



**Press release**

Not to be released before: 02/25/2021, 11:00 a.m.

## **German federal government should accelerate the transformation by establishing a sustainable finance system**

### **Sustainable Finance Committee of the German federal government presents report with 31 recommendations**

The Sustainable Finance Committee appointed by the German federal government has presented a report with 31 recommendations on how the transformation of the German economy can be financed with a sustainable financial system.

The climate crisis, digitalization, and globalization are the trends that are driving the transformation. Companies today must develop innovations and modify their production methods, supply chains, and business models faster and more extensively than ever before.

Companies need capital to finance this transformation. Investments totaling at least one trillion euros must be mobilized across Europe just to finance the European Green Deal through the year 2030.

The financial industry can mobilize and effectively deploy this capital if German businesses make their transformation strategies transparent. The Committee has developed its recommendations for the resulting requirements to be placed on the reporting of companies, the knowledge and capabilities of the responsible persons, and the efficacy of financial products.

“The Committee’s recommendations are specific and practicable,” said Karsten Löffler, Chairman of the Committee. “The Sustainable Finance Committee of the German federal government applied a systematic approach to developing these recommendations: It calls for collaboration among the principal players and formulates recommendations for the policy framework.”

### **The German federal government has the most important role to play**

The German federal government has the most important role to play. It must establish a coherent, future-proof, and sustainable policy framework (Chapter 2 of the report). As the public authority, it also acts as a role model with the power to shape the financial market.



The Committee recommends that the German federal government issue sustainability bonds, develop sustainability strategies for public-sector financial investments, set up special federal government funds, and implement economic support programs. The externalized costs of commercial enterprises should be internalized by way of an appropriate CO<sub>2</sub> price, for example, so as to enable the financial market to model opportunities and risks more accurately.

The Committee considers the benefit for companies to be just as crucial as defining ambitious goals according to the international treaties and frameworks that have been ratified by the German federal government: the Paris Climate Agreement with its 1.5 degree target, the 17 Sustainable Development Goals of the United Nations, and the UN's Guiding Principles on Business and Human Rights.

The Committee therefore recommends to the German federal government that public-sector financial institutions such as KfW, the state development banks, savings banks, regional state banks, and public-sector insurers align their lending and investment policies with these targets (Chapter 6).

A Sustainable Finance Coordination Office should be set up within the German Federal Ministry of Finance to support interdepartmental action. An independent sustainable finance platform should help incorporate the principal players and develop problem-solving approaches. SMEs should be given better access to capital and expertise in the form of a transformation and impact fund.

### **Financial industry and real economy: Transparency for capital**

Additional resources and existing capital flows should be targeted to finance innovations and sustainable business models to transform the economy. To this end, corporate reporting (Chapter 3) should measurably disclose to all stakeholders, especially investors and lenders, exactly how the companies are prepared for new technologies and qualification requirements, crisis scenarios and cost factors such as climate change, resource scarcity, or pandemics.

The Committee recommends that companies report on their risks including sustainability risks and impacts. Such reporting will pay off when financing is needed. The reports should be included in the management report part of the audited financial statements and should be future-oriented particularly with regard to climate data.



The transformation requires appropriate knowledge and qualifications (Chapter 4) on the part of the responsible persons in the management of companies and financial institutions, in financial advice and credit assessment, and in the regulatory authorities. The Committee recommends the definition of required qualifications and capabilities and an initiative to improve the public's sustainable finance literacy including by means of incorporating the subject into school curricula.

Investors should benefit from the opportunities of the transformation with sustainability-supporting financial products (Chapter 5). The Committee recommends a simple classification of all financial market products on the basis of the EU sustainability-related disclosures in the financial services sector. It should clearly rank sustainability opportunities and risks on a scale of 1 to 5 and facilitate investment decisions.

To enhance the incentives for individual investors, the Committee recommends that the funding conditions of investment vehicles that are already subsidized by the government, such as the Riester pension and the capital formation benefits plan, be tied to sustainability criteria, and that tax exemptions should be granted on income from sustainability products.

Berlin, February 25, 2021

#### **Sustainable Finance Committee**

Office: Laurence Trillig  
+49 (0)30 18682 2344  
[laurence.trillig@bmf.bund.de](mailto:laurence.trillig@bmf.bund.de)

Media contact: Nick Tewes  
+49 (0)171 7722305  
[nick@spaceship-institute.com](mailto:nick@spaceship-institute.com)



### **About the Sustainable Finance Committee:**

On February 25, 2019, the State Secretaries' Committee for Sustainable Development decided to develop a sustainable finance strategy for the German federal government with the goal of making Germany a leading center for sustainable finance.

The strategy is intended to help the financial industry finance the necessary real economy activities to achieve the United Nations' Sustainable Development Goals and the goals of the Paris Climate Agreement. Sustainable finance makes an important contribution to strengthening Germany's competitiveness.

The Sustainable Finance Committee comprised of 38 practitioners from the financial industry and real economy, academia, and civil society. It was established on June 6, 2019. It advises the German federal government on the formulation and implementation of a sustainable finance strategy in the current legislative term.

The Committee also advises the German federal government on its positioning in national, European, and international discussions of sustainable finance. It prepares proposals for refining the management of risks and opportunities specific to the financial system in order to arrive at adequate non-financial indicators related to the environment, social topics and governance above and beyond financial indicators.

[www.sustainable-finance-beirat.de](http://www.sustainable-finance-beirat.de)