



## Press Release

The Federal Government's Sustainable Finance Advisory Committee (SFB) has written four landmark discussion papers on the topic of "Sustainable transformation financing", which address the key challenges and solutions for a sustainable transformation in various economic sectors. Against the backdrop of the Federal Constitutional Court's ruling on the supplementary budget, the issue of financing sustainable transformation will continue to be of enormous importance. The papers offer practical recommendations for small and medium-sized enterprises (SMEs), start-ups in the field of hardware financing, industrial companies and the expansion of sustainable infrastructure in Germany.

### **German government's Sustainable Finance Advisory Committee publishes important discussion paper on transformation financing in the SME sector**

November 24 - The German government's Sustainable Finance Advisory Committee (SFB) presents an important discussion paper on transformation financing and support for SMEs. The SFB's "Sustainable Transformation Finance" working group presents practical solutions to support small and medium-sized enterprises (SMEs) in particular in their sustainable transformation.

The discussion paper focuses on developing solutions for SMEs that are not directly affected by formal sustainability reporting requirements, are not financed on the capital market and are nevertheless indirectly affected by the sustainability requirements of various interest groups. However, some of the approaches in the paper are also applicable to SMEs and large companies that are already subject to reporting requirements.

The initial situation illustrates the special responsibility of German SMEs in achieving sustainability goals and the associated challenges. The recommendations of the discussion paper aim to increase the willingness of SMEs to invest while at the same time preserving the unique strengths of SMEs. It is emphasized that a successful sustainable transformation requires close cooperation between private and public capital in order to avoid financing bottlenecks.

The identified needs for action include increasing the willingness to invest, clearly focusing the financing and funding offer on transformation projects, developing manageable sustainability criteria specially adapted for SMEs as well as targeted knowledge transfer and the development of expertise in the area of sustainable finance and sustainability reporting. Overarching approaches, financing approaches and funding approaches are presented as part of the recommendations for action and solutions.

The Sustainable Finance Advisory Committee emphasizes the importance of a clear strategy from the German government, transparent requirements and an efficient allocation of economic development funding in order to successfully support SMEs on their path to sustainable transformation.

Dr. Katrin Leonhardt, head of the sub-working group, explains: "From the perspective of the Sustainable Finance Advisory Committee, there needs to be a consistent focus on funding incentives with a maximum leverage effect for the transformation. This means efficient promotional loans with reduced interest rates or repayment subsidies as well as the integration of sustainability incentives into funding with uniform standards, clear funding criteria and a simplified verification procedure for micro-enterprises. In addition, the instruments for assuming risks must be further developed, i.e. the expansion of risk partnerships between house banks and development banks through indemnification, subordinated loans and syndicated financing. Furthermore, public hedging instruments/guarantees for financing new technologies, innovations and leapfrog investments are needed for the considerable transformation investments."

Rolf Tegtmeier, head of the sub-working group, adds: "Our SME sector is one of the main pillars of the German economy. It will therefore make a significant contribution to an effective transformation towards a sustainable economy in the coming decades. In view of the existing heterogeneity of the SME sector, we have prioritized proportionality, appropriateness, practical applicability and a stabilizing effect in our proposed solutions. Starting with the gradual development and expansion of know-how, through appropriate and proportional sustainability reporting, to financing offers for sustainable investments that are as easy to handle as possible, we have taken up numerous questions from companies that are already perceptible today."

The full text of the discussion paper (german version only) can be viewed on the website of the Sustainable Finance Advisory Committee ([LINK](#)).

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#### **The Sustainable Finance Advisory Committee**

The German Sustainable Finance Advisory Committee advises the German Federal Government on sustainability aspects in the financial system. Consisting of 34 experts from the financial sector, the real economy, civil society and academia, and supported by 19 observers, it acts independently. It supports the German Federal Government in the implementation and further development of the German Sustainable Finance Strategy and advises relevant stakeholders on how to position themselves.

The Sustainable Finance Advisory Committee consists of six working groups. The Sustainable Transformation Finance working group is divided into four sub-working groups that deal with the financing of sustainable transformation in the areas of small and medium-sized enterprises (SMEs), start-ups, infrastructure and industrial companies. The members of the sub-working group on SMEs are representatives of the financial sector, real industry and associations.