

THE SUSTAINABLE FINANCE COMMITTEE OF THE GERMAN FEDERAL GOVERNMENT

PUBLIC CONSULTATION ON THE INTERIM REPORT

PRI Association

Registered office: 5th floor, 25 Camperdown Street
London, UK, E1 8DZ Company no. 7207947
T: +44 (0) 20 3714 3220 W: www.unpri.org E: info@unpri.org



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THE PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)

The Principles for Responsible Investment (“PRI”) welcomes the opportunity to submit comments on the Interim Report: *“The Significance Of Sustainable Finance To The Great Transformation”*.

The PRI is the world’s leading initiative on responsible investment. It works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of 3,000 investor signatories in incorporating these factors into their investment and ownership decisions. Launched in 2006, the PRI’s signatories manage over \$90 trillion in AUM. Germany is one of the PRI’s largest markets, with over 125 signatories, including 32 asset owners.

Signatories to the PRI commit to six principles to advance their own responsible investing activities that include the incorporation of ESG analysis into their investment decisions and active ownership.

For more information, see www.unpri.org.

SUMMARY OF PRI’S RESPONSE

The interim report sets out 53 “approaches to action” addressing the German federal government, the German public sector, real economy companies and financial market institutions.

The PRI recommends that:

1. The “approaches to action” inform Germany’s strategy on sustainable finance¹.
2. The sustainable finance committee prioritise, and prepare policy pathways, for the “approaches to action”, including timelines for implementation.
3. As a first step, German regulators implement, in the most ambitious terms possible, the regulatory measures and initiatives underway at EU-level.
4. The German federal government welcome the consultation and proceed with the recommendations set out in the consultation.

The PRI considers further policy making on sustainable finance inevitable². As such, aligning Germany’s capital market regulation with global sustainability targets will also ensure Germany’s financial institutions – and the German public they serve – will be well-placed for the inevitable sustainability transition.

The PRI recently launched the report “Investor priorities for the EU Green Deal”³ outlining six priority areas to ensure that investors can scale up their contribution to the EU Green Deal and sustainability goals more broadly. This follows work by PRI on fiduciary duties, TCFD implementation, and climate change. PRI was also an observer to the EU High Level Expert Group (HLEG) on sustainable finance. The PRI’s consultation response has incorporated recommendations from this research.

¹ German Federal Ministry of Finance proposal on Sustainable Finance

² The Inevitable Policy Response (IPR)

³ PRI Report “Investor priorities for the EU Green Deal”

The PRI identifies the following priority themes for a rapid implementation. The following key themes inform the PRI's ratings in responding to the consultation:

1. POLICY COHERENCE

The interim report suggests that policy making should align with sustainability goals such as the Paris Climate Agreement and the Sustainable Development Goals (SDGs). The PRI strongly supports this approach. The PRI recommends that the sustainable finance committee provide further clarity on the processes necessary to achieve alignment.

Climate, and sustainable finance, are key political priorities at EU level. Many investors work across the EU and beyond. Measures to promote sustainable finance should be harmonised across markets to the extent possible.

The German federal government should implement, in the most ambitious terms possible, the existing regulatory measures and initiatives at EU level, such as the Taxonomy Regulation and the proposed EU Climate Law, which sets a legally binding target of reaching net-zero carbon emissions by 2050. In addition, German regulators can develop market-specific tools where required to respond to the specificities of the German market.

2. TRANSPARENCY AND DISCLOSURE

Transparency and disclosure lay the foundation to informed decision making for policymakers, investors, corporations and citizens alike, and should therefore be prioritised. At the EU level, this is underway with the revision of the Non-Financial Reporting Directive and the proposed ESG disclosure standards by the European Supervisory Authorities (ESAs).

Revised disclosure regulations for corporations and financial market participants should work to create a “closed data cycle” aligning investor and corporate disclosure obligations.

The PRI recommends that corporate reporting requirements should ensure that:

- a. ESG data is disclosed together with traditional elements of corporate and financial reporting and released at the same time.
- b. Reporting includes a core set of mandatory ESG Key Performance Indicators (KPIs).
- c. Reporting standards are applied consistently across Europe, which may require the use of regulations and/or the establishment of level 2 measures.
- d. ESG data and KPIs are subject to third-party assurance.
- e. Reporting is aligned with the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD) and the existing TCFD-aligned recommendations in the Non-Binding Guidelines.
- f. Thresholds are aligned with long-term sustainability goals – such as those set out by the EU Taxonomy.

3. COVID-19 RESPONSE

The PRI welcomes the statement of the committee and agrees that economic stimulus packages need to be aligned with goals such as the SDGs, the Paris Agreement and the European Union's ambition to be carbon neutral in 2050. The PRI welcomes continuing expressions of commitment from public and private bodies to focus the recovery on creating a more sustainable and resilient economy and will continue to develop views on specific actions and policy instruments which can support a sustainable recovery in the weeks and months ahead.

CONTACT

For further information, contact: Susanne Draeger, Senior Policy Analyst
(susanne.draeger@unpri.org)

CONSULTATION QUESTIONS

STARTING QUESTIONS

Do you consider the proposed approaches to action generally to be instrumental in making Germany a leading centre for sustainable finance?

- Answer: Yes

Which approach to action should the Federal Government prioritise? Why?

Coherent Political Approach

The PRI welcomes the approach to coherently align policymaking in Germany with the Sustainable Development Goals and the Paris Agreement. The PRI believes that this approach will lay the foundation for a future-proof regulatory environment in Germany and beyond. The PRI recommends that the German federal Government should advocate for this approach at EU level, in particular in regards to the EU Climate Law and the revision of the Non-Financial Reporting Directive in particular during its upcoming presidency, as well as at multilateral level. The PRI recommends further German government leadership in EU sustainable finance policy making avoiding reinventing initiatives at domestic level and rather strengthen the globally recognized leadership position of the EU to avoid market fragmentation within the EU.

Transparency and disclosure

The PRI believes that transparency and disclosure lay the foundation to informed decision making for policymakers, investors, corporations and citizens alike and should therefore be prioritized. Revised disclosure regulations for corporations and financial market participant should work to create a “closed data cycle” aligning investor and corporate disclosure obligations. The current fragmentation of corporate disclosure obligations under the Non-Financial Reporting Directive at EU member state level should be overcome by aligning disclosure requirements at EU level, better still at global level.

COHERENT POLITICAL APPROACH

How do you assess the measures proposed below (5=high, 1=low)?

Approach to action	Evaluation category	5	4	3	2	1
The German federal government understands sustainable finance as a central and overarching task for the entire financial sector. Political decisions are to be coherently aligned with the aforesaid goals across government agencies.	Will foster Sustainable Finance in Germany	x				
	Level of ambition	x				
	Practicability	x				

	Coherence with existing/planned regulation (including EU law)	x				
Approach to action	Evaluation category	5	4	3	2	1
The German federal government establishes a centralised office for sustainable finance in the Federal Ministry of Finance to coordinate and drive the process. In particular, this office will coordinate closely with the Federal Ministries for the Environment and the Economy as well as other relevant government agencies as to the incentive and supervisory framework for the real economy. This office will be given the requisite resources.	Will foster Sustainable Finance in Germany		x			
	Level of ambition		x			
	Practicability	x				
	Coherence with existing/planned regulation (including EU law)		x			
Approach to action	Evaluation category	5	4	3	2	1
Governmental agencies at both the federal and the state level will combine their activities in a joint and coordinated federal/state strategy for sustainable finance. A joint sustainable finance strategy will be launched at a sustainable finance summit in early 2021.	Will foster Sustainable Finance in Germany		x			
	Level of ambition	X				
	Practicability	x				
	Coherence with existing/planned regulation (including EU law)	x				

Are there exiting rules and regulations that are contradictory as regards Sustainable Finance?

Existing rules and regulations can be better aligned with policy goals such as the Paris Agreement and the Sustainable Development Goals. With regards to climate change, the PRI believes more can be done to rule out contradictory regulation to provide the financial market with greater certainty and clarity and ensure that existing instruments are intended to provide incentives for the transition. In 2010, the EU committed to phasing out fossil fuel subsidies by 2025. By the end of 2019, all EU Member States were required to submit a 10-year integrated National Energy and Climate Plan, covering 2021-2030. These plans should explain existing fossil fuel subsidies and plans to phase them out. However, Germany has not submitted the final NECP yet and the draft NECP makes no indication when Germany is planning to phase out fossil fuel subsidies. Fossil fuel subsidies – beside other effects – encourage over consumption and can result in a barrier to invest in clean energy sources and therefore potentially undermine efforts to acknowledge the financial risks and opportunities related to climate change.

ROLE OF KEY FINANCIAL MARKET PLAYERS

How do you assess the measures proposed below (5=high, 1=low)?

Approach to action	Evaluation category	5	4	3	2	1
Transfer of the work of the Sustainable Finance Committee to a permanent working structure supported by experts from the financial sector and the real economy, civil society and the scientific community. In close cooperation with the sustainable finance coordination office of the Federal Ministry of Finance, this structure ensures that the effectiveness of the adopted measures is evaluated at regular intervals.	Will foster Sustainable Finance in Germany		x			
	Level of ambition		x			
	Practicability		x			
	Coherence with existing/planned regulation (including EU law)		x			

FLOW OF INFORMATION BETWEEN COMPANIES AND THE FINANCIAL SECTOR

How do you assess the measures proposed below (5=high, 1=low)?

Approach to action	Evaluation category	5	4	3	2	1
Expand sustainability-related reporting incrementally to all companies, including unlisted ones and, increasingly, SMEs.	Will foster Sustainable Finance in Germany		x			
	Level of ambition	x				
	Practicability		x			
	Coherence with existing/planned regulation (including EU law)		x			
Approach to action	Evaluation category	5	4	3	2	1
Include forward-looking sustainability factors in corporate reporting.	Will foster Sustainable Finance in Germany		x			
	Level of ambition	x				
	Practicability		x			
	Coherence with existing/planned regulation (including EU law)	x				

Approach to action	Evaluation category	5	4	3	2	1
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Standardise sustainability-related corporate reporting, with a view to increasing its usability for stress tests.	Will foster Sustainable Finance in Germany		x			
	Level of ambition	x				
	Practicability	x				
	Coherence with existing/planned regulation (including EU law)		x			
Approach to action	Evaluation category	5	4	3	2	1
Simplify access to companies' raw sustainability data.	Will foster Sustainable Finance in Germany		X			
	Level of ambition			X		
	Practicability		x			
	Coherence with existing/planned regulation (including EU law)	x				
Approach to action	Evaluation category	5	4	3	2	1
Collect sustainability data in connection with lending.	Will foster Sustainable Finance in Germany		x			
	Level of ambition			X		
	Practicability		X			
	Coherence with existing/planned regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1
Develop baseline scenarios for the application of scenario analyses as well as stress scenarios for stress tests.	Will foster Sustainable Finance in Germany		x			
	Level of ambition	X				
	Practicability		X			
	Coherence with existing/planned regulation (including EU law)					

Approach to action	Evaluation category	5	4	3	2	1
Develop standardised impact measurement methods so that the outcome of investments and funding in relation to the intended achievement of sustainability goals can be measured.	Will foster Sustainable Finance in Germany		x			
	Level of ambition	x				
	Practicability	x				
	Coherence with existing/planned regulation (including EU law)			x		
Approach to action	Evaluation category	5	4	3	2	1
Establish a point of contact which offers decision-making assistance in specific cases where sustainability goals contradict each other. Such an office could be located within the permanent working structure of the Sustainable Finance Committee (see section 1.2).	Will foster Sustainable Finance in Germany					
	Level of ambition					
	Practicability					
	Coherence with existing/planned regulation (including EU law)					

Are there specific additional aspects that should be covered in corporate reporting? If yes, what are they?

The PRI recommends that corporate reporting requirements should ensure that:

- ESG data is disclosed together with traditional elements of corporate and financial reporting and released at the same time.
- Reporting includes a core set of mandatory ESG Key Performance Indicators (KPIs).
- Reporting standards are applied consistently across Europe, which may require the use of regulations and/or the establishment of level 2 measures.
- ESG data and KPIS are subject to third-party assurance.
- Reporting is aligned with the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD) and the existing TCFD-aligned recommendations in the Non-Binding Guidelines.
- Thresholds are aligned with long-term sustainability goals – such as those set out by the EU Taxonomy.

The initiated review of the Non-Financial Reporting Directive at EU level offers a great opportunity to integrate and align financial markets data requirements in Europe and make them fit for purpose to allow for a swift implementation of existing sustainable finance policy measures and future

developments. In addition, the PRI supports global and regional action that further harmonises corporate reporting standards and builds from existing standards applied in the EU and internationally, provides a coherent vision for how existing standards can and should work together and supports international dialogue around global harmonisation of reporting standards.

How can the comparability of scenarios used for scenario analysis be improved? How can it be ensured that they fit the specific circumstances of a given company while being meaningful?

The PRI believes that the comparability can be improved by developing a standardised set of scenarios as encouraged by the Network for Greening the Financial System (NGFS) which is taking four scenarios into account. Technical guidance from the NGFS is expected in the near future. Further, the use of a central scenario could act as anchor to a desired or actual policy goal or be based on a forecast, which can be considered to have a higher level of probability. Finally, the PRI believes that an improved understanding of how transition and physical risks might interact is needed. Scenario analysis typically focuses on one or the other, whereas in fact investors and companies are likely to experience both.

Who should be responsible for developing basis scenarios with sector development pathways and stress scenarios? How should they be developed?

The PRI suggests that scientific research institutes should be tasked with the development basis scenarios with sector development pathways and stress scenarios.

Is national regulation helpful in developing basis scenarios with sector development pathways?

- Yes / No

How can the Federal Government foster the further development of standardised impact measurement methods?

- Not at all
- Research funding
- International cooperation in setting respective standards
- Use the Sustainable Finance Committee's permanent working structure
- Other: _____

Which sustainability data should be taken into account by creditors (e.g. private banks) in respect of loans and investments?

- (multiple answers allowed)
 - Potential negative effects on climate change
 - Potential negative effects on biodiversity
 - Potential negative effects on water, soil and air
 - Potential negative effects on states' tax basis
 - Potential negative effects on compliance with UN Guidelines on the Economy and Human Rights

- Potential negative effects on pricing in commodities markets
- All of the above
- None of the above

Should there be a public initiative to establishing a raw database for sustainability data if a market solution is not established independently due to a lack of incentives?

- Yes

SUSTAINABILITY RISK IN RISK MANAGEMENT

How do you assess the measures proposed below (5=high, 1=low)?

Approach to action	Evaluation category	5	4	3	2	1
Provide certainty for investments through a reliable and effective CO2 price as well as through sector-specific policies for implementing non-disruptive roadmaps and objectives.	Will foster Sustainable Finance in Germany		x			
	Level of ambition		X			
	Practicability	x				
	Coherence with existing/planned regulation (including EU law)	x				
Approach to action	Evaluation category	5	4	3	2	1
Unless already covered by EU requirements, incrementally introduce the systematic consideration of material – and forward looking (> 5 years) – sustainability parameters in risk management and strategy development processes at all institutional investors and credit institutions (including the public sector). The ongoing development and use of science-based and forward-looking scenario analyses/stress tests is essential in this context. In this connection, the ramifications of any support, indifference or obstruction of the necessary transformation process by political, economic and social players shall be explicitly described along the required 1.5°/< 2° changes described by climate scientists.	Will foster Sustainable Finance in Germany		X			
	Level of ambition	X				
	Practicability	X				
	Coherence with existing/planned regulation (including EU law)	x				
Approach to action	Evaluation category	5	4	3	2	1
Risks to companies may also arise indirectly through a given company's effects on its environment and society at large, e.g. through retroactive reputation risks (double materiality). An analysis of the suppliers and supply chains (e.g. respecting liability risks) may be indicated in this connection. Companies are thus expected to provide double materiality reports, but they should have methodological leeway as to matters of implementation (determination, method of analysis). With a view to further developing the methods, an intensive dialogue	Will foster Sustainable Finance in Germany		x			
	Level of ambition		x			
	Practicability	X				

between the real economy, the financial industry, supervisory authorities, the legislature and experts should be fostered. Once a method gains traction, its effects should be reviewed, and any additional need for action should be based thereon. Internal risk management processes at institutional investors and credit institutions should be expanded as necessary in order to systematically account for financially relevant sustainability risks as well as include portfolio scenario analyses/stress tests.	Coherence with existing/planned regulation (including EU law)	x				
Approach to action	Evaluation category	5	4	3	2	1
Basic review of the existing supervisory framework for all affected financial market players at the (European and) national level as to the maturity of their effect and their time horizon. As part of the review mandated by the European Commission, the European Supervisory Authorities (ESAs) submitted their respective reports at the end of 2019. In the view of the Sustainable Finance Committee, these reports do not provide conclusive answers to the conflict between a short-term oriented supervisory framework and long-term sustainability risks. Further analysis is required, as the analysis at the European level cannot by definition provide in-depth examinations of national specificities which is especially important in this context. In this connection, the appropriate selection of both the observation period and the term applicable to the requirements and ramifications of the supervisory regime depends on the given financial market player and their business model and/or the product range and thus should be specifically aligned with such parameters. The transposition into national law of the applicable EU supervisory framework makes it more difficult and/or impossible for individual players exposed to long-term obligations (e.g. pension institutions in particular) – which may, at the same time, be important investors in connection with the transformation – to align their investment policies with the long-term goals of their business model.	Will foster Sustainable Finance in Germany		x			
	Level of ambition			X		
	Practicability	X				
	Coherence with existing/planned regulation (including EU law)	X				
Approach to action	Evaluation category	5	4	3	2	1

It is inevitable to consider additional ecological and social factors besides climate protection in business decisions. In practice, this necessarily leads to situations where goals must be weighed against each other. Sustainability rating agencies have developed finely-tuned methods in recent years to show how to handle such conflicts and how to integrate sustainability parameters into decisions. A generally accessible dialogue platform as well as instruments should be developed on that basis to provide support, transparently and efficiently, through assistance and decision-making aids in case of conflicting goals. They could be incorporated into the permanent working structure of the Sustainable Finance Committee (see section 1.2).	Will foster Sustainable Finance in Germany			x		
	Level of ambition			x		
	Practicability			x		
	Coherence with existing/planned regulation (including EU law)	x				
Approach to action	Evaluation category	5	4	3	2	1
Expand fundamental research on the ramifications of climate change in order to help insurers better assess future climate-induced risks for a given insurance company and its specific business model. It would be easier for insurers to cover real economy transition risks, for example, if they considered the impact of climate change in connection with the type and scope of a potential obligation from a loss event and if the findings made it possible to adjust individual insurers' regionally or topically specific product range.	Will foster Sustainable Finance in Germany				x	
	Level of ambition			x		
	Practicability			x		
	Coherence with existing/planned regulation (including EU law)					

Do you support the mandatory application of the TCFD recommendations? Are further disclosure requirements beyond TCFD (=climate) necessary?

The PRI strongly supports the mandatory application of the TCFD recommendations for companies under the scope of the EU non-financial reporting directive and large asset owners. Disclosure requirements should incorporate Environmental and Social issues wherever there are considered material under the risk management process.

PRODUCT-RELATED MEASURES

How do you assess the measures proposed below (5=high, 1=low)?

Approach to action	Evaluation category	5	4	3	2	1
Create a binding, transparent classification system for all financial products which enables different gradations and is suitable for incremental product adjustments towards greater sustainability. The classification should visualise the contribution of each and every financial product to the transformation. Based on the binding product classification system, voluntary private labelling systems for specific sustainability approaches continue to make an important contribution to both the promotion and quality assurance of sustainable investments by fostering a dynamic market through more ambitious approaches and innovation and by providing guideposts to private and institutional investors alike.	Will foster Sustainable Finance in Germany			x		
	Level of ambition			x		
	Practicability			x		
	Coherence with existing/planned regulation (including EU law)				x	
Approach to action	Evaluation category	5	4	3	2	1
Expand the range of sustainability and/or transformation products by easing supervisory requirements related to the conversion of conventional products into sustainable and/or transformative products as well as to the licensing of such products.	Will foster Sustainable Finance in Germany					
	Level of ambition					
	Practicability					
	Coherence with existing/planned regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1
Evaluate the extent to which a significant market for fungible infrastructure investments could be created through funding vehicles for projects that accord with transformative projects (e.g. infrastructure REITS).	Will foster Sustainable Finance in Germany					
	Level of ambition					
	Practicability					
	Coherence with existing/planned regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1

Approve impact products as described in the Transparency Regulation pursuant to the exceptions for public, national Alternative Investment Funds (AIF), analogous to section 222 of the German Capital Investment Code (KAGB) respecting investments in microfinance institutions.	Will foster Sustainable Finance in Germany					
	Level of ambition					
	Practicability					
	Coherence with existing/planned regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1
Develop sustainable projects and activities eligible for funding: The number of projects offering an adequate volume and an acceptable risk profile for the financing institutions falls short of the very high level of funding needs. Analyses of technological aspects such as environmental technology or the functionality of social projects as well as comprehensive project development are some of the prerequisites in this regard.	Will foster Sustainable Finance in Germany		x			
	Level of ambition			x		
	Practicability		x			
	Coherence with existing/planned regulation (including EU law)					

What regulatory measures could increase the fundamental sustainability orientation of financial products (beyond the niche)?

The PRI recommends that the government monitors the implementation of sustainability disclosure requirements for financial products and investigate whether it is feasible for these to become mandatory for all products, removing the comply or explain approach in the sustainability disclosure regulation. A transparent classification system for all financial products should be linked to the EU Taxonomy regulation to ensure the incorporation of forward-looking frameworks. Further, in the medium-term, a mandatory minimum threshold of taxonomy aligned activities in labelling schemes could be required. To allow for an increased threshold to unfold, the real economy need to be aligned with a net-zero trajectory and the sustainable development goals to enable the growth of a sustainable investment universe.

How can the amount of sustainable projects and activities eligible for financing be increased?

To allow for an increase in the amount of sustainable projects and activities eligible for financing, climate and corresponding real economy policy should be “investment-grade” to build investors’ confidence in the transition and allow for coherent measurement for asset activities on sustainability issues such as comparable ESG disclosure. To attract a wider range of investors, sustainable projects need to be aggregated to become attractive enough for larger institutional investors. This

could be achieved through multiple-projects investment programmes or through investment funds or other types of financial intermediaries that deal with projects' origination and financial structure.

GOVERNANCE AND INCENTIVE SYSTEMS

How do you assess the measures proposed below (5=high, 1=low)?

Approach to action	Evaluation category	5	4	3	2	1
The German federal government should push for measures to internalise external costs and effectively flesh out supplementary policies so that the financial market can allocate funds efficiently.	Will foster Sustainable Finance in Germany	X				
	Level of ambition	X				
	Practicability	X				
	Coherence with existing/planned regulation (including EU law)	x				
Approach to action	Evaluation category	5	4	3	2	1
Support the EU Commission in the design of climate-focused taxes, emissions trading and fees aimed at achieving effective carbon leakage protection, even in the face of high CO2 prices and the full steering effect in the value chain.	Will foster Sustainable Finance in Germany	X				
	Level of ambition	X				
	Practicability	X				
	Coherence with existing/planned regulation (including EU law)	X				
Approach to action	Evaluation category	5	4	3	2	1
Conduct comprehensive, coherent analyses of governmental incentive mechanisms for the financial system. The design of existing subsidies, support programmes and other incentive structures requires both an appraisal of the status quo and ongoing evaluations of their effectiveness in achieving the sustainability goals. Mechanisms are to be expanded and inconsistencies eliminated. This applies at the national level (federal, state, municipalities) as well as at the European level and internationally. The German federal government shall report on the findings.	Will foster Sustainable Finance in Germany	X				
	Level of ambition	X				
	Practicability	X				
	Coherence with existing/planned regulation (including EU law)	X				

Approach to action	Evaluation category	5	4	3	2	1
Refine the pricing mechanisms for sustainability losses in a way that protects companies' ability to compete internationally whilst at the same time sending accurate signals for the capital allocation by financial market players.	Will foster Sustainable Finance in Germany					
	Level of ambition					
	Practicability					
	Coherence with existing/planned regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1
Ensure that risk hedging by the public sector and its subsidiary organisations – including commissioned entities such as Euler Hermes for export credit guarantees, guarantees for unrestricted loans (“UFK” guarantees) and federal investment guarantees – as well as the development and investment banks is compatible with sustainability requirements. This means that projects and measures which undermine the Paris climate goals or the SDGs cannot be guaranteed. The UFK guarantee instrument, in particular, should be expanded based on the existing infrastructure with the aim of promoting investments in new, innovative projects and technologies with a focus on especially relevant and risky investments (e.g. battery and hydrogen technology). This increases companies' willingness to invest in viable projects and technologies at the macroeconomic level and boosts credit institutions' risk appetite.	Will foster Sustainable Finance in Germany		x			
	Level of ambition		x			
	Practicability		x			
	Coherence with existing/planned regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1
Prospective risk analysis in the financial industry and in the real economy is predicated on an appropriate risk culture among both management and staff, taking relevant and material sustainability factors into account. Requirements as to qualifications and continued education as well as incentive and sanction mechanisms shall be adjusted at the management level to generate the requisite knowledge and awareness.	Will foster Sustainable Finance in Germany		X			
	Level of ambition		X			
	Practicability		X			
	Coherence with existing/planned regulation (including EU law)		X			

Approach to action	Evaluation category	5	4	3	2	1
Continue to develop both duties and requirements in corporate management and accounting in a timely manner to bring about an adequate understanding of sustainability and sustainable action. This includes establishing expertise regarding sustainability in the formal corporate bodies (management board, executive management, board of directors, supervisory board), as well as considering sustainability factors e.g. in the remuneration structure, in assessments of the professional competence of financial institutions' managing directors and in connection with appointments to supervisory bodies.	Will foster Sustainable Finance in Germany	x				
	Level of ambition		X			
	Practicability		x			
	Coherence with existing/planned regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1
Ensure that financial industry executives possess extensive insight into the link between sustainable transformation and a company's performance. One conceivable option is for them to complete respective additional training as a prerequisite for obtaining their license to work as managing directors.	Will foster Sustainable Finance in Germany					
	Level of ambition					
	Practicability					
	Coherence with existing/planned regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1
BaFin could issue guidelines or expand existing guidelines on the minimum qualifications and the evidencing thereof with respect to key functions at the operating level (below the executive management) in financial institutions – including portfolio management, credit assessment, risk management, compliance – so that sustainability expertise is expressly taken into account. Improving both guidance and quality assurance requires reviewing whether a whitelist or an accreditation process for qualification and continued education programmes (which also cover the topic of sustainability) is more effective.	Will foster Sustainable Finance in Germany		X			
	Level of ambition		X			
	Practicability	X				
	Coherence with existing/planned regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1

<p>Firmly embed ongoing training as to sustainability topics at the level of both corporate bodies and the executive management as well as at the level of non-executive employees. These days, many companies use web-based continued education and certification modules which are easily expanded to include content related to sustainability. Sustainable finance is to be included in the education and training schedule of commercial managers/chief financial officers (CFOs) with the support of local chambers of commerce and industry/technical colleges as well as in the training of insurance specialists and bankers. Sustainable finance should be an integral part of the basic curriculum in all economic and other finance-related degree programmes at colleges and universities.</p>	Will foster Sustainable Finance in Germany			x		
	Level of ambition		x			
	Practicability		x			
	Coherence with existing/planned regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1
<p>Minimum requirements regarding the knowledge of financial advisers as to sustainability:</p> <ol style="list-style-type: none"> At the very least, the minimum standard demanded by the EU with respect to the knowledge and skills of advisers working in the financial and insurance industry should be adopted as part of the operationalisation of the requirements respecting the integration of sustainability into the governance of financial institutions, which will be included in future delegated acts on the Second European Financial Market Directive ("Markets in Financial Instruments" Directive, MiFID II). The planned German "Act on the Transfer of the Supervision over Financial Investment Advisers to BaFin" should be designed accordingly. BaFin for its part should prescribe a set of courses on the topic of sustainability for both advisers and executives which encompasses a product and provider-neutral overview of different definitions of sustainability and the links between societal sustainability goals and investment strategies. Already existing EU-supported training programmes can be used as guidance. 	Will foster Sustainable Finance in Germany	x				
	Level of ambition	x				
	Practicability	x				
	Coherence with existing/planned regulation (including EU law)					

Approach to action	Evaluation category	5	4	3	2	1
Sensitise private investors to sustainable finance through educational and training programmes at schools and universities (i.e. courses on sustainable finance as part of a sustainability curriculum or as part of any training in finance). The German federal government should launch a web-based information portal on sustainable finance for end customers analogous to the Federal Agency for Civic Education.	Will foster Sustainable Finance in Germany					
	Level of ambition					
	Practicability					
	Coherence with existing/planned regulation (including EU law)					

Are the proposed approaches to action in chapter 3.2 point 5 regarding risk hedging by the public sector helpful in supporting the transformation of the economy?

- Yes

Which existing state support programs and incentive systems in the area of financial markets are in conflict with existing sustainability goals (global sustainability goals as defined by the 17 Sustainable Development Goals and the Paris Climate Change Agreement)?

No PRI response.

CORPORATE REPORTING

How do you assess the measures proposed below (5=high, 1=low)?

Approach to action	Evaluation category	5	4	3	2	1
Expand the scope of sustainability reporting obligation and/or the number of reporting entities in quantitative terms.	Will foster Sustainable Finance in Germany		x			
	Level of ambition		x			
	Practicability		x			
	Coherence with existing/planned regulation (including EU law)		x			
Approach to action	Evaluation category	5	4	3	2	1
The current reporting obligation in respect of sustainability and/or non-financial matters pursuant to the Non-Financial Reporting Directive (NFRD) and/or the	Will foster Sustainable Finance in Germany		x			

<p>German Implementation Act (CSR-RUG) has increased the transparency of corporate reporting in Germany, which now also covers its effects on people and the environment as well as their (sustainability) strategies. The number of reporting entities is to be raised incrementally so that this positive development can be projected into broader sections of Germany's corporate landscape. One conceivable option is to expand it to all joint-stock companies having more than 500 employees (including those which are not exchange-listed as per section 264d of the German Commercial Code (HGB)).</p>	Level of ambition		x			
	Practicability			x		
	Coherence with existing/planned regulation (including EU law)			x		
	Evaluation category	5	4	3	2	1
<p>Given the growing interest in information on the ecological and social effects of companies' activities, all companies belonging to sectors whose activities entail particular material risks and ramifications for the environment, human rights and other aspects of sustainability (so-called high-impact sectors) could be included in the reporting obligation as well. Here, particular attention should be paid to the supply chain.</p>	Will foster Sustainable Finance in Germany			x		
	Level of ambition		x			
	Practicability		x			
	Coherence with existing/planned regulation (including EU law)		x			
Approach to action	Evaluation category	5	4	3	2	1
<p>Clarify and expand the disclosures required under the reporting obligation in Germany in qualitative terms.</p>	Will foster Sustainable Finance in Germany					
	Level of ambition					
	Practicability					
	Coherence with existing/planned regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1
<p>The quality of companies' disclosures will improve once the content of the reports prepared pursuant to the sustainability reporting obligation is specified and refined first at the level of the EU and then at the national level as part of the currently pending and started review of the NFRD.</p>	Will foster Sustainable Finance in Germany	X				
	Level of ambition	X				
	Practicability	X				
	Coherence with existing/planned	X				

	regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1
A clearer and more meaningful explanation of (and expectation as to) the substantive requirements of non-financial reporting (specific information on the disclosures enumerated in the CSR RUG, section 289c (3) of the HGB) should be developed. In particular this concerns the requisite disclosures (including concepts, due diligence, results and risks) respecting topics treated in less detail in reporting so far (among them supply chains, human rights, climate protection, compliance) which are to be published as part of a “non-financial explanation” (NfE). The corresponding specification of the content of reports serves to improve the utility of the information made available and enhance the user-friendliness of the law for the affected companies.	Will foster Sustainable Finance in Germany			x		
	Level of ambition			x		
	Practicability			x		
	Coherence with existing/planned regulation (including EU law)		x			
Approach to action	Evaluation category	5	4	3	2	1
Details on the determination of materiality (section 289c (4) of the HGB) are to be fleshed out with respect to the double materiality requirements (relevance to a given company’s financial condition and the effects of its business activities on the environment, employment and society as well as respect for human rights and the fight against corruption and bribery). This is to be done in view of increasing transparency by way of an assessment of all five of the topics addressed in the NFRD for companies while simultaneously strengthening and easing the implementation of the “comply or explain” requirement which companies must satisfy. This would also result in greater clarity as to the requirements governing audit criteria and audit depth.	Will foster Sustainable Finance in Germany		x			
	Level of ambition		x			
	Practicability		x			
	Coherence with existing/planned regulation (including EU law)		x			
Approach to action	Evaluation category	5	4	3	2	1
A concretisation of the risk concept used against the backdrop of different stakeholder expectations (among them shareholders and civil society) is necessary relative to the material risks (see section 289c (3) sentence 3 of the HGB). Given different definitions of the concept of	Will foster Sustainable Finance in Germany		x			
	Level of ambition		x			

risk in function of the given application context, so far there has been a lack of clarity in corporate reporting which has led to the risk of misinterpretations on the part of report preparers and users alike. Based on both the requirements and their experience in financial reporting, so far reporting companies have taken the concept of risk to mean deviations from plans and/or targets (outside-in perspective). In contrast, growing numbers of report users are also interested in assessments of the external risks in the sense of negative effects on people and the environment and/or climate (inside-out perspective).	Practicability		x			
	Coherence with existing/planned regulation (including EU law)		x			
Approach to action	Evaluation category	5	4	3	2	1
In addition, greater standardisation of the time and place of disclosures of sustainability data should be considered over the next few years, as this would enhance the comparability of sustainability data (e.g. in connection with the selected audit depth). This concerns the desirable, simultaneous and, in the best case, integrated publication of both financial and sustainability data (see section 315b of the HGB) and/or the greater integration over time of sustainability data into companies' business and financial reporting.	Will foster Sustainable Finance in Germany			x		
	Level of ambition			X		
	Practicability			X		
	Coherence with existing/planned regulation (including EU law)		x			
Approach to action	Evaluation category	5	4	3	2	1
Expand and specify the content of non-financial reporting by establishing sustainability indicators.	Will foster Sustainable Finance in Germany		x			
	Level of ambition		x			
	Practicability		x			
	Coherence with existing/planned regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1
The Committee suggests disclosing a core set of (possibly sector-related) key performance indicators to increase the comparability of the sustainability	Will foster Sustainable Finance in Germany		x			

<p>performance of real economy companies irrespective of an audit of the materiality and/or the relevance to management (see section 289c (3) sentence 5 of the HGB). Additional sector-specific performance indicators could be developed on the basis of a handful of established standard indicators – such as CO2 emissions (Scope 1+2 and material Scope 3 carbon emissions), accident rates, death rates and other indicators which a multitude of companies already report – through multi-stakeholder processes. These would be reported on independently of the publication of required NfE disclosures (e.g. concepts, due diligence, risks and results). The requirements regarding the NfE set out in Art. 4d of the EU Taxonomy Regulation as to the future EU taxonomy, the share of revenue generated by sustainable economic activities as well as the share of capital expenditures and/or operational expenditures must also be considered.</p>	Level of ambition			x		
	Practicability		x			
	Coherence with existing/planned regulation (including EU law)		x			
Approach to action	Evaluation category	5	4	3	2	1
<p>These performance indicators shall refer to historically relevant and current periods without resulting in inappropriate, additional disclosure costs. What is to be disclosed therefore are the relevant historical and current (actual) performance indicators. Furthermore, the underlying methods shall be established by an independent standard-setting body with the collaboration of the affected companies and other stakeholder groups (including German federal ministries).</p>	Will foster Sustainable Finance in Germany			X		
	Level of ambition			X		
	Practicability			X		
	Coherence with existing/planned regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1
<p>When determining the indicators, it needs to be ensured that their number is as small as possible for them to remain manageable. A – possibly binding – “comply or explain” requirement could be introduced for companies in sectors exposed to high sustainability risks and opportunities. Subsequently, companies could continue to decide themselves (so-called management approach) as to what sustainability risks to report or potentially face relevant obligations. Companies exposed to high sustainability risks should be required by definition,</p>	Will foster Sustainable Finance in Germany			x		
	Level of ambition				x	
	Practicability			x		
	Coherence with existing/planned regulation (including EU law)					

however, to explain why they choose not to make particular disclosures.						
Approach to action	Evaluation category	5	4	3	2	1
Expanding the reporting to include forward-looking sustainability data is an important prerequisite for improved assessments of the risks and opportunities associated with the future viability of companies and their external effects on the environment. This is to be accomplished incrementally by expanding the obligation to report forward-looking information, especially on the influence and impact of climate change and other aspects of sustainable development, covering a medium and a long-term period based on a plausible methodology. In the beginning, this would include mainly qualitative information which, however, would have to be supplemented by quantitative information in the medium term. Given the urgency of achieving the EU climate goals, the quantitative, forward-looking performance indicators enumerated in the Guidelines of the EU Commission on the reporting of non-financial information could already be included in the reporting obligation in the near term. In addition, the disclosure of forward-looking indicators based on Art. 4d of the EU Taxonomy Regulation, specifically, the disclosures on capital expenditures by the reporting entities is to be supported.	Will foster Sustainable Finance in Germany		x			
	Level of ambition		x			
	Practicability		X			
	Coherence with existing/planned regulation (including EU law)		x			
Approach to action	Evaluation category	5	4	3	2	1
The change in the definition of the forecast horizon (as per the DRS 20 20.127 wording: “a forecast period of one year at minimum ... must be used”) towards medium and long-term horizons is the basis for establishing forward-looking information. Disclosures of forward-looking information should focus on core information (see the representations in the TCFD sector dialogues in the oil and gas, chemical and energy sectors). Periods of plus 1 year up to plus 5 years at minimum can be considered short and medium-term periods (in addition to optional long-term horizons of 10 to 20 years). Initially, the forward-looking reporting for the medium and long term is to focus on the disclosure of corporate strategies,	Will foster Sustainable Finance in Germany		x			
	Level of ambition	x				
	Practicability		X			
	Coherence with existing/planned regulation (including EU law)		x			

action plans aimed at target achievement as well as, in future, scenarios including the underlying premises.						
Approach to action	Evaluation category	5	4	3	2	1
Basic considerations as to overarching institutional issues related to the ongoing development of sustainability reporting: The international momentum towards the creation of reporting standards for the disclosure of non-financial information and/or sustainability performance data increasingly raises questions about how to consolidate and simplify such standards, especially from the perspective of the report preparers . The institutional framework for non-financial and sustainability reporting in the international context must be clarified in this connection – taking relevant institutions such as the International Accounting Standards Board (IASB) and the International Integrated Reporting Council (IIRC) into account – so that report preparers have access to a reliable framework not just for financial reporting but also for all elements of management reports.	Will foster Sustainable Finance in Germany	X				
	Level of ambition	X				
	Practicability	X				
	Coherence with existing/planned regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1
Improve access to sustainability data through digitalisation and by establishing a raw database.	Will foster Sustainable Finance in Germany	X				
	Level of ambition	X				
	Practicability	X				
	Coherence with existing/planned regulation (including EU law)		x			
Approach to action	Evaluation category	5	4	3	2	1
Generally speaking, there still are (in part considerable) obstacles to obtaining sustainability data. This requires taking steps which make it easier for report users to sort through and process relevant sustainability data. At the same time, however, there should be no disproportionate	Will foster Sustainable Finance in Germany	X				

<p>burden on report preparers. Two concrete measures are recommended in this connection:</p> <ol style="list-style-type: none"> 1. The creation of a new raw database for sustainability data which would ideally be managed at European level. Its purpose would be the centralised collection of sustainability data published by companies pursuant to their sustainability reporting obligation. Functional databases help to enhance both the efficiency of disclosures by the real economy as well as access to information for financial market players. These raw data should be widely accessible. It will be necessary to review whether a new database must be built up from scratch or whether existing databases such as the German electronic Federal Gazette, the Transparency Register, CDP, DNK and others should be expanded. In addition, the initiative should be aimed as necessary at the efficient sharing of information between existing databases. 2. The Committee recommends the incremental introduction of a standardised, digitised reporting format (e.g. XBRL) is recommended for fulfilling the sustainability reporting obligation in the EU as an additional measure based on Commission Delegated Regulation (EU) 2018/815 respecting “regulatory technical standards on the specification of a single electronic reporting format”. This measure serves first to match sustainability and financial reporting in respect of the format used. It also serves to improve the flow of information between companies and financial market players/databases and, in the long term, to make sustainability data a standard component of companies’ (financial) reporting. 	Level of ambition	X				
	Practicability	X				
	Coherence with existing/planned regulation (including EU law)		x			
Approach to action	Evaluation category	5	4	3	2	1
Incrementally expand the disclosure of sustainability data of unlisted companies and SMEs.	Will foster Sustainable Finance in Germany		X			
	Level of ambition		x			

	Practicability			X		
	Coherence with existing/planned regulation (including EU law)		x			
Approach to action	Evaluation category	5	4	3	2	1
Small and medium-size enterprises (SMEs) play an important role in Germany's economy. It is necessary therefore to encourage especially SMEs to disclose sustainability data. Efforts to turn Germany into the leading centre for sustainable finance also depend on whether all key players in the country commit to these guiding principles and participate in establishing and expanding the country's envisioned role. This requires taking adequate steps – with respect to the measures specified herein – jointly with important institutions such as the German Chamber of Industry and Commerce (DIHK) and financial market players engaged particularly in promoting SMEs, so that the latter will continuously broaden their disclosures of sustainability data.	Will foster Sustainable Finance in Germany					
	Level of ambition					
	Practicability					
	Coherence with existing/planned regulation (including EU law)					

FINANCIAL MARKET PLAYERS

How do you assess the measures proposed below (5=high, 1=low)?

Approach to action	Evaluation category	5	4	3	2	1
Financial market players are called upon to rapidly implement the soon-to-take-effect reporting obligations under the Disclosure Regulation and the Shareholder Directive. Among other things this includes comprehensive reporting on the impact of said players' investments on issues of sustainability.	Will foster Sustainable Finance in Germany	X				
	Level of ambition	X				
	Practicability	X				
	Coherence with existing/planned regulation (including EU law)	X				
Approach to action	Evaluation category	5	4	3	2	1
Existing reporting formats and institutions should be used to avoid any confusion and duplication of reporting. For instance, there is a need to review how the	Will foster Sustainable Finance in Germany					

established notification and reporting system of Deutsche Bundesbank can be adapted to ensure systematic transparency as to the exposure of the financial sector to sustainability factors, not least with the aim of pinpointing the extent to which the concept of sustainability has taken root as well as potential systemic sustainability risks. Particular attention should be paid in this connection to lending, i.e. “credit tagging”, due to its importance in Germany as a type of funding.	Level of ambition					
	Practicability					
	Coherence with existing/planned regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1
The following measures are recommended for all areas of the financial industry: The Disclosure Regulation requires reports on sustainability risks arising from a given financial market player’s activities, including detailed transparency in respect of loans and investments. The following information is particularly relevant to the assessment of their external effects: <ul style="list-style-type: none"> – potential negative effects on climate change – potential negative effects on biodiversity – potential negative effects on water, soil and air – potential negative effects on states’ tax basis – potential negative effects on compliance with UN Guidelines on the Economy and Human Rights – potential negative effects on pricing in commodities markets 	Will foster Sustainable Finance in Germany		x			
	Level of ambition	X				
	Practicability		x			
	Coherence with existing/planned regulation (including EU law)		x			
Approach to action	Evaluation category	5	4	3	2	1
The following measures are recommended for all areas of the financial industry: Prepare an overview of geographic regions, sectors and the size of companies in which the given financial market player is active, broken down by equity interests, loans, securities issuers for proprietary investments and asset management (analogous to GRI GS6).	Will foster Sustainable Finance in Germany					
	Level of ambition					
	Practicability					
	Coherence with existing/planned regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1
The following measures are recommended for all areas of the financial industry: Disclose the extent to which a bank and/or the products it markets conform to the	Will foster Sustainable Finance in Germany	X				

taxonomy. This includes analysing loans in excess of €1 million as well as all securities investments, with the result that the scope of the EU taxonomy is extended to all financial market players.	Level of ambition	X				
	Practicability			x		
	Coherence with existing/planned regulation (including EU law)					x
	Approach to action	Evaluation category	5	4	3	2
<p>The following measures are recommended for all areas of the financial industry: Publish relevant portfolio indicators, broken down by credit and securities portfolios, to assess “climate performance” and its compatibility with scientific findings. This assessment may be based on the following existing initiatives. Lessons learned from the experiences gained in that connection can be used to refine the concept:</p> <ul style="list-style-type: none">– commitment on the part of institutional investors to disclose the compatibility of their portfolios with the reduction targets of the Paris Agreement on Climate Change and as necessary their portfolios’ CO2 intensity including – to the extent possible – any benchmarking in relation to the NDC compatibility based on Art. 173 (binding but no sanctions) which applies in France,– publication as per the TCFD,– the “Net Zero Asset Owner Alliance”, which develops approaches to portfolio decarbonisation to which the signatories commit,– a reference scenario that is to be developed as guidance for financial market players and as a basis for reporting.	Will foster Sustainable Finance in Germany	X				
	Level of ambition	X				
	Practicability	X				
	Coherence with existing/planned regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1
<p>The following measures are recommended for all areas of the financial industry:</p> <p>Climate stress tests are to be conducted at regular intervals and scenario analyses prepared and published.</p>	Will foster Sustainable Finance in Germany	X				
	Level of ambition	X				
	Practicability			x		
	Coherence with existing/planned regulation (including EU law)					

Approach to action	Evaluation category	5	4	3	2	1
As regards lending, reports should be prepared pursuant to the Sustainability Directive for credit applications, including publication of the number of credit applications rejected on account of sustainability risks, along with information as to which ones of the bank's guidelines led to the rejection.	Will foster Sustainable Finance in Germany					
	Level of ambition					
	Practicability					
	Coherence with existing/planned regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1
The following in particular must be considered in connection with investments in stock and in equity funds: Institutional investors and financial intermediaries are called upon to exercise their voting rights at general meetings in ways promoting sustainability goals and to report on voting outcomes (in keeping with GRI 4- DMA).	Will foster Sustainable Finance in Germany	X				
	Level of ambition	X				
	Practicability	x				
	Coherence with existing/planned regulation (including EU law)		x			
Approach to action	Evaluation category	5	4	3	2	1
The following in particular must be considered in connection with investments in stock and in equity funds: Preparation of policies on the exercise of voting rights in respect of sustainability topics as well as disclosures of the voting outcomes in connection with these topics.	Will foster Sustainable Finance in Germany	X				
	Level of ambition	X				
	Practicability	x				
	Coherence with existing/planned regulation (including EU law)		x			
Approach to action	Evaluation category	5	4	3	2	1
The following in particular must be considered in connection with investments in stock and in equity funds: Publication of the engagement strategy respecting sustainability topics along with a report as to what	Will foster Sustainable Finance in Germany	X				
	Level of ambition	X				
	Practicability			X		

engagement dialogues have been conducted with companies (reasons and results).	Coherence with existing/planned regulation (including EU law)	x				
Approach to action	Evaluation category	5	4	3	2	1
Particular transparency should be applied with respect to the German federal government as an investor. Accordingly, all of the German federal government's portfolios should be published, using the Norwegian pension fund as an example.	Will foster Sustainable Finance in Germany	X				
	Level of ambition	X				
	Practicability	X				
	Coherence with existing/planned regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1
In case of investments in the real property sector: Germany's central registry for energy consumption certificates is to be developed into a countrywide, electronic platform at the German Institute for Building Technology which may be accessed free of charge and paywalls (in anonymised fashion subject to compliance with the General Data Protection Regulation).	Will foster Sustainable Finance in Germany					
	Level of ambition					
	Practicability					
	Coherence with existing/planned regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1
In case of investments in the real property sector: Both the German federal government and the German states are called upon to make the analysis of their support programmes available in structured form, so that banks can increasingly broaden both their advisory services and product design based on these findings to include energy performance improvement (e.g. what kinds of renovation work in what kind of building and region had what kind of impact on energy consumption).	Will foster Sustainable Finance in Germany					
	Level of ambition					
	Practicability					
	Coherence with existing/planned regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1
In case of investments in the real property sector: The Bundesbank's collection of loan data on residential properties should be improved. Given that an expanded	Will foster Sustainable Finance in Germany					

reporting system is planned at the EU level in connection with the AnaCredit database, the data should be harmonised EU wide in the form of a unified database for energy consumption certificates and real property transactions. At minimum, this must involve integrating parameters such as the energy efficiency class in order to be able to collect data on developments over time and thus on the effect.	Level of ambition					
	Practicability					
	Coherence with existing/planned regulation (including EU law)					

In chapter 4.2, approach to action 2 proposes extending the established notification and reporting system of Deutsche Bundesbank to include sustainability indicators. Which indicators regarding sustainability risks could be added in the reporting system?

No PRI response.

ROLE OF THE PUBLIC SECTOR

How do you assess the measures proposed below (5=high, 1=low)?

Approach to action	Evaluation category	5	4	3	2	1
Public sector players are called upon to link the allocation of funds consistently and strictly to its political goals. The necessary standards, regulations and transparency requirements should be based on international practice, but could be refined where necessary. This principle should also guide negotiations on the EU's multiannual financial framework.	Will foster Sustainable Finance in Germany	x				
	Level of ambition	x				
	Practicability	x				
	Coherence with existing/planned regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1
In its capacity as an investor, the public sector is one of Germany's largest institutional investors. It should strictly align its capital expenditures – e.g. in connection with the “Fund for Financing the Management of Radioactive Waste” (KENFO) – with given political goals and should abide by sophisticated sustainability benchmarks (such as the “Climate Transition Benchmark” or the “Paris-aligned Benchmark”) prepared by the EU Commission's Technical Expert Group (TEG). The public sector should be a pioneer in the implementation of the TCFD recommendations and with respect to the reporting system vis-à-vis the final recipients. As regards investment classes tied directly to political goals, e.g. its directly held real property portfolio, the public sector should make use of its policymaking leverage and lead by example. A joint understanding of the capital investment strategy should be reached at the level of the German federal government and the German states.	Will foster Sustainable Finance in Germany	X				
	Level of ambition	X				
	Practicability	X				
	Coherence with existing/planned regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1
One of the biggest funding tasks in future involves building up a sustainable infrastructure. Support programmes should therefore be consistently aligned with this task. This requires the greatest possible flexibility, given divergent regional needs and technical solutions. It also requires sound technical know-how	Will foster Sustainable Finance in Germany	X				
	Level of ambition	X				

among the on-lending private sector financial institutions. The public sector could centralise the development of the respective expertise, for example at the German Energy Agency (dena) and/or comparable institutions, and make it available to the market. Clear signals from the German federal government and the German states as to priority investment needs and support for both project and programme development would accelerate the relevant project pipeline. Sustainability criteria must be integrated in binding fashion into state-subsidised financial products (such as the German Riester and Rürup programmes, occupational retirement provision), for example, in compliance with conventions of which Germany is a signatory. The same applies to the products of the development banks and all financial institutions under public law.	Practicability	X				
	Coherence with existing/planned regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1
Time-limited governmental incentives for transformation-conform and/or sustainable investment and savings products (for instance through (limited) tax incentives or allowances) would boost the demand for and familiarity with such products. This would help to bring about a rapid, widespread effect and create an incentive for retooling conventional financial product offerings.	Will foster Sustainable Finance in Germany	x				
	Level of ambition	x				
	Practicability	x				
	Coherence with existing/planned regulation (including EU law)					

Approach to action	Evaluation category	5	4	3	2	1
The Sustainable Development Goals of the United Nations should be reflected in the German federal government's budget in order to create a solid foundation for the issuance of sustainable and/or green German government securities. Issuing green bonds has a signalling effect that should not be underestimated. However, doing so will be only effectively push the transformation if the introduction of green or sustainable bonds goes hand in hand with a change in budgetary allocations.	Will foster Sustainable Finance in Germany					
	Level of ambition					
	Practicability					
	Coherence with existing/planned regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1

The public sector fulfils certain functions in the financial system which are rooted in its fundamental role – especially on regional level. Consequently, the savings bank sector, which is focused on the common good, should set an example by aligning itself with the sustainability and climate goals.	Will foster Sustainable Finance in Germany					
	Level of ambition					
	Practicability					
	Coherence with existing/planned regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1
As regards the design of export credit and insurance, the public sector must serve as a trendsetter in keeping with both political goals and sector approaches. It can incentivise and promote future-proof structures and technological developments in coordination with the industry and in alignment with the political goals.	Will foster Sustainable Finance in Germany		x			
	Level of ambition		x			
	Practicability		x			
	Coherence with existing/planned regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1
The same applies to the country's international cooperation with other countries, e.g. in connection with climate funding, the realisation of the SDGs, foreign assistance and participation in bi- and multilateral development banks such as the European Investment Bank and the World Bank. Here, too, the overarching political goals should be consistently pursued.	Will foster Sustainable Finance in Germany		x			
	Level of ambition	x				
	Practicability	x				
	Coherence with existing/planned regulation (including EU law)					
Approach to action	Evaluation category	5	4	3	2	1
The German federal government should prioritise the ongoing update of the European sustainable finance strategy and the dossiers related to it, both substantively and in respect of its collaboration with other EU Member States. The German Council Presidency in the second half of 2020 offers an opportunity in this regard. International processes – such as the G20, G7, Multilateral Development Bank Paris Alignment Working Group, NGFS, Coalition of Finance Ministers for Climate	Will foster Sustainable Finance in Germany	X				
	Level of ambition	X				
	Practicability	X				
	Coherence with existing/planned regulation (including EU law)	X				

Action – and participation in multilateral banks and institutions should be actively used to this end.						
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How can the use of public funds be effectively linked with policy objectives?

The PRI believes that public funds should be lead by example and align with policy objectives by setting investment targets in line with policy objectives such as the Paris Agreement and the Sustainable Development Goals. Furthermore, private as well as public funds are invited to join United Nations-convened Net-Zero Asset Owner Alliance, which is an international group of institutional investors delivering on a bold commitment to transition their investment portfolios to net-zero GHG emissions by 2050. Recently, the alliance was joined by the KENFO (German Nuclear Waste Management Fund) which can be seen as a best practice example.