

Environment vs. Economy

We still operate in the growth-based consumption economic model, but can we transform the economic tools that we have to benefit sustainable development? Can shifting business models help tackle some of the world's most pressing challenges? Or is the fundamental purpose of our economic model destined to fail when it comes to meeting climate targets?

*In conversation with Sasja Beslik
Senior Executive in Sustainable Finance and Author*

▮ There's a lot of buzz around ESG and sustainable investments at the moment. Your recently published book addresses the impact that people can have through their investments in terms of sustainable development. How optimistic are you about the actual effects in terms of real societal change?

SB Are we in a real transformation phase or is it all talk? I think it's a bit of both.

There has been an explosion of ESG over the past couple of years which has generated a lot of interest and is attracting a lot of investments.

But why now? Because societies are faced with a climate crisis and entire industries,

including the financial sector, are having to seek ways to address the situation whilst creating returns for clients. There's a lot of nice talk and hot air out there, but I'll give you an example: If you look at the Nordic markets and Sweden in particular, a lot of big banks and asset owners have been claiming to be doing ESG, yet only 17 are Arctic-aligned funds.

Everybody knows about the taxonomy and SFT regulations and Article 9 actually stipulates clear objectives on how investments can contribute to tangible sustainable development, but given that they only make up 17 out of all the funds in the country says a lot about the status of ESG investments in general.



Looking ahead, there's a lot of talk of 2030, 2040 and 2050 in a bubble, on an institutional and political level.

We also have COP26 coming up and there are great expectations of what can come from that. Do you see a risk that we are putting too much faith in sustainability, ESG and finance when the challenges are really momentous? What if there's a moment when that bubble comes down and people become disappointed by the solution?

SB We still operate in the growth-based consumption economic model and we're trying to find ways to continue running on that model on the basis of inputs in that system that are not fossil driven.

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Transforming the economic tools that we have for the benefit of sustainable development is a challenge that we have witnessed for the last 50 years.

So a lot of the regulation is actually about finding ways to shift the energy dependence from where we are to where we need to be.

But that still doesn't address the root cause of the challenge, which is the purpose of the economic model that we have today.

Transforming the economic tools that we have for the benefit of sustainable development is a challenge that we have witnessed for the last 50 years. This is creating bubbles in terms of what we think will solve our problems. One example of this is electrical vehicles.

There is a great debate about whether we need new vehicles or new transportation systems - two very different questions that need to be addressed in completely different ways.

But what this debate communicates is that people can continue to live their lives in the same way and wealth just by making it a bit more sustainable which is creating a mismatch of expectations.

We may believe that these new technologies will lead to structural substantial change but if you look at the numbers, 60-65% of the global energy mix is still relying on fossil fuels, so I'm a bit sceptical.

All of these targets that we are setting out to mobilize populations, businesses, and politicians around the world aren't really grounded in the realities of living. We need a more sober approach.

Before the 2030, 2045, 2050 goals, we need to ask ourselves: what do we change tomorrow? What do we change next year? How can we shift the business model to tackle some of these pressing challenges, not just in the long term but in the short term.

And politicians around the world need to ask themselves how the investment community can support companies in shifting their business models. I'm optimistic that we can use the financial toolbox to achieve something much bigger if we think from an economic development perspective.

📌 At the end of your book, you put a large focus on business models for investments. Are you finding opportunities and do those business models exist?

SB There is innovation and there are new business models emerging in unexpected places like Africa and parts of Asia where companies are basically being forced by the nature of the changes they are facing.

There is definitely interest from the investment community but again, if you look at where the business models are today in terms of reaching the climate targets set by the Paris Agreement, very few are on the right trajectory.

We carried out a study about a year ago that looked at the 6,000 stocks globally and only 176 companies had business

models in line with the 1.5 degrees warming laid out by the agreement. That really gives you a sense of the challenge that we're facing. But at the same time, we're seeing lots of technical innovation in energy usage when it comes to areas such as the real estate sector which makes up about 18% of CO2 emissions. That's an area to watch for investments and is set to be profitable going forward.

📌 You engage and communicate with companies in a very open and unique way. Your twitter account alone testifies to the success of transparent and vocal communication, as does your new book. What makes you happy when you hear from a company and what makes you tear your hair out? What sort of advice do you give companies?

SB I've lost track of the amount of reports I've read and companies I've met over the past 20 years, but what still provokes me is when I sit down with a CEO or representative who tells me that their company is not exposed to any risk. I have yet to meet a senior representative or read a company report that contains a chapter on uncertainties or complexities.



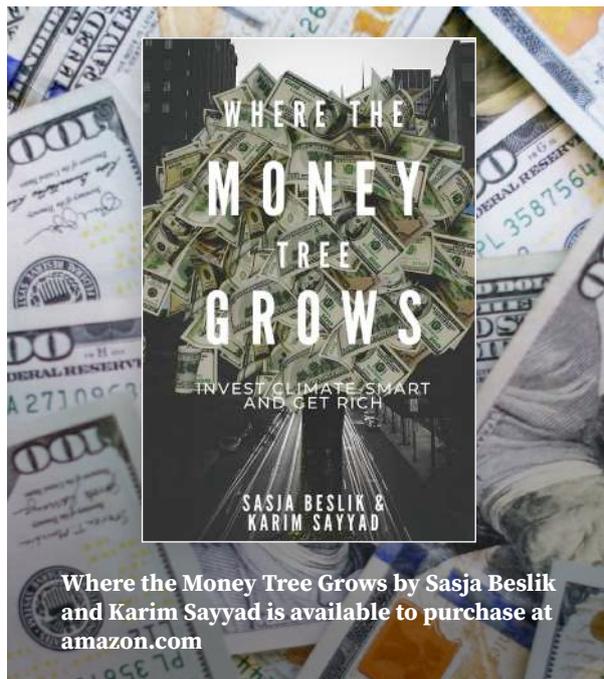
Understanding the complexities

Understanding the complexities of a business model also means we can bring in solutions and expertise.

I have used experiences gained in the Nordics to help Indian companies or the experience from Indian companies to Latin America. Investors meet so many companies that it can be quite obvious what a company is doing well and where they can improve. If you open yourself up for discussion, there are a lot of possibilities.

Communicating sustainability and ESG responsibly

The need to communicate on ESG and what social contract a company is growing. EU taxonomy and SFT is pushing the financial industry to identify which group they belong to.



Where the Money Tree Grows by Sasja Beslik and Karim Sayyad is available to purchase at [amazon.com](https://www.amazon.com)

All companies should be asking themselves, are we an Article 9 company? And if so, what does that mean for you and what do you need to communicate? What information do you need?



SASJA BESLIK

Senior Executive in Sustainable Finance and Author

Sasja Beslik was born in Bosnia and Herzegovina and fled to Sweden as a refugee over 20 years ago. At the age of 20, with 20 Deutsche Mark (about \$10) in his pocket and three T-shirts in a plastic bag, he arrived in Sweden. He holds a bachelor's degree in journalism and economics at Stockholm University, and worked for several years as a war correspondent for the Red Cross and UNICEF – among other organizations.

Sasja was previously Head of Sustainable Finance at Bank J. Safra Sarasin Sustainable Asset Management before which he was Group Head of Sustainable Finance for Nordea for 10 years. Prior to that, Sasja was Global Head of Responsible Investments & Engagement at Banco/ABN Amro. His Twitter account has over 200,000 followers. He was awarded an Order of the Seraphim medal by King Carl XVI Gustaf of Sweden for his achievements in the field of finance and sustainability in Sweden.

Co-authored with Karim Sayyad, his new book "Where the Money Tree Grows: Invest Climate-Smart and Get Rich" was published in August. book "Where the Money Tree Grows: Invest Climate-Smart and Get Rich" was published in August.