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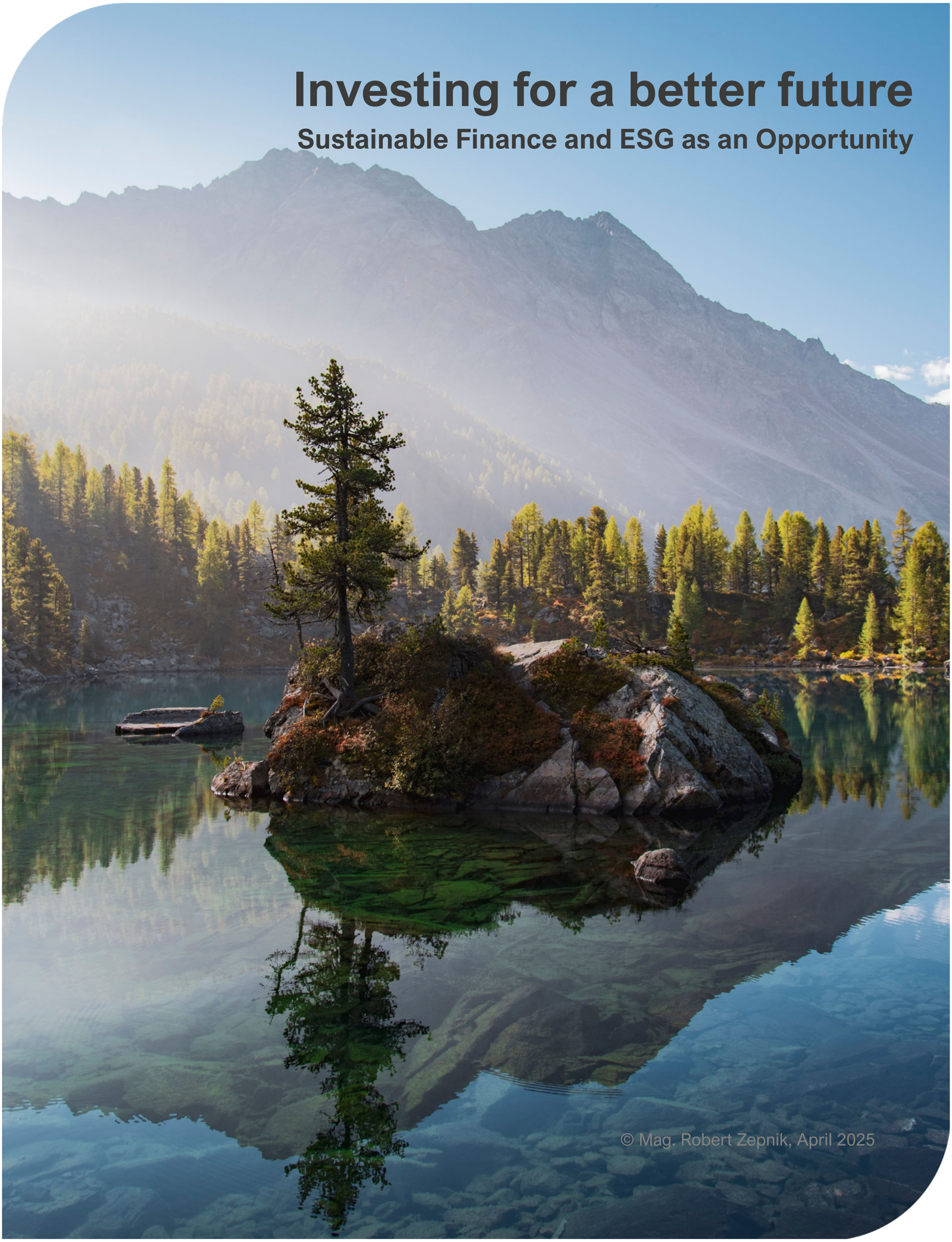
Investing for a better future

Sustainable Finance and ESG as an Opportunity



Sustainable Finance and ESG as an Opportunity

Currently, much is being discussed about the challenges and regulations regarding sustainable investing – see also "Omnibus Regulation". It is hoped that adapted rules and artificial intelligence will contribute to more transparency and information. The proposals presented as a result of this study for standardized additions to factsheets and the provision of investment details would already help enormously.

Perhaps we should change our perspective even more and consider a new definition for ESG:

Enable Sustainable Growth

The idea is simple: ESG should not be about checking boxes or setting percentages, etc., but rather enable real and sustainable progress in all areas of our lives.

"The growth mindset has determined not only our economy and finances but also our lives and our societal narrative for a very long time. Growth promises a better life, a better future. However, the unlimited consumption of matter on a limited planet with limited natural resources is not possible." In his book "The Folding of the World", Anders Levermann describes how, without prohibitions and renunciation, this fundamental human principle of growth could exist without causing humans and most other species to perish. With the "folding of the world," with fixed boundaries that we humans agree upon worldwide: No more fossil carbon, zero raw material extraction, limitation of company size, limitation of inheritance, and limitation of income disparities. Within these boundaries, growth would occur in diversity. The boundaries do not prevent freedom; rather, they increase the incentive to create new things. However, we must first establish these boundaries.

Perhaps such boundaries could also improve sustainable investing without constantly new and stricter regulations?! Ultimately, I see the current challenges not as an existential threat, but rather as "growing pains" of a developing practice.

Ideas for Optimizing Sustainable Finance

Impact and transition investing also places **new requirements on transparency**. If, as currently observable, this is not adequately ensured and communicated, then the aura of magic, the storytelling, will continue to dominate. Scientific rigor and traceability fall by the wayside, the desired results remain unattainable, and investor trust suffers.

Providers of retail funds or ETFs must comply with numerous legal requirements regarding information, based on which we, whether as advisors or investors, should make informed decisions. I understand the concerns of regulators but think that all too often the opposite happens: The now prevailing **flood of information is hardly manageable**. But I will hardly be able to influence or change the regulations with this work. I am curious whether the recently proposed or announced changes (scores, etc.) will bring improvements. I am doubtful, as views on and demands for sustainability are too diverse and can hardly be cleanly defined.

But perhaps the **financial industry could also voluntarily (!) provide improvements**. And if not the entire industry, then at least those asset managers who seriously pursue and want to advance sustainable investment. This could create a kind of competition over who provides better information: transparent, decision-relevant, well-prepared.

This concerns, on one hand, the topic of **ratings and proxy advisors**: Here, it is important to move away as quickly as possible from US dominance and the unpleasant developments of the Trump administration, where not only ecological but also increasingly social achievements are coming under pressure!

And on the other hand, it also concerns the **transparency of sustainability performance**. The central information document for most interested parties is the **factsheet**. There, one finds the most important information about investments on just a few pages. This would be the optimal place for additional sustainability information, ideally standardized and comparable. Every fund provider has more or less well-designed factsheets, but they typically contain the most important financial data and, in some cases, some data on sustainability policy.

I would explicitly like to see, ideally in a separate info box (example):

1.1	Sustainability at a glance		
		current year	previous year
ESG-Data	**Total Score**	**9,2**	**9,0**
ESG-Data	Environment (E)	9,7	9,5
ESG-Data	Social (S)	8,1	7,9
ESG-Data	Governance (S)	7,5	7,5
ESG-Data	**EDA**	**93**	**90**
ESG-Data	ESG-risk	AA	AA
ESG-Data	**Carbon intensity (CO_{2e} t/Mio. $)**	**93,8**	**105,4**
ESG-Data	**Carbon reduction abs. (CO_{2e} t/Mio. € inv.) 12m**	**-20**	**-12**
SDG-Data	Entity / Activity	Activity	Entity
SDG-Data	Share SDG-aligned revenues **gross**		**100%**
SDG-Data	Share revenues with positive impact	60%	
SDG-Data	Sahre revenues with negative impact	40%	
SDG-Data	**Share SDG-aligned revenues net**	**20%**	
SDG-Data	Share SDG-aligned investments	55%	25%
SFDR	**SFDR Art.**	9	9
SFDR	acc. to SFDR	90%	80%
SFDR	acc. to Taxonomie	12%	7%
SFDR	ESG-Score	A	A
Strategy	**Focus**	Impact	Impact
Strategy	Impact-rating (range [-100 to 100])	30	25
Strategy	Engagement	85%	70%
Strategy	Number of companies	40	45
Strategy	Turnover 3Y	45%	54%
Strategy	**Market capitalization (%)**		
Strategy	Small Caps (< 2 Mrd. $)	5%	4%
Strategy	Mid Caps (2 bis 10 Mrd. $)	18%	14%
Strategy	Large Caps (> 10 Mrd. $)	77%	82%
Strategy	Environmental labels	FNG (***), UZ49	FNG (***), UZ49

[Figure 1: Proposal for Factsheet Info Box “Sustainability at a glance”]

It is clear that uniform data sources would be necessary for such information to meaningfully compare results. There are several **ESG ratings**, and these unfortunately differ in metrics and focus. For the following suggestions for data sources, I am primarily guided by their (public) accessibility and costs. If others prove more sensible, for example because they are already used by all capital investment companies, that would also be possible (see, however, US dominance mentioned above).

In any case, a kind of history (e.g., values from the previous year, i.e., 12 months ago) would be desirable to balance out short-term fluctuations and, above all, to be able to read a development.

- The "Total ESG Rating" from CLEANVEST[1] is freely accessible. The detailed ratings (E, S and G) are fee-based but unique because of their systematic approach (including positive criteria).
- "EDA" is a widely freely accessible metric from Mountain View[2].
- The data on "ESG Risk" and "carbon intensity" are freely available from MSCI-ESG[3].
- All other information would come directly from the fund providers.

The **SDG data** should provide more transparency about SDG alignment[4]: Are companies or activities used as the basis? Are revenue data calculated gross or net? Investments additionally provide insight into the future orientation of companies.

Let's consider an energy company as an example: approximately 60% of revenues come from renewable energy (positive impact), while 40% still come from fossil fuels (negative impact). With an **entity-level approach**, a threshold value (e.g., 50%) is usually defined, above which the company is classified as SDG-compliant. In our example, the company would be 100% SDG-compliant. If the calculation is based on **activities**, then the revenue shares would be considered. A **gross representation** would show 60% SDG-compliant revenues, while a **net representation** would show the balance of positive and negative impact (+60-40=+20).

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[1] https://www.cleanvest.org/de/app/funds/
[2] You can also find the EDA here: https://www.fondsprofessionell.at/fonds/suche/
[3] https://www.msci.com/our-solutions/esg-investing/esg-fund-ratings-climate-search-tool
[4] See also: https://dvfa.de/2025/nachhaltigkeitsquoten-dvfa-veroeffentlicht-befragung-zu-impact-ratings-und-ihre-empfehlungen-fuer-ratinganbieter-und-investoren/

Of course, information about whether the data basis relies on **publicly available or estimated data** and whether activities encompass the entire **life cycle** (production, use, recycling) would be interesting. This could possibly be included in an explanation of the **impact rating**.

The information on the "Strategy" or "Focus" of the fund could follow the systematic approach for Green Investing presented in this paper.

ZEPCON	GREEN INVESTING						
	ESG					Impact	Transition
Objective	Avoid negative impacts					Achieve measurable, positive impact	
Strategy	Best-In-CLASS	Best-In-PROGRESS	Best-In-UNIVERSE	ENABLERS	PURE PLAYERS	measurable impact	facilitate transition
SDG	Share of SDG-aligned revenues / investments						Can
Enterprise sizes	Large / Mid / Small Caps					Mid / Small Caps	
Active Ownership	Can					Should	Must
ETF/active funds	ETF & active funds					active funds	

[Figure 2: Green Investing Strategies]

This would give interested parties an overview of the essential relevant information to assess whether the investment meets their own requirements or not.

Also, **the provision of the most current holdings** of the funds (including ISINs!) on the internet, as is customary with ETFs, would be another important step toward the necessary transparency in the field of Green Investing.

Let's Make Sustainable Finance Great Again

I hope that with this guide I have been able to provide interesting insights, ensure more transparency, and also show that sustainable investment, even in its simplest form "ESG investing," makes sense and has an impact, both for one's own financial prosperity and for intact living conditions. Already today.

I am also convinced that modern regulations, more precise definitions, and relatively easy-to-implement improvements by providers of sustainable **funds or ETFs will contribute to even more transparency and impact in the future**, thus making the topic of Sustainable Finance even more attractive and popular. This is urgently needed given the state of the world. For a better future!