

# The evolutionary landscape of Sustainable Finance

An interview of the Swiss Association of MBAs

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**PROF. DR. JULIAN KÖLBEL**

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In today's rapidly evolving financial landscape, Prof. Dr. Julian Kölbl, who is Assistant Professor for Sustainable Finance at the University of St. Gallen, has distinguished himself internationally for his research in this field, as he has always believed in a model of research in management and finance that could make the world a more sustainable place.

In this exclusive interview, we delve into Prof. Kölbl's insights and visions for an efficient sustainable financial approach adopted by both institutions and new talents interested in it.

**What inspired you to decide to conduct research with a focus on sustainable finance in your career? Particularly, how did you develop your interest in the field?**

During my studies, I started developing the idea that Economics and Ecology have a root in common referring to the Greek "Oikos", which means the "House where we all live".

From that curiosity and interest, I started realising that financial markets are a very interesting aspect of this "House", which we have to manage. Particularly, the idea of capital and the way it flows around the globe is an important shaping force, which made me curious to investigate that more closely.

Moreover, this became a real thing in the industry as there were more and more people who wanted to bring their values or their passion also into their financial decisions. Therefore, sustainable finance has become a big field, and I am glad to be part of it.



**Very interesting. How would you define sustainable finance in terms of the role it plays in addressing global environmental and social challenges?**

Sustainable finance studies not only finance but particularly the way people approach it with their values and beliefs. In my research, I try to relate not only to accounting information but also to information about the environment, particularly about the way finance can improve the environment or minimize certain risks.

In fact, there are risks in the world affecting your investment from a risk perspective, but there are also effects of your investment decisions on the planet from an impact perspective. I think the ambition from an impact perspective should be to really make a difference. Sustainable investing can help bring a change if we think about it carefully and do not just superficially assume that by investing sustainably, events will turn out just positively.

**What are the most pressing sustainability issues that the financial industry should address, and how can sustainable finance contribute to solving them?**

I will give you an example. If we want to reach a carbon-neutral world by 2050, we know that we need lots of investments in infrastructure.

To do so, it is very important to inform people about how greatly the financial system can improve the environment in a transparent and clear way. Secondly, another important issue is the positive influence financial institutions can have on the policy process regarding climate regulation. At this point, banks can come into action and finance projects, but then governments have the task of making them possible and profitable when it comes to developing the policy framework.

**How is the concept of risk associated with sustainable investments considered by both investors and financial institutions?**

A very relevant novelty is that we will have to face new and unexpected scenarios. For example, the Rhine dropped to such a level because of the drought last year that, you know, shipping was not possible anymore. I was very surprised that

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shipping was not possible anymore on this very important shipping lane. In fact, I did not have on my radar that something similar would have happened, and I believe we will continue to be surprised by events like that. A similar surprise just happened to New York with air quality.

There is a very famous paper written by a group of hydrologists which is called "Stationarity is dead", and basically what it says is that we do not know what future floods will look like by looking at the past.

Hence, advisors should think of these scenarios carefully and try to diversify and respond optimally.

**How would you imagine the best procedure to include risks in sustainable finance practices?**

I think the first order of best practice is to be clear about why you are doing this. If you want to contribute to a less risky world, it must be clear why you want to do this. The second step is to have enough data to work with. In fact, if you have a clear objective, you will know which experts to entrust the assignment to.

Once you know what the reliable data is, you must decide how much risk you are willing to take. You must decide if it is worthwhile to invest or not and what percentage of risk you want to run. I would recommend that everyone has a clear objective in mind.

**Is sustainable investing more of a fashionable topic or a real opportunity for investors?**

We must bear in mind that banks are banks: just because they offer sustainable products, it does not mean that they have changed their fundamental business objective, which is about being profitable. That is fine.

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When banks take the purpose of a group of people seriously and build successful institutions on non-purely monetary-driven ambitions, then a good service in terms of sustainable investing for clients can be provided. This only works when there is a certain number of clients really asking for it.

If they are not there, then the whole idea falls flat. However, I am convinced that this desire for sustainable investing in banking is now relatively prevalent and facing a growing trend.

**Would you consider a sustainable investment a safe haven?**

I would not say that sustainable assets are to be considered safe havens.

Rather, I believe that the main theme of the issue is related to the discourse of trust, understood as the origin of a solid reputation of sustainable investing. Trust is a fundamental factor in times of crisis. So, to the extent that sustainability helps you build up trust, it can and should be considered in asset allocation during critical times.

**What advice would you give to students and professionals who are interested in pursuing a career in sustainable finance and investing? What skills do you believe are essential for being successful in this field?**

Firstly, I am glad to see that there is so much interest in the topic from the new generation, and I

see it with students who come to classes I teach or who reach out to write theses. This is great.

I want to keep this flame alive, if you will. I think it is an area that draws people because it somehow connects their professional ambitions with something they deeply care about.

I would advise students to put their passion to work, but also not to let it cloud their judgement. Do not take everything for granted. On our active side as professionals, we should listen carefully to what clients want and deliver the best possible service without overclaiming impacts.

**What message would you leave for those representatives of the younger generations who will read this article and are interested in the topic?**

This is very important. I would leave two messages.

The first one comes from my personal experience since I was young. At the time, I started reflecting on climate change and its development, so I talked to my dad, and then I realised that the situation was not that much worse than when he was also young. Back then, the nuclear war was something that could happen any day, and going back in time, my grandpa certainly did not have a better time. This means that one great way to act for a better future is to start listening carefully to our parents and grandparents and see how they perceived the roots of certain problems.

The second message is about our actions aimed at solving those problems nowadays. This is where our expertise comes into play. There is no change if you do not try to use your skills for a purpose.

Sustainable finance includes several other factors rotating around itself, such as consumption, politics, and culture. We should try to connect all of them at once in order to critically evaluate what is working better and what is not.

But never forget that we need to sort of pull together on one big rope to get this thing right. And so let us do that together.

With these valuable insights shared by Prof. Dr. Kölbel, the interview comes to an end. We thank him for sharing his perspective on sustainable finance with SAMBA and wish him all the best for driving meaningful change through it.



**About the Author**

*Lucia Palomba holds the role of Sustainability Officer at the branch of Colombo Wealth SA in Zurich.*

*In fact, thanks to her background in economic studies at the University of Zurich, she has also been able to deepen and develop her interest about the study of issues related to sustainability and sustainable investing.*