

Interim Report

Sustainable Finance-Committee
of the German Federal Government

13.03.2020

Becoming a leading centre for Sustainable Finance

- The Sustainable Finance Committee (SFC) was appointed by the Federal Government for the duration of the current legislative period. Its members are practitioners from the financial and the real economy, civil society and academia.
- The Committee advises the Federal Government to support Germany evolving into leading centre for sustainable finance.
- This will support the financial sector in financing the real economy activities necessary to achieve the United Nations' sustainable development goals and implement the Paris Climate Agreement.
- The SFC is developing recommendations for a Sustainable Finance Strategy for the Federal Government, and is thus making an important contribution to strengthening Germany's long-term competitiveness.

The Interim Report as a snap-shot of ongoing discussions

- The Interim Report (IR) illustrates the current state of discussions within the Sustainable Finance Committee. It does not pre-empt the recommendations of the Final Report expected in September.
- The Interim Report is intended to serve as a basis for a discussion with the interested public. This is why its publication is accompanied by a consultation.
- The SFC hopes for feedback from a broad audience in order to complete the recommendations of the Final Report. Representatives from the financial industry, the real economy, politics, supervisory authorities, academia and civil society are invited to contribute.

Why Sustainable Finance?

- Today's patterns of production and consumption need to change in order to reach the sustainable development goals. This requires substantial investments. The financial industry plays a key role in providing the necessary financing.
- The Sustainable Finance Strategy aims to enable targeted change towards a future-proof German economy. Sustainable Finance thus contributes to long-term competitiveness.
- Sustainable Finance includes among others:
 - A comprehensive understanding of sustainability related risks and opportunities in financing and its translation into risk management systems;
 - Increased transparency to allow a fact-based assessment of sustainability and impact of a funded activity;
 - A long-term decision-making horizon;
 - A pro-active and shaping public sector acting as a role model.

Resilience – Ensure Stability

- For the financial markets to be future-proof, stable and competitive, their structures need to be robust and able to adapt.
- Quantitative risk management procedures do not adequately plot relevant and forward-looking sustainability parameters at the moment (e.g. climate-induced risks):
 - Material and forward-looking sustainability parameters need to be taken into account in all financial markets players' risk management and strategy development processes;
 - The supervisory framework for financial market participants needs to be assessed also with regard to its impact.

Transformation – Financing Change

- Change towards a sustainable economy necessitates significant investments.
- This requires future-proof financial market structures and financial instruments geared to change:
 - Private and institutional investors need access to a broad choice of sustainable investment products;
 - Incentive mechanisms in the company leadership need to be aligned with sustainability criteria. Requirements regarding qualification and training need to be adapted accordingly.

Transparency and Disclosure – Information flow as a basis

- Access to the meaningful data is the precondition to assess risks and opportunities of investments and financings.
- Even though there have been substantial improvements, further efforts towards a standardised and reliable sustainability reporting are required to enable an assessment of the impact and risks of business plans as well as their compatibility with the sustainable development goals:
 - Expand the scope of companies required to provide sustainability-related reporting incrementally;
 - Specify the content of sustainability reporting and include forward-looking information;
 - Disclosure obligations of financial market players need to enable a realistic assessment of the sustainability of specific investments and financial products.

The Public Sector – Role model and trailblazer

- The public sector defines the regulatory framework and incentive systems.
- In addition to that, it has a key role to play. It should role model in procurement, financing, and as financial markets' participant in order to enable change towards a sustainable economy.
- A necessary condition is a well developed understanding regarding the coherence of its policies with political goals:
 - Strict alignment of its capital expenditures with the political goals;
 - Public sector risk hedging needs to be compatible with sustainability requirements;
 - Issuance of sustainable and/or green bunds.

Next Steps

05.03.2020	Publication of the Interim Report
05.03.2020 – 03.04.2020	Consultation of the Interim Report
April 2020	Analysis of the feedback from the consultation
20.05.2020	5th meeting of the Sustainable Finance Committee
27.08.2020	6th meeting of the Sustainable Finance Committee
September 2020	Publication of the Final Report
28.09.2020	Sustainable Finance Summit under the patronage of the BMF and the BMU in Frankfurt am Main

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