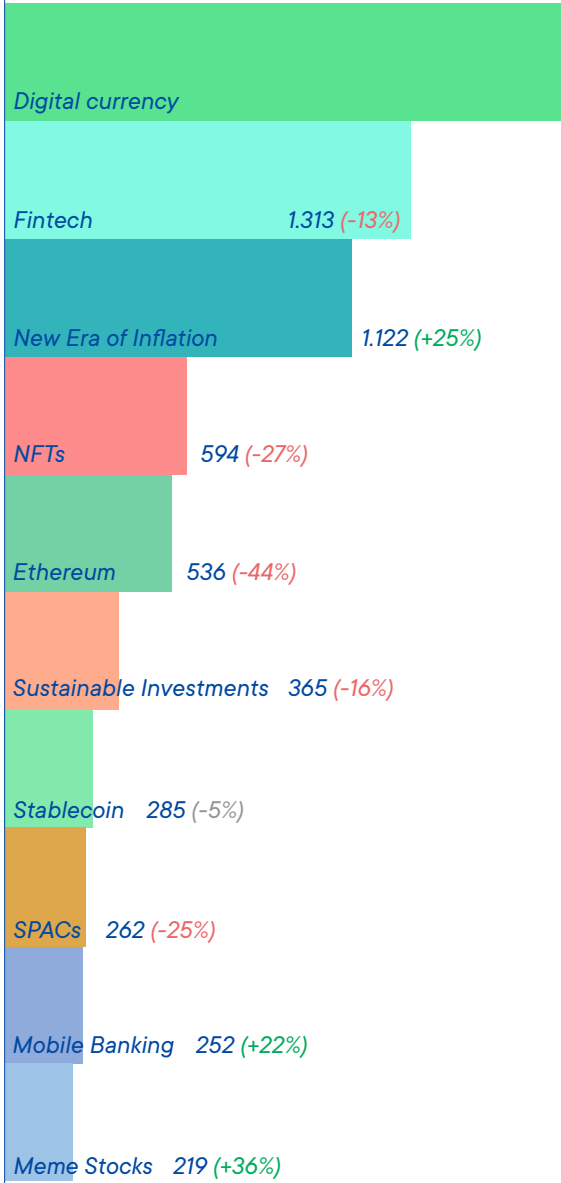


**06**

**03  
23**

**The Imagination Economy  
Activist Investors  
Proxy Advisors  
Climate Finance and Biocredits  
Social Washing instead of Green Washing**

**Top Future Topics Finance \***



## A new beginning – this time for real?

**The editorial in the last issue talked about of old ways of thinking and the hype of the cryptosphere. That message, three months later, has matured well. Because the crypto bubble "has burst – never was that clearer than now," according to Handelsblatt in February 2023.**

A year ago, it was proclaimed as a turning point, but now, just like the metaverse, hardly anyone is interested in it. This is due, among other things, to so-called generative AIs such as ChatGPT, Dall-E and Midjourney. They are the ones that are now attracting many billions in investor capital. ChatGPT alone reached 100 million users within a very short time. Both Metaversum and cryptocurrencies could not reach these numbers. According to Handelsblatt, Microsoft sees future developments especially in the AI sector and explicitly not in the metaverse.

**Are we nevertheless merely experiencing the next hype?** Or is it really a moment comparable to the invention of the first browser and the World Wide Web by Tim Berners-Lee in 1990? Or is Generative AI even comparable to the introduction of electricity? Read about what a future with AI as part of our everyday and professional lives could bring starting [on p. 3](#).

**Because it feels like the whole world is currently getting its head turned by AI, other, less spectacularly ongoing disruptions are easily lost from view.**

Particularly if they have been proceeding rather but nevertheless ultimately lead to a tectonic shift in conditions. One likes to speak of silent revolutions. Such a revolution is apparently taking place as a result of the rise and popularity of ETFs (exchange-traded funds). They are shifting the balance of power on the investors to a species that is actually the opposite of silent. What the massive increase in the importance of financial activists and activist investors has to do with the boom in ETFs, can be found [on p. 5](#).

**However, financial activists are not the only ones who are getting a boost from the ETF boom. For the same reasons, the importance of proxy advisors has been growing for years.**

The topic was brought to the attention of the general public by someone who is also anything but quiet – Elon Musk, via tweet, of course. Starting [on p. 6](#), you can read about how such financial players, who have so far tended to work in the background and passively, are becoming more and more active as their power increases, and why this could be problematic.

**Similar to AI, but for much longer, climate change has dominated public discussions – and rightly so.**

Last summer's record drought, which science says is not an outlier, underscored this once again. But there is another problem in the environmental sphere that is overshadowed by the presence of the climate crisis in the media, even though it could have equally dramatic consequences for us – species extinction and the rapid decline in biodiversity.

Biodiversity and the climate crisis are closely related and mutually reinforcing. The costs of a climate-

neutral transformation of the economy and society run into the trillions. The damage will occur primarily in the global South. The protection of biodiversity also poses very similar financial and structural challenges. While politicians and the financial sector have now established numerous instruments for financing climate protection measures (climate finance), financing for biodiversity conservation is still uncharted territory. Biocredits represent a potential solution. Read more about how they can solve this problem without repeating the mistakes of CO2 offsets [on p. 7](#).

**Finally, I gave it a try, but failed to have ChatGPT write a decent article about greenwashing and social washing.**

Since the AI simply repeated the same sentence ten times with slight variations, I decided to write the text myself after all. You can find out why greenwashing could soon lead to expensive court rulings and why social washing in particular can cause even greater difficulties for financial institutions than greenwashing criticism, starting [on p. 8](#).

**Enjoy reading and be ready, not depressed.**

Yours Oliver Heyden  
Trend Strategist, pressrelations GmbH

# The Imagination Economy

Attention. This text is man-made from the first to the last letter. The gag to start unannounced with a text created by ChatGPT has been around for a long time. However, such a disclaimer at the beginning of any text could soon become a legal standard. soon become a legal standard.

Because schools, research institutions, media and legal departments for copyright issues are in a frenzy due to the fake possibilities that **ChatGPT** offers. After the first 5 days of its release in November 2022, the tool reached one million users and the numbers are growing. No digital platform has managed this growth so quickly. The fastest platform to date was Instagram, where the first million users were reached within 75 days.

But first, **new business models** are emerging at break-neck speed from the new possibilities of ChatGPT and text-to-picture AI. There are already digital market-places trading prompts, lines of command for ChatGPT or text-to-picture AI like Dall-E that guarantee a very specific result. Such customized, highly complex prompts that reliably produce the desired result are

just becoming a lucrative future market and forming a new industry: **AI service providers**. The billion-dollar market that Rob Toews, AI expert at Forbes, already outlined a year ago (see Forbes Online of 2/13/2022 and 3/27/2022) is also now becoming tangible. It consists of software startups that program thousands or millions of specific application environments, AI apps or plug-ins that use basic language models like GPT-3 as a kind of operating system.

The new, creative and conceptual capabilities of **Generative AI**, the generic term for ChatGPT, Dall-E & Co., are generating enthusiasm and a new "Gold Rush" on the one hand, but on the other hand there are already first social acceptance problems and legal difficulties. The first indications of these coming discourses are shown by examples such as the tech

platform CNET, which secretly published AI-generated texts as journalistic works in the USA, or the first copyright lawsuits because of AI-generated portraits. All of this is somewhat reminiscent of the advent of genetic engineering in the 1980s.

At the same time, ChatGPT is currently still relatively incompetent. Answers to factual questions are rarely correct because, according to Ruth Stock-Homburg (TU Darmstadt), ChatGPT has no concept of right and wrong and only calculates probabilities. Often, it spits out well-sounding nonsense. Christian Stöcker from Spiegel sees **three central problems** of AI speech production systems here:

1. What they tell you is not reliably correct, but at first glance they give quite convincing answers.
2. You never find out where the AI got its information, what it actually learned from, and how it generates answers from it.
3. The training data does not represent reality, it contains biases and copyright problems.

At least the first problem could be solved with Google's GPT competitor **Lamda** (Language Model for Dialogue Applications). If you believe a Zeit article from mid-January, GPT-3 behaves to Lamda like a cell phone of the 90s to Apple's first iPhone. In contrast to

GPT-3, Lamda supposedly has a real understanding of the world and can therefore distinguish right from wrong. At least that's what AI legend and Google manager Agüera y Arcas thinks. Unlike ChatGPT, Google's chatbot Bard then tells less or even no more euphorious nonsense in perspective. Arcas is also certain that Lamda would also pass the Turing test, meaning a human would no longer be able to distinguish Lamda-based dialog applications from a real human. But similar to Microsoft's ChatGPT-based Bing Search, which suddenly wanted to be called Sydney and gave sometimes strange to disrespectful independent answers, it is human projections that virtually breathe life into such AI.

And yet – even if Bing Search and Bard initially got off to a capital false start, instead of a distant utopia it seems to be only a matter of a few years until generative AI holds all the information of our existence that can be digitized in some form ready in real time and can process it correctly.

»The new iPhone moment – finally there is again a real tech revolution«

STEPHAN SCHEUER,  
SILICON-VALLEY-CORRESPONDENT  
OF THE HANDELSBLATT

»A real, profound and comprehensive revolution of digital automation that affects education, communication, culture, work, economy and the whole society«

SASCHA LOBO

The next AI generation, **GPT-4**, is said to have already been trained on a data volume that corresponds to 500 times the current version GPT-3. The recently utopian but now realistic goal of GPT-3 developer OpenAI, Google and others is so-called **Artificial General Intelligence (AGI)**. "A.G.I. are what you better never said at serious events with computer scientists until now, if you didn't want to be laughed at: a singularity, a program that is in no way inferior to the abundance of neuronal connections in the brain of a human being." (*Die Zeit*)

These capabilities could then completely change the way we approach and deal with the world. AI as part of social life, with suitable hardware also as partner, personal therapist, doctor, teacher, financial advisor, omniscient colleague, researcher, programmer and specialist, journalist, lawyer, entertainer and management consultant. AI should develop new software, hardware, drugs or therapies, or even invent new substances and materials.

In finance, the AI could perform due diligence, provide legal opinions, prepare financing and investment plans, review the legal framework, develop optimal individual savings plans for retirement, manage complex approval and financing procedures for infrastructure projects, and analyze company and market information for stock trading.

**"The coming artificial intelligence ecosystem will be a new chapter in the eternal automation story of capitalism"**  
(Sascha Lobo)

Here lies a great social, economic and political explosive. As *Handelsblatt*, the *Economist* and Sascha Lobo (in *Der Spiegel*) have written, generative AI threatens

not the simple jobs first, as was recently thought, but the more technically complex and creative ones, the "intellectual assembly line," according to Lobo. It also suggests development advances in a few years that could replace human skills beyond that.

It is also easy to imagine societal collateral damage from AI platforms that feel human and personal, that meet us as friends and omniscient experts, and with whom we could build trust and develop feelings. If such an AI then becomes a comprehensive **gatekeeper**, regulating what we see, read, hear, like, feel, believe and want, this changes society.

Facebook and TikTok, which are Stone Age platforms compared to future AI, have sufficiently proven their impact as social hell machines. So is generative AI the new genetic engineering and should only be used in the future in a strictly legally limited way, with appropriate warning labels on its products? Are **alternative forms of society**, products or business models emerging whose core feature or USP is to be "AI-free"?

*Ruth Stock-Homburg's* conclusion on the short-term prospects for generative AI sounds reserved. Thus, she says, it is no more than a "gimmick for the private sphere, but in no case for the economy or for security-relevant areas. We have no idea how to deal with the immature system."

Probably due to growing sobering experiences, reporting has recently also developed rather critically. The tech news platform *The Register*, read by 40 million people, for example, calls ChatGPT a "prime example of a knowledge simulator", that would make "AI systems error-prone and dangerous."

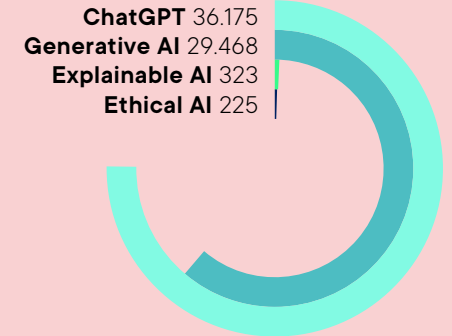
The technology magazine *t3n* has summarized the dangers that lie behind this and will even grow once the current inadequacies have been remedied: The risks range from deep fakes, fake news and fake research on an unprecedented level, to the undermining of data security and copyright, to new conspiracy narratives, a negative cultural bias of AI, and thus to further social radicalization. Also conceivable is the barrier-free creation by AI of plans as complex as they are effective for terrorist attacks, weapons construction, and all manner of criminal acts.

Similar to genetic engineering, generative AI of the future apparently provides as many possibilities as horror scenarios. Socioinformatician and AI expert *Katharina Zweig* (in *Der Spiegel*) therefore sees the "big construction site" not in further technical development, but in "our own handling of AI." "In part, expectations are exaggerated, in part, the possibilities are talked down," Zweig said.

OpenAI CEO *Sam Altman* expects to see many AI systems representing different social values in the future. So, as *Stöcker* mockingly asks in *Der Spiegel*, will there soon be polite, woke and youth-free, but also rather sexist or racist **AI base models**?

Stöcker therefore wants to supplement the long-standing concept of "Explainable AI" with "**Accountable AI**" that generates its output in a comprehensible and reliable manner according to clear rules. The further development of generative AI appears to be less a technical challenge than a regulatory and sociopolitical one.

**SOCIAL BUZZ (GERMAN) 12 MONTH**  
IN COMPARISON OF RELATED TERMS



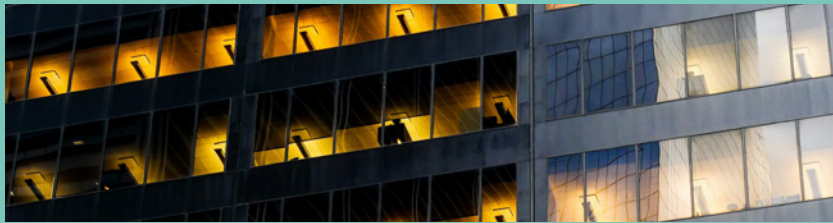
**HASHTAGS**

- #ai #bigdata #chatbot #chatgpt #cloud
- #cloudworld #cybersecurity #digitaletransformation
- #digitalisierung #forschung #fun #google
- #innovation #java #ki #kmk
- #kuenstlicheintelligenz #kunstlicheintelligenz #e
- #lehrkraefemangel #microsoft #openai #podcast
- #seo #softwareentwicklung #startup #stuttgart
- #swk #twiz #vr

**MORE KNOWLEDGE**

- Handelsblatt** *Wie ChatGPT Ihr Leben verändern wird*
- Zeit Online** *Hast du ein Bewusstsein? Ich denke schon, antwortet der Rechner*
- Handelsblatt** *Sechs Branchen, die durch KI verändert werden könnten*
- The Register** *ChatGPT has mastered the confidence trick, and that's a terrible look for AI*
- Spiegel** *Wie man eine KIT baut, der man trauen kann*
- Zeit Online** *Der Midcult-Generator*

## Activist Investors – Increasing importance as corporate actors of the future



**Financial activists**, as aggressive "troublemakers" (F.A.Z.) who buy into and interfere with companies, have long been a source of gnashing of teeth among concerned managers. Since the 1980s, this type of investor has been transforming the corporate landscape in a hitherto unknown way, first in the U.S., and since the turn of the millennium also in Europe. Pioneers such as **Guy Wyser-Pratte**, **Paul Singer** and **Carl Icahn** became feared investor legends, both reviled and admired as company wreckers, brutal restructurers and vultures, immortalized in pop culture and romanticized by Richard Gere in "Pretty Woman".

In the future, the importance of such financial activists will grow even further. One reason is that they are exercising their influence in more diverse ways than in the past. Back then, it was mostly a matter of buying undervalued companies, breaking them up and selling them again quickly with profits running into the billions. During the Internet age, it was then a matter of pushing traditional companies into the digital age by any means necessary in order to achieve higher growth, higher margins and a higher stock market value. Finally, there were and still are the "muckrakers" (F.A.Z.) among the activists who use price manipulation to sell their shares short through aggressive public relations. Today, **activist investors** are increasingly breaking away from the purely destructive role of company hunters and acting more constructively and in the long term, albeit with the same aggressiveness. According to *Kai Tschöke of Rothschild & Co.* in the *Handelsblatt*, "the field now ranges from evolutionary improvement as an external provider of ideas, to participation in the boards, to radical demands driven from the outside or via the annual general meeting".

What all activist investors have in common is the enormous knowledge and competence resources provided by an army of analysts, lawyers and PR people in search of corporate weaknesses. This is the second and decisive reason for the growing influence of activists, which is closely related to the boom in **ETFs**:

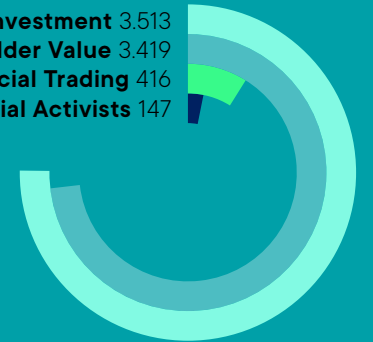
1. Many index funds and their managers are no longer really interested in individual companies because they merely have to track the index. Therefore, well-founded company analyses increasingly come only from activist investors.
2. As the ETF share in traditional funds is increasing, reducing the need to look closely at individual companies, activists are exercising their voting rights less and less frequently in order to save the necessary administrative effort.

The third reason: They exploit their analytical resources even more unscrupulously with regard to the potential collateral damage of their activities, as the current case of the Indian conglomerate **Adani** shows. The financial activist *Hindenburg Research*, a typical "muckraker" as a short seller according to the *F.A.Z.*, accuses Adani in a report of over-indebtedness as well as price manipulation and balance sheet falsification on a large scale. on a grand scale. A few days later, \$110 billion in stock market value was gone. Since Adani is closely interwoven with several sectors of the Indian economy, the campaign even jeopardizes India's growth plans. In contrast, the growing presence of financial activists is driven by short-term factors such as the catch-up effects of the Corona crisis and the current volatile markets, which are favorable for such investors. According to *Handelsblatt*, activist investment campaigns increased by 36% in 2022. In the medium term, the influence of financial activists will also grow because the huge tech sector is becoming an attractive target market due to the recent devaluations. For example, activist investors have recently entered **Alphabet**, **Meta** and **Salesforce**. According to *Die Zeit*, financial activist Christopher Hohn is even breathing down Google's neck, calling for far more job cuts than previously planned.

Finally, it will not be long before financial activists increase their sphere of influence by focusing their campaigns on the implementation of and compliance with environmental and social standards, the disregard of which is one of the greatest corporate risks. Therefore, **unsustainable business models** constitute one of the key vulnerabilities of the future. Then they are connected not only in name but also in content with the people who stick to the streets for such issues.

### SOCIAL BUZZ (GERMAN) 12 MONTH IN COMPARISON TO RELATED FIELDS OF KNOWLEDGE

Purpose Investment 3.513  
Shareholder Value 3.419  
Social Trading 416  
Financial Activists 147



#### HASHTAGS

#123info #activism #aktie #aktien  
#anderson #aufsichtsrate #auspaltung #baumann  
#bayer #boerse #borse  
#corpgov #deutschland #esg #finanzen  
#investoren #oe1 #pharma  
#roche #saldo #sharedeals #wirtschaft

#### MORE KNOWLEDGE

**FAZ Finanzaktivisten – Die Unruhestifter**  
**Handelsblatt** *Der 110-Milliarden-Dollar-Crash wird ein Stresstest für Indien*  
**Handelsblatt** *Aktivistische Aktionäre greifen an der Börse zu*  
**Handelsblatt** *Affäre um Milliardär Adani überschattet Indiens Wachstumspläne*  
**manager magazin** *Shortseller Hindenburg Research: Der Adani-Jäger*

## Proxy Advisors – Vocal rights consultants with (too) much influence



**"Far too much power is concentrated in the hands of "shareholder services" companies like ISS and Glass Lewis, because so much of the market is passive/index funds, which outsource shareholder voting decisions to them. ISS and Glass Lewis effectively control the stock market."** (@elonmusk)

When **Elon Musk** presents accusations or crude ideas via **Twitter**, many now regard this as folklore of a bizarre entrepreneur. His latest accusation that shareholder advisory firms, so-called **proxy advisors**, have too much influence on the stock market and even control it initially fits into this picture, because it seems like a personal tit-for-tat. In 2018, the two largest shareholder advisors, **ISS** and **Glass Lewis**, declined to pay Musk a \$2.6 billion bonus (t3n). Nevertheless, and precisely because of this example, Musk's accusation should make people prick up their ears. Because it is valid.

"In view of the increasing internationalization of the shareholder structure of German companies and the growing involvement of institutional investors, proxy advisors are gaining noticeable influence in this country. The *DIRK (Deutscher Investor Relations Verband)* wrote this back in 2014, and this development has recently accelerated. The reason for the increase in importance is the same as for the rising influence of financial activists. It is due to the enormous research power of proxy advisors and the boom in **ETFs**. The latter promotes the trend towards passive investing among institutional investors. As a result, as they increasingly track only indices, they outsource acquired voting rights on a large scale to **shareholder advisors** such as ISS. This approach often gives the latter a quarter of the votes (*Handelsblatt*).

However, since the consultants themselves do not own shares in the companies, they lack the legitimacy to exercise voting rights as they see fit, unlike the financial activists. Criticism arises because they apparently do. Their research expertise, in turn, enables them to set de facto standards for supervisory boards. ISS wanted to use this leverage in Germany to ensure that annual general meetings (AGMs) are only held when shareholders are present. Only after strong headwind from shareholder associations was the demand toned down. The case says a lot about consultant power.

But the headwind is increasing. According to t3n, US business associations are now running up a storm against the power of proxy advisors. They have good reasons for this. According to DIRK, shareholder advisors used to base their votes on publicly available voting criteria, which made it easy to assess their voting behavior in the run-up to an AGM. But they are not bound by them. This harbors risks:

- Influence can be non-transparent and erratic, i.e. it is not disclosed why, to what extent and whether influence can and will be exerted at all. This means that surprises of all kinds are possible.
- If significant voting rights are exercised without ownership risk, decision-making motives other than business success alone are also conceivable.
- For third parties, this offers the opportunity and an enormous incentive to also indirectly gain influence on the company by exerting comparatively favorable influence on shareholder advisors, without having to costly acquire their shares.

**Conceivable consequences:** Intransparent and erratic decision motives turn shareholder advisors into the surprise eggs of every vote and make it more difficult to plan corporate development in the long term.

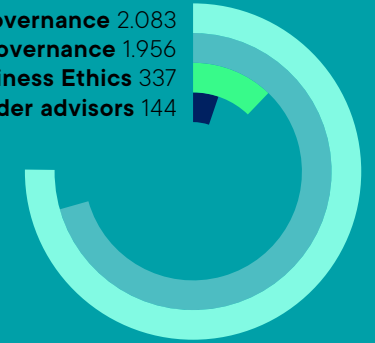
Uncertainty and intransparency regarding voting motives and voting results undermine market and stakeholder confidence in a company's reliability. This in turn could lead to a risk discount on the stock market as well as with rating agencies.

The problem of growing and completely obscure influence by third parties may ultimately even reach geopolitical dimensions against the background of the growing rivalry between China and the West.

The actual influence and activities of proxy advisors should therefore be examined more closely, at least in the context of **corporate governance**.

### SOCIAL BUZZ (GERMAN) 12 MONTH IN COMPARISON TO RELATED FIELDS OF KNOWLEDGE

Corporate Governance 2.083  
Good Governance 1.956  
Business Ethics 337  
Shareholder advisors 144



### HASHTAGS

#123info #advisory #agm #aktien #aktionarsberater  
#allianz #commerzbank #corporategovernance  
#corporateraiders #dai #dvgk #deutschebank #deutschebourse  
#deutschland #dirk #dws #finanzinvestoren #fixum #gehalter  
#glasslewis #grundgehalter #hauptversammlung  
#investoren #iss #masslos #mitbestimmung  
#sayonpay #sewing #stimmrechtsberater  
#vorstandsvergütung

### MORE KNOWLEDGE

t3n *Elon Musk wirft Proxy-Advisors Kontrolle des Aktienmarkts vor*  
Handelsblatt *Stimmrechtsberater ISS lenkt im Streit um virtuelle Hauptversammlungen ein*  
Deutscher Investor Relations Verband *IR-Guide Empfehlungen zur Zusammenarbeit mit Proxy Advisors*

## Climate Finance and Biocredits



**Climate finance** involves financial measures to avoid or reduce CO2 emissions and adapt to climate change impacts. It is just emerging as a key issue in the run-up to the 2023 *UN Climate Change Conference (COP28)*, according to Bloomberg, because it plays "a key role in addressing the impacts of climate change," according to the *German Foreign Office* in the context of the progress report on the **Climate Finance Delivery Plan**. *The International Monetary Fund (IMF)* lists as appropriate instruments:

1. Concessional funding via climate fund
2. Debt instruments (Debt-for-Nature-Swaps, Climate Swaps)
3. International credit programs for CO2 reduction
4. Climate-related insurance systems

Despite current criticism that many offsetting measures are **greenwashing**, tradable **CO2 certificates** are also regarded as a key climate finance instrument for developing green lead markets. This was recently underscored in an expert report by the Scientific Advisory Board of the *German Federal Ministry of Economics and Climate Protection (BMWK)*.

Another indirect but increasingly influential factor is that most banks have now set climate targets for their portfolios, which makes it more difficult for companies without climate targets to obtain financing (*Spiegel*). Thus, quite clear ideas and effective instruments have now developed for climate protection financing.

The problem of **biodiversity** is obviously still in its infancy, perhaps because it has only recently received attention comparable to that of climate change. In 2020, a report was presented at the *WEF* in Davos according to which half of the

world's economic output depends on intact ecosystems, 15% even show a strong dependence.

The rapid extinction of species, with its negative consequences comparable to those of climate change, will probably not be brought to public attention until the *UN Conference on Biodiversity (COP15 Montreal)* at the end of 2022.

Although biodiversity conservation has recently seen record fund launches and a variety of new financial instruments similar to climate finance being tried out, "the financial sector is struggling to find a clear entry point" (*Bloomberg*). Huge sums are at stake. For biodiversity conservation, the *UN Convention on Biological Diversity* estimates \$700 billion annually. By comparison, industrialized countries are providing just \$100 billion in climate funding annually to developing countries since 2020.

The London-based think tank **International Institute for Environment and Development (IIED)** is now proposing **biocredits** as a financing instrument for biodiversity on the basis of a study conducted jointly with the UN. These are measurable as well as traceable and tradable. According to *Tom Mitchell*, Executive Director of *IIED*, this would make it possible to channel funds as easily as possible, for example to local communities and indigenous peoples, who are the most effective guardians of biodiversity. Finally, **Credit Suisse** reported very high market interest in biocredit as early as September 2022.

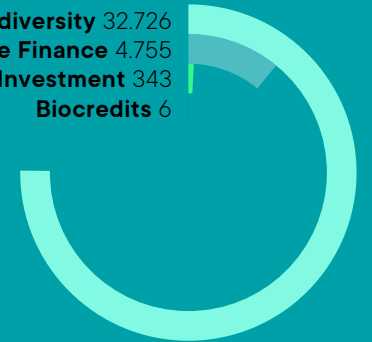
However, the concept has also drawn strong criticism from academics and NGOs. Thus, a similar problem would be created here as with CO2 offsets. "Biocredits exacerbate the biodiversity crisis by enabling further environmental destruction as long as they are supposedly compensated (*Frédéric Hache*, former derivatives trader, executive director of the NGO *Green Finance Observatory*).

However, the authors of the *IIED* study reply that unlike climate neutrality certificates, biocredit is not based on the equivalence principle, i.e. buyers must prioritize the reduction of environmental impacts over offsetting and prove this.

The specialist portal "**Carbon Pulse**" recently launched its own news platform for biocredit with *Biodiversity Pulse Monday*, which, in addition to the *Credit Suisse* report, also indicates a high level of interest in the market. *Carbon Pulse* takes a pragmatic view of the new segment. A similarly complicated and fragmented market is expected there as in the trading of CO2 quotas.

### SOCIAL BUZZ (GERMAN) 12 MONTH IN COMPARISON TO RELATED FIELDS OF KNOWLEDGE

**Biodiversity** 32.726  
**Climate Finance** 4.755  
**Impact Investment** 343  
**Biocredits** 6



### HASHTAGS

#artenschutz #artensterben #artenvielfalt  
#biodiversitaet #biodiversitat  
#biodiversity #cbd #cop15 #cop27 #ernahrung  
#fleisch #g7 #gerechtgehtanders #holzbergretten  
#insekten #insektenschutz #klima #klimakatastrophe  
#klimakrise #klimaschutz #klimawandel  
#landwirtschaft #montreal #munchen #nachhaltigkeit  
#natur #naturschutz #umwelt #umweltschutz #wald

### MORE KNOWLEDGE

**Bloomberg** *UN Says New Biodiversity Credits Can Succeed Where Carbon Offsets Failed*  
**Bloomberg** *Development Banks Need Climate Finance Makeover, Says COP Chief*  
**International Institute for Environment and Development** *Biocredits to finance nature and people: emerging lessons*  
**Bloomberg** *Debt-for-Nature Swaps Gain Traction Among Developing Countries*

## Green washing is out, now comes social washing



Advertising with **climate neutrality**, environmental protection and sustainability is "en vogue". According to studies by the *EU Commission*, 80% of all stores in the online business alone boast such attributes. In addition, **climate certificates** have become a lucrative business for well-known companies such as **Disney**, **Shell** or **Gucci**, according to *Der Spiegel*.

**Greenwashing** criticism of such advertising measures is also booming. This is because many of the forest protection projects and **CO2 compensation measures** in which companies invest for the purpose of climate neutrality appear to be drastically overvalued in terms of their climate impact. They are currently the focus of greenwashing criticism. According to *Niels Nauhauser*, a consumer protection activist from *Baden-Württemberg* who is responsible for financial issues, greenwashing is "the order of the day" when it comes to financial products.

But it is no longer just public greenwashing criticism. According to the *F.A.Z.*, a court in Germany has just banned a hygiene manufacturer from advertising climate neutrality simply because it has purchased CO2 certificates. According to the court, this was insufficient for the claim to be climate neutral. The advertising message was thus misleading. Plaintiff was another company known for its Frosch brand.

Also accused of greenwashing is **DWS**, a fund subsidiary of **Deutsche Bank**. Here, the corresponding criticism had already reached enormous proportions before. Still 70% of the investor inquiries turn around this topic, so the *F.A.Z.*. The first hearing will take place in March 2023.

Greenwashing case by case as a criminal offense to consider, however, is only the beginning.

Because in March 2023, the **EU Commission** wants to present its "**Green Claims**" **draft**, which provides for amendments to the Unfair Commercial Practices Directive. Blanket and vague environmental claims would then be banned as misleading if the environmental performance of the product or supplier had not been verified and proven by third parties. This would also mean the end of many voluntary environmental labels. For the financial sector, and especially for fund providers, the following passage would be particularly relevant: Environmental claims about the entire product will be prohibited if they are based on only one aspect of the product. Special attention will be paid to the claimed climate neutrality. In the future, companies will have to make transparent whether this was achieved through their own energy savings or through CO2 certificates.

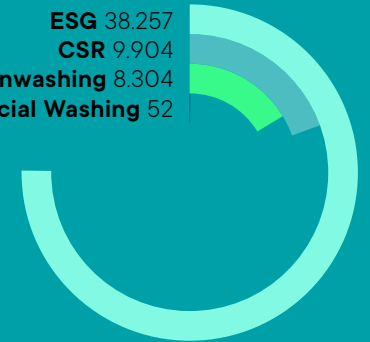
If the EU's "Green Claims" guidelines become national law, greenwashing will become very expensive. This is because, in conjunction with the "New Deal for Consumers" that has been in force since 2022, penalties of up to 4% of sales are possible for violations of the ban on misleading information. Greenwashing will no longer be worthwhile by then at the latest.

With **CSR** as part of **ESG strategies** or under the banner of so-called **impact investment**, the financial sector has long since focused not only on green reputation, but also on social reputation. Values such as fairness, tolerance, equality, justice and social responsibility are currently easy to market as key sustainability factors. But here, too, the headwind is growing. The *Süddeutsche Zeitung* criticizes that "some banks are now acting as if their entire core business is charitable." In this context, the *SZ* warns that, analogous to greenwashing, social responsibility, if only claimed, would soon come under **social-washing criticism**.

The EU also already has the issue on its radar. Similar to the "Green Claims" directive, it is working on a taxonomy for socially sustainable investment. However, due to the complexity of the topic, it is not expected before 2024. In the view of *Henry Tricks*, ESG expert at *The Economist*, the financial industry would be better off focusing only on verifiable green targets anyway and "better jettison the S's and G's in ESG" because they would turn everything into "unholy chaos."

### SOCIAL BUZZ (GERMAN) 12 MONTH IN COMPARISON TO RELATED FIELDS OF KNOWLEDGE

ESG 38.257  
CSR 9.904  
Greenwashing 8.304  
Social Washing 52



#### HASHTAGS

#afbmc #armut #armutbekämpfung #betrug  
#blackrock #bluwashing #cdu #chancengleichheit  
#changewashing #csr #diverse #diversity #eiskalt  
#esg #f1 #fashion #fashionweek #fynnkliemann  
#gemeinnutzigkeit #geschlechtergleichber... #giessen  
#greenwashing #hamilton #idealist #london  
#mailand #socialwashing #szplus  
#team #verdrangung

#### MORE KNOWLEDGE

**Spiegel** Klimaschutz-Zertifikate vieler Unternehmen offenbar völlig überbewertet  
**FAZ** Bedeuten die Pläne der EU-Kommission das Aus für grüne Werbeclaims?  
**Sueddeutsche** Nur noch kurz die Welt retten  
**The Economist** ESG investing is in need of a rethink



# Finding topics for the future, before they become trends

## About the methodology

The editorial section of Tomorrow! Finance was created on the basis of the ongoing FirstSignals® topic and trend research by pressrelations GmbH. The quantitative tracking of current trend terms and the presentation of trend developments of future topics, which follows the editorial part, is based on a media panel of 50 German-language and English-language leading media.

## The FirstSignals® method

FirstSignals® is based on focused media research and continuously identifies new topics and trends based on the emergence of new narratives in the form of buzzwords. To this end, experienced analysts evaluate content- and opinion-rich articles from top global media for such new "buzzwords" on a daily basis. In addition, a qualitative panel of top online media is evaluated, which have also established themselves as media beacons with excellent editorial teams. All media titles represent editorial focuses in the areas of business, society/politics or technology.

## Media Panel

### Economics

Economist; Financial Times; Harvard Business Review; Handelsblatt; (Bloomberg) Business Week

### Society

NY Times; Forbes; Zeit; Guardian; FAZ;

### Technology

Wired; TechCrunch; t3n Magazin; MIT Technology Review (engl.); Technology Review (dt.); Vox.com; CNet

## Aim

The aim of the method is not to compete with the expert knowledge from the echo chambers of science, IT, engineers. Because it's not just about the novelty value, but the relevance potential. As long as a topic has not yet found its way out of the perception spaces of the hyper-experts, it is difficult or even impossible to select from the millionfold noise of inventions, ideas, research projects and concepts those that have particularly high future potential. Future topics only become future trends only when they leave the echo chamber of the hyper-experts. This is exactly where FirstSignals® research comes in.

## Traditional media instead of trade magazines and social media for three reasons. for three reasons:

1. Only powerful editorial teams can select topics with relevance potential from the expert space.
2. Unlike most SoMe authors, they can classify and explain complex topics in such a way that decision-makers and consumers who do not have the relevant prior knowledge grasp the significance of these topics. When they adapt their action concepts as a result, that is precisely the moment when a topic acquires power.
3. In the age of echo chambers, the leading media are experiencing a surprising reevaluation. Their heterogeneous readership makes them almost the only sources that succeed in breaking through filter bubbles. Even popular debates like #Metoo could never have had such an impact without the boundary-breaking function of the leading media.

[More information about FirstSignals® is available here](#)