, stakeholders, and policy initiatives, *Journal of Sustainable Finance & Investment*, DOI: [10.1080/20430795.2020.1783151](https://doi.org/10.1080/20430795.2020.1783151)

Research Agenda

- Which are the key drivers of Sustainable Finance in Germany, looking at political initiatives, regulatory authorities, banks, asset managers, certification and consulting firms, nonprofits and initiatives of retail investors?
- What is their exposure, involvement in global initiatives (PRI, GRI, CDP)
- What explains their engagement with sustainability issues? How did it evolve over the past years?
- Which are the major reference frameworks for their actions? (Agenda 2030, Paris Agreement 2015, others?)
- What sort of policy-making and new regulatory changes could we possibly expected within the next years?

Case Study: Weberbank, Berlin

The Path Towards Sustainable Investment



Findings...

- Historically, some smaller “**ethical banks**” (e.g. GLS, Triodos), **churches** (e.g. EKD) and **nonprofits** (e.g. FNG) promoted an approach that challenged the conventional rational of investors by integrating ethical and sustainability issues.
- The many initiatives from **different types of stakeholders, including civil society organisations, contributed to broadening and deepening discourses and debates** and, thus, contributed to promoting the mainstreaming of sustainable finance in Germany.
- The **process of mainstreaming of SF/SI is underway**. However, Germany is still far from being a frontrunner...

Possible Trends...

- **Sustainable finance will continue to mainstream into German and EU politics** and lead to reorientations of investment strategies of major players of the financial industry, including banks, insurances, and wealth managers.
- **Big financial players tend to highlight their commitment to sustainability issues.** They also get ready to intensify lobby activities for softer regulations.
- Given the relatively broad alliance of organisations with experience in sustainable finance in Germany, **I tend to be optimistic with regard to the effectiveness of the implementation of new policies, particularly at the level of the EU.**
- Initiatives such as the proposed EU taxonomy clearly prioritise green finance. Measuring investments along ethical criteria will remain difficult and also controversial.

Endnotes:

- (1) This chart just serves as an example to illustrate the upward trend of sustainable finance in Germany and worldwide. It is the chart of Tomra Systems, a recycling company that aims to optimize resource recovery and minimize waste in the food, recycling and mining industries. I personally consider Tomra as one of the companies that clearly benefits from the sustainable finance trends. I had some professional exposure to Tomra during a conference in Xiamen, China (2012) and own a few shares of Tomra but me or family members were involved in the management of the company. This is a rough sketch of mine that aims to provide an idea of perception and use of terms related to sustainable finance.
- (2) This is a rough sketch of mine that aims to provide an idea on drivers of sustainable finance in Germany and worldwide.

Contact:

Berthold.Kuhn@fu-berlin.de

Reference:

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