

Welcome

Ladies and gentleman, dear guests, as co-chair, it is my pleasure to welcome you on behalf of the Sustainable Finance Advisory Committee (SFB). A special welcome to:

- Ms Gisela Splett, Secretary of State for Baden-Württemberg,
- Mr. Didier Millerot, Head of Unit for Sustainable Finance at DG FISMA,
- Representatives of EU institutions and the German government

We would like to express our gratitude to our host, the Permanent Representation of the State of Baden-Württemberg.

As introduced by Ms Splett and Silke Stremlau: Sustainable finance is a driver of Europe's competitiveness. We need trillions of public and private funding to finance the transition of our economy and make business models more resilient. And we need a smart regulatory framework to support financing the transition for the sake that sustainable value creation pays off.

With the latest discussions and rumours around the omnibus initiative, this meeting is more than timely!

SFB

The SFB is an independent advisory body established by the federal government to advance sustainable finance and the related strategy in Germany. Its primary mission is to support the government in making Germany a leading hub for sustainable finance by ensuring that financial market stability aligns with sustainability objectives.

With more than 30 members from the financial industry, corporates, civil society, and academia, the SFB brings together a wide range of expertise to provide advice on Germany's sustainable finance agenda. Members serve in a personal capacity on an honorary basis. Our discussions are enriched by the participation of various observers representing different stakeholder organizations.

The SFB operates within the current government's term, which means that, after nearly three years of work, we are now entering our final working days. But we are not yet done and have created tremendous output also in the last days – and we are proud of that!

Our aim today is to present our key findings and engage in a dialogue with you. Our shared goal must be to develop and implement solutions that strengthen Europe's competitiveness, grounded in the principles of sustainable development and in alignment with internationally agreed goals, such as the Paris Agreement and the Kunming-Montreal Global Biodiversity Framework, and the EU Green Deal.

The SFB focuses on three major and highly relevant topics impacting us today:

- **Sustainable finance regulation**
- **Transition finance**
- **National & international engagement**

Beyond these short- and midterm priorities, our **Vision 2034** outlines a long-term, strategic vision for the financial markets of the future. In a nutshell: Sustainable finance has become the new normal of finance!

Our efforts are organized in dedicated working groups – and I am happy to see a few workstream leaders today in the room – with results being consolidated in joint sessions involving ministries and observers. The findings are usually published as consensus-oriented position papers. Looking back, our work has been characterized by a strong spirit of cooperation, a willingness to compromise, mutual respect for different viewpoints, and a commitment to finding practical, common-ground solutions.

Silke and I, as chairs, would like to thank all participants for their valuable contributions. In particular, the close dialogue with ministries has proven extremely helpful in fostering mutual understanding for different perspectives, processes, drivers, and pressure points.

Key Recommendations – *Funding Our Tomorrow* (November 2024)

In November 2024, the SFB summarized its so far findings in the paper *Funding Our Tomorrow*, outlining 13 recommendations across our focus areas:

1. National & International Engagement

- Establishing general sustainable investment principles for public capital investments.
- Continuing the SFB's practice-oriented advisory role for the German government in financing the transformation beyond Germany.
- Strengthening dialogue between key German and European stakeholders, s in the field of sustainable finance with the latest step in February where the IFD has brought together like-minded organizations from UK, Ireland, Italy, Spain, Switzerland, France, and Germany in Paris.
- Creating a dedicated facility or mechanisms to support financing measures against climate change in low-income countries.

2. Transition Finance measures in Germany

- Implementing unified sustainability standards for lending and public funding at the federal level.
- Aligning and consolidating existing funding instruments towards sustainability, resilience, transformation, and digitalization.
- Introducing climate savings products for private investors.
- Establishing a tax-incentivized "German Transformation Fund."

3. Sustainable Finance Regulation – Particularly Relevant in Brussels

- Ensuring coherence across all regulations and implementing standardized, relevant sustainability information sets for all investment funds.
- Adapting the EU Taxonomy and developing a framework for social investments.
- Simplifying ESG preference assessments for retail investors through a clear ESG scale.
- Streamlining sustainability reporting requirements by aggregating data into a few material, decision-relevant metrics and KPI systems.
- Standardizing ESG data points internationally and linking them to financial indicators to facilitate their integration into financial risk assessments and transition planning.

Recent SFB Positions on Key EU Regulatory Files

We are all aware of the fast-moving, dynamic environment of sustainable finance. Therefore, the SFB has remained very active since November and just recently published additional position papers about the sustainable finance regulation and biodiversity. Especially relevant to today's discussions are:

SFDR (Sustainable Finance Disclosure Regulation)

- The regulation should include a workable definition of sustainable investments, covering transition finance and social products.
- The ESG preference assessment should be made more intuitive.
- Market participants' request for a more useful categorization of sustainable investment products should be addressed. The SFB proposes four product categories: *Sustainable*, *Transition*, *Basic*, and *Non-ESG Consideration*.

CSRD (Corporate Sustainability Reporting Directive)

- Reducing the number of required data points, particularly for SME, focusing on meaningful, quantitative performance indicators.
- Conducting sector-wide materiality analyses to enhance consistency and reduce reporting burdens.
- Introducing sector-specific reporting requirements only where there is a proven added value.
- Limiting the reporting scope concerning consolidation perimeters and value chains.
- Providing standardized templates for transition plans.
- Ensuring a swift adoption of the implementation in across the different jurisdictions (incl Germany) to provide legal certainty.

Omnibus Initiative

- Simplifying reporting requirements by focusing on key data points and ensuring consistency with international standards.
- Enhancing legal certainty by deferring sanctions and protecting companies that have already invested in compliance.

- Ensuring a practical implementation by leveraging existing reporting standards and best practices.
- Promoting global interoperability with the aim of establishing a coherent regulatory framework based on the concept of double materiality within the IFRS Foundation.

Summing up: For us as SFB it is not about deregulation! It is about smart and meaningful regulation!

Looking Forward

With the recent geopolitical developments Europe needs to be cautious not to be marginalized in the global powerplay – we can literally watch Europe’s “Verzwegung”. Latest with the Draghi Report WE need ask ourselves how we can maintain and enhance Europe's competitiveness while actively advancing the sustainability agenda. This will only be possible through a strong and unified Europe! Today, more than ever, we need close cooperation across borders and stakeholder groups! We must act quickly - very quickly - if we want to keep Europe attractive on the global stage.

Closing with a positive note: Europe with its history, with its market, with its skills and competencies has a huge potential! We should be proud of our achievement – but we need to get hungry again! We need courage and leadership across all stakeholder groups. We need to leave our comfort zones! And this cannot be regulated by Brussels – but European regulation needs to provide a stable framework to support the transition of our society and economy. The omnibus initiative is the opportunity to adjust and revise.

We now look forward to engaging in a constructive discussion and are eager to continue the exchange informally afterward.