



# oikos Conference Finance in Motion

St.Gallen, November 2019  
oikos Sustainable Finance paper



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**oikos conference** 2019 took place on November 26th and 27th at the University of St.Gallen Maker Space. The event was organized by oikos Conference team and counted on the support of LGT Private Banking, Stiftung Mercator Schweiz, the city of St.Gallen (Energienstadt), and HSG Alumni, besides the partners Möhl, Direct Coffee, Charitea, and Lemonaid. The two-days conference welcomed about 200 students, and brought together specialists on Sustainable Finance from many organizations in the field. The program consisted of speeches and workshops, followed by interaction with the audience.

The first day of the conference started with a presentation of ethos Foundation, about the role of pension funds in shaping a sustainable future. The head of Client Relations, Michael Spalding, spoke about the organization's goals of promoting socially responsible investment, and a stable and prosperous socio-economic environment. He discussed the important role of institutional shareholders through active ownership in order to influence company management to change behavior towards a better performance, not just regarding financial and strategic issues, but also in terms of sustainability.

Mr. Spalding presented the various SRI approaches, and focused on the goals and principles adopted by ethos in its

activities. He emphasized their processes of negative and positive screening, and explained how they construct a portfolio with the best in class investment universe. Finally, he presented how ethos engage in active exercise of shareholders' rights through voting and direct dialogue with companies, and gave some examples. He concluded by saying that institutional investors have fiduciary responsibility, more investors must join the initiatives, and that influence on companies is not just desirable, but also possible.

The second speech came from the Bank J. Safra Serasin, held by Jan Poser, head of Sustainable Investment at the bank, with contributions of Eric Nowak, from the University of Lugano. Jan Poser first presented the history of J. Safra Serasin, and explained how sustainability





is embedded in the whole organization, with a philosophy of long-term thinking, solutions for future, sustainable mindset, and risk reduction. The perspectives for sustainable investing are good, since it reduces costs, improve efficiency, and reduces fluctuations. Besides it, the Paris Agreement and the SDGs, with other regulations and frameworks are setting the base for growth.

Eric Nowak discussed the problems normally related with ESG investing, which he called inconvenient truths. Academic studies have shown that this kind of investment does not show an outperformance compared to traditional ones, is more focused on governance to the detriment of social and environmental aspects, and also creates externalities. However, such inconvenient truths are not that prejudicial because their are observed

in other areas as well, and the benefits for society and environment are more important than the related costs. Jan Poser finished the talk by presenting J. Safra Serasin Sustainable Investing toolset, consisting of exclusion of controversial activities, ESG analysis for company rating, thematic selection, ESG integration, portfolio construction with ESG tail risk score, reporting according to the SDGs, and, finally, active ownership, engagement, and voting.

Johanna Köb, head of responsible investment from Zurich Insurance, spoke just after the break. She started discussing the importance of definitions for the field of impact investing and brought the criteria developed by the GIIN (Global Impact Investing Network), as well as some numbers related to the market size.







Then, she presented the impact investing activities carried on by Zurich Insurance. They distinguish impact investing between “impact” and “deep impact”. The latter includes additionality, besides positive impact, intentionality, measurability, and profitability. She explained how hard is to achieve additionality in this incipient moment of the market. For Zurich, the impact objectives are to mitigate environmental risks, and increase community resilience. Their target is to invest 5 billion USD in impact, avoid 5 million tons of CO2 emission, and benefit 5 million people. In order to achieve this, they invest in fixed income, private equity, real estate, and infrastructure. She also presented some examples of impact investments they made, and the current development of methodology and metrics, which they see as crucial to improve progress.

Finishing the first day of talks, PwC Switzerland legal services leader, Guenther Dobrauz, talked about the dynamics of regulation in blockchain and sustainable investment. He said that the urgency of world challenges is provoking reactions from lawmakers and regulatory bodies, who have been developing initiatives such as the UN Global Compact, the SDGs, and the G20 Green Finance. PwC itself has been rethinking its role in the financial market and its contribution to society.

Mr. Dobrauz showed the audience the innovation cycle graph, explaining that blockchain and its regulations have not reached their dominant design yet. He then spoke about the EU Action Plan for sustainable finance, its goals, work groups, and history line, as well as the regulation requirements and a heatmap of taxonomy and market participants. He then presented the guidelines on reporting





climate-related information, and the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), which will help companies integrate climate-related issues into the businesses core practices. He finished his talk discussing about blockchain and sustainability. Blockchain can support the implementation of the SDGs by enabling financial inclusion, accelerating and improving financial transactions, and facilitating the process of start-up fundraising. It is an important tool to fight poverty, reduce inequalities, and provide decent work and economic growth.

The second day of conference began with an interactive presentation of James Purcell, Head of Sustainable and Impact Investing of UBS Wealth Management CIO. He started telling the audience that 69% of their ultra high-net-worth clients are willing to invest in instruments to address climate change. The investment gap for achieving the SDGs (2.5 trillion USD) cannot be covered only by philanthropy and official development aid,

but might be addressed by the 1% richest of the world, who manage 130 trillion USD.

He continued the presentation by discussing the role of banks in this scenario and their tricky challenges. Reducing loans to companies contributing to climate change, for instance, may only shift the client from one bank to another less concerned with environmental issues. Increase loans to companies that are doing “good” may be a better option. In a dynamic with volunteers from the audience, James Purcell showed that similar situation may happen in client portfolio. Selling shares of a “bad” company will not provoke the desired investor engagement to change companies’ behavior. Regarding financial instruments, he talked about the opportunity of green bonds, and he also said that responsible and sustainable internal operations and supply chain are also an important task for banks. He finished with some comments about the role of the Swiss National Bank and advices for future investors about being realistic and avoiding greenwashing.



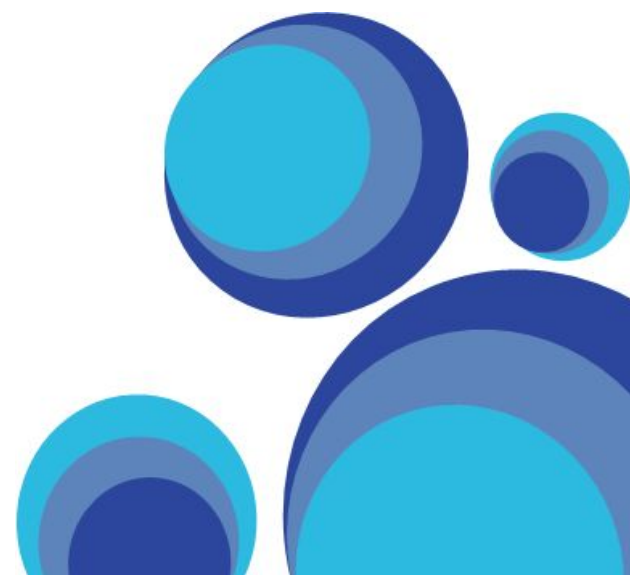
Philipp Müller, head of Investment Solutions at BlueOrchard Finance, talked about their activities. BlueOrchard works with profitable impact investing, mainly in microfinance sector. Müller explained that microfinance is a good asset class, with stable financial performance, low volatility and good returns. BlueOrchard's process consists of receiving resources from institutional investors and selecting microfinance organizations which can reach the final client in several countries. Besides money, they are also worried about providing financial and business education to the recipients. He showed examples of some of their 160 investees in Cambodia and India. The investment selection counts on a top-down process, starting by country risk analysis, as well as a bottom-up process, with identification of potential investees by their local teams. They normally work with private debt, but also SDG Impact bonds, private equity, and sustainable infrastructure. Many partners support their work, including international financial organizations, like IFC, KFW, and JICA.

Beginning the afternoon session, Hermann Stern, CEO of Obermatt, spoke about personal finance sustainability. The workshop was highly interactive, with dynamics and an exercise of buying and selling stocks. Stern first discussed about the problems facing sustainability rating agencies, that still don't have standard metrics. This may be related to the nascent moment of the field, with few ESG

funds, and little information. He said that people must always analyze investment in the long-term. Volatility, for example, that is normally seen as a problem, may be good for passive investors reinvesting their dividends annually. Another tip he gave for investors is to not move away from your stocks when you have a loss. One must keep slowly movement and diversification.

The last speech of the afternoon was about the activities of LGT Venture Philanthropy, explained by its CEO, Oliver Karius. He started saying that society must move from a degenerative culture to a regenerative one. Venture Philanthropy at LGT is about reducing inequalities. They focus on the poor and low-middle income markets, providing grants and subcommercial investments to scale up business models which meet real needs of beneficiaries.

Examples from India, Liberia, and Tanzania helped the audience to understand the importance that LGT gives to community-based solutions, reliable







entrepreneurs, patient capital, cost management, and data-driven decision making. Besides financial resources, LGT Venture Philanthropy also provides technical support through its fellowship program with experienced professionals.

Finally, a panel discussion closed the conference. Moderated by Sabine Döbeli, CEO of Swiss Sustainable Finance, the panel invited Professor Manuel Ammann, from HSG, Andreas Knörzer, Chairman of Vontobel ESG Investment Governance Committee, Thomas Vellacott, CEO of WWF Switzerland, and André Hoffmann, Vice Chairman of Roche Holding.

The panelists described their own organizations' activities regarding sustainability, the changes that happened in the last years, and the necessity of adjustment. For them, it is clear that long-term sustainable mindset cannot be restricted to beautiful pictures in annual

reports. It is necessary to promote fundamental shifts in business models. The topic must be in daily job of organizations and should be dealt in the top management. They also discussed some challenges they face when implementing sustainable solutions, such as the urgency of having better data, the lack of metrics standardization, and the change speed. In order to tackle social and environmental problems, organizations, government, and individuals must move faster.

The two-days conference was highly productive. The speakers were clear about the shareholders' important role and the urgency to act. Although the incipient moment of the field presents challenges, much progress has been done. The oikos conference have provided a good platform for the exchange of ideas between students and the private sector, and have contributed even more for a sustainable finance future.





