

Sustainable Finance Committee
of the German Federal Government
c/o Bundesministerium der Finanzen
Wilhelmstr 97
10117 Berlin

By email to SFB-Geschaefsstelle@bmf.bund.de

6th April 2020

Re: Interim Report "The Significance Of Sustainable Finance To The Great Transformation"

Dear Sir / Madame,

We welcome the initiative by the Sustainable Finance Committee of the German Federal Government to establish a national sustainable finance strategy, as outlined in its Interim Report "The Significance of Sustainable Finance to The Great Transformation" (Report). There is a wide agreement that our society will not avoid the dramatic consequences of climate change in the long term, if effective and urgent action is not taken to mitigate and adapt to those consequences.

We agree that countries of the European Union and beyond should have a clear view and a plan on how to re-direct capital flows towards sustainable business. We thus think that the work by the Sustainable Finance Committee of the German Federal Government is an important step towards the implementation of the sustainable finance agenda more widely. However, in order for this effort to be effective, we firmly believe that national strategies need to be shaped in coordination with initiatives at the EU level. Such a coordinated approach will help provide market participants with clear and uniform frameworks to be guided by and avoid further market fragmentation hampering cross border investment.

Though calling for harmonised effort more generally, we would like to comment on three specific areas in the Report where we believe an active engagement in the EU-wide debate would be important and where any duplicative initiatives should be avoided. Our comments are set out below.

Creating a binding, transparent classification system for all financial products

We note that the EU Taxonomy Regulation already establishes screening criteria for economic activities aiming to contribute to climate related objectives and will be gradually expanded in the coming years to include wider environmental and social objectives. We note that the Report proposes creating a classification system for financial products rather than economic activities, which would use the EU taxonomy as a basis. AFME thinks that, though being positive in principle, this initiative should be well coordinated at the EU level. For example, there is already advanced work ongoing on the EU Ecolabel Regulation, which will establish a framework for defining best in class labels for a range of retail financial products using the EU Taxonomy as a foundation. Additionally, the EU Green Bond Standard, also

Association for Financial Markets in Europe

London Office: 39th Floor, 25 Canada Square, London E14 5LQ, United Kingdom T: +44 (0)20 3828 2700

Brussels Office: Rue de la Loi 82, 1040 Brussels, Belgium T: +32 (0)2 788 3971

Frankfurt Office: Bürohaus an der Alten Oper, Neue Mainzer Straße 75, 60311 Frankfurt am Main, Germany
T: +49 (0)69 153 258 967

www.afme.eu

linked to the Taxonomy, is setting a framework for the issuance of green bonds in the EU. We acknowledge that there is a range of financial products where the use of the Taxonomy would still need to be adapted, however we think that this step would need to be taken across the EU and, therefore, front-running of such EU-wide initiatives should be avoided. We nevertheless encourage the German Federal Government to have a coordinated and constructive dialogue with EU policymakers on the existing and future initiatives aiming to help translate the EU Taxonomy into classification approaches for financial products.

Expanding the scope of sustainability reporting obligation and/or the number of reporting entities in quantitative terms

We note that the development of a harmonised framework for sustainability reporting is already being considered at the EU level, with the European Commission launching a process to revise the EU Non-Financial Reporting Directive, aiming to broaden the scope of the reporting obligations and reporting entities, among other objectives. We think that the costs associated with another reporting framework at the national level would outweigh any benefits, which should be avoided.

Initiatives related to climate risk management, including relevant data collection and scenario analysis

There are already coordinated initiatives, both at the EU level through the European Banking Authority (EBA) as well as globally, through the Network for Greening the Financial System (NGFS), working towards the development of approaches to managing climate related risks. We think that separate national initiatives in isolation would only add to the complexities around the topic which is already extremely complex. We would nevertheless encourage the German Federal Government to continue contributing to the EU-wide effort in this critical area.

We greatly appreciate your consideration and stand ready to discuss the content of this letter or to provide any further clarity with regard to the statements made.

Yours faithfully,

Tonia Plakhotniuk, Associate Director, Policy Division

Tonia.Plakhotniuk@afme.eu

+44 (0)20 3828 2717

About AFME

AFME (Association for Financial Markets in Europe) advocates for deep and integrated European capital markets which serve the needs of companies and investors, supporting economic growth and benefiting society. AFME is the voice of all Europe's wholesale financial markets, providing expertise across a broad range of regulatory and capital markets issues. AFME aims to act as a bridge between market participants and policy makers across Europe, drawing on its strong and long-standing relationships, its technical knowledge and fact-based work. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website: www.afme.eu. Follow us on Twitter @AFME_EU