

## Sustainable finance – 360° sustainability for environmental and social transformation

### Position statement on the EU Commission’s consultation on the renewed sustainable finance strategy within the framework of the EU’s Green Deal

The [EU Action Plan: Financing Sustainable Growth](#), published in 2018, was and remains a key milestone on the path to a sustainable financial sector. The EU Commission has now announced that it aims to go above and beyond this, increasing still further the speed and the level of ambition of its actions. This is an important and very welcome step toward achieving the global sustainability targets (SDGs). A priority objective of the renewed strategy is to mobilise the necessary financial resources for environmental and social transformation under the [Green Deal](#).

The [consultation document](#) on the renewed sustainable finance strategy shows that the EU Commission is not only monitoring the debate closely, taking it seriously and helping to shape it, but is also continuously developing its own strategies. The new package of measures promises to be sustainable and forward-looking in a far wider sense, i.e. for example it will take greater account of social considerations and resilience requirements, exploit the potential of digitalisation and be more globally oriented. The EU Commission has recognised that the double materiality perspective – financial and environmental/social – is also indispensable from the economic point of view.

CRIC, FNG, ISB, ÖGUT and oekofinanz-21 welcome the EU Commission’s plans and would like to highlight in particular the following points:

1. **Implementing 360° sustainability.** We support the idea of developing a comprehensive taxonomy that also covers socially sustainable economic activities over and above the existing minimum social criteria and that maps the entire range from “very ambitious in terms of sustainability” to “harmful from a sustainability point of view”. This would simultaneously establish a basis for creating transparency for all financial products, including those on the lending side, regarding contribution to sustainability.<sup>1</sup> This is crucial both for the large-scale redirection of financial flows and from the consumer protection point of view. The Südwind [proposal](#) offers a very good basis for developing a social taxonomy. We support the development of a social bond standard and an ESG benchmark along the lines of the standardisation of green bonds and climate benchmarks which is already underway.
2. **Sending the right signals to the real economy.** The success of sustainable business models and production methods is heavily dependent on the regulatory framework conditions. This means that systematic efforts have to be made to internalise negative and positive external effects. Policy measures in the financial sector and the real economy should therefore go hand in hand. Active support for and systematic promotion of the introduction and development of true cost accounting approaches would thus be welcome. Europe also needs an ambitious law on supply chain due diligence in relation to human rights and environmental issues.
3. **Addressing private investors.** According to the latest [FNG Market Report](#), the retail segment’s share of sustainable investments has increased significantly, but is still small compared to that of the institutional segment. Studies reveal that the majority of private investors would like to invest their money sustainably. At the same time, it is vital to the transformation that greater effort be put into addressing this segment.<sup>2</sup> The EU legislation making it mandatory to enquire about sustainability preferences when providing investment advice, which will come into force in mid-2021, is therefore a step in the right direction, but requires accompanying measures.
  - a. Sustainability finance should be integrated in vocational training and continuing professional development in the real economy and the financial sector, in particular for financial advisers, as well as in relevant courses of study.

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<sup>1</sup> The German Federal Government’s Sustainable Finance Committee proposes in its [Interim Report](#) (page 24) a comprehensive product classification system. This should be based on the EU Regulation on sustainability-related disclosures.

<sup>2</sup> According to the [HLEG Final Report](#), 40 per cent of financial assets in the EU (page 27) are accounted for by private household savings.

- b. Further measures to raise awareness should be taken – for example a European Action Week on Sustainable Finance – and greater use should be made of the opportunities afforded by digital technology.
    - c. The development of an ambitious EU Ecolabel for Financial Products is to be welcomed. It will provide an important guidance tool for private investors, particularly in countries which do not currently have suitable “sustainability labels” of their own. As the EU Ecolabel is based on the taxonomy, the timetables should be better coordinated and a dynamic approach, i.e. a level of aspiration that increases over time, should be selected. This will make it possible to develop a label that also fulfils the expectations of private investors.
4. **Making full use of the potential of engagement.** The active exertion of influence on company decision-making processes by investors is playing an increasingly important role. However, fuller use could be made of the opportunities offered by engagement. Measures that further strengthen this area – including regulatory measures – are therefore to be welcomed. In the study [Investor Priorities for the EU Green Deal](#), PRI has put forward relevant recommendations that are deserving of support. The development of aspirational voluntary standards would be welcome, as would a revision of the Shareholder Rights Directive, or any other instruments underscoring the key importance of sustainability and making it clear that stewardship should be taken into consideration across all asset classes.

The EU Commission’s Renewed Sustainable Finance Strategy, the publication of which has been announced for the end of 2020, comes at the right time. It is an essential component of the Green Deal, which in turn should not merely serve as a guideline for investment programmes in the context of the Covid-19 crisis but might even become the engine of reconstruction of a sustainable and resilient Europe.

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## Further information and contact details

**CRIC (Corporate Responsibility Interface Center)** is a charitable association for promoting ethics and sustainability in capital investment and sees itself as an information platform and a centre of competence in equal measures. The aim of CRIC’s activities is for companies and the economy to give greater weight to environmental, social and cultural aspects. With approximately 120 members, predominantly in Germany, Austria and Switzerland, CRIC is the largest investors’ association for ethical sustainable investment in the German-speaking countries. Its work focusses on awareness-raising, dialogue with business (also known as engagement) and scientific research. CRIC was founded in 2000. The association is based in Frankfurt am Main.

Further information is available at [www.cric-online.org](http://www.cric-online.org).

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**FNG (Forum Nachhaltige Geldanlagen e.V.)** is the industry association promoting sustainable investment in Germany, Austria, Liechtenstein and Switzerland. It represents more than 200 members from the German-speaking world who are committed to more sustainability in the financial industry. These include banks, capital investment companies, insurance companies, financial advisors, rating agencies, scientific institutions and private individuals. The FNG promotes the dialogue and exchange of information between business, science and politics and has been committed to quality assurance and improved legal and political framework conditions for sustainable investments since 2001. It awards the transparency logo for sustainable mutual funds (since 2008), publishes the FNG Sustainability Profiles (since 2012) and has developed the FNG label, the SRI quality standard for sustainable investment funds (since 2015). Together with ÖGUT, the FNG offers further education in sustainable investments for financial advisors. Since 2005, the FNG has also compiled the annual market report on sustainable investments, which serves as a reference for industry insiders, journalists, scientists and politicians when it comes to current data on sustainable investments. Furthermore, the FNG is a founding member of the European umbrella organisation Eurosif.

Further information is available at [www.forum-ng.org](http://www.forum-ng.org).

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The **ISB (Institute for Social Banking)** is a non-profit educational and research institute for responsible banking and finance. The core objectives of the ISB are to educate people in social banking and sustainable finance and to strengthen the academic as well as the public discourse within the field. Since its foundation in 2006, it has developed into an active member organisation comprising 17 European institutions closely linked to social banking and sustainable finance and a large international network. Through education, research and exchange, the ISB promotes awareness, understanding, knowledge and competencies in the context of social banking to enable continuous change and innovation towards more sustainability in finance. The association is based in Berlin.



Further information is available at [www.social-banking.org](http://www.social-banking.org).

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The **Austrian Society for Environment and Technology (OeGUT)** is a non profit organisation, aiming at the transition of economy and society towards a sustainable future. As a scientific platform for sustainable development OeGUT is performing networking activities with around 90 organisations and institutions from ministries, public authorities, enterprises, interest groups and environmental organisations. By doing so OeGUT has the best preconditions for networking, preparation and providing of competent information and innovative solutions in order to meet and initiate challenges in the environmental field.

OeGUT deals with relevant issues on the interface between environment and technology. Main topics are:

- Consumption and Quality of Life
- Energy
- Gender and Diversity
- **Green Investment**
- Innovative Building
- Public Participation
- Resources

Further information is available at [www.oegut.at](http://www.oegut.at).

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**ökofinanz-21 e. V.** brings together financial advisors who share the same goal: to integrate social and environmental concerns in their business and in their interaction with clients. We are an association of independent financial advisors who look at the social and economic use of money and explore ways to unlock the potential of private capital flows. We are convinced: In order to keep our society together, in present and future, we must employ all means to reduce adverse impacts of the use of money and to invest it in a meaningful way – for the sake of ourselves and the future of our children and grandchildren on a worth living planet. To this end, we are networking with each other and with other committed individuals and associations since 2003.

Further information is available at [www.oekofinanz-21.de](http://www.oekofinanz-21.de).

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