

Press Release

CFS survey on “Sustainable Finance”

German financial sector deems sustainable finance very important, but laments high regulatory requirements

FRANKFURT, 29 February 2024

Background:

The topic of sustainable finance has been hotly debated for a number of years. Few doubt the huge sums of capital required to transition to a more sustainable economy in the areas of energy, mobility, industry and buildings. Related issues to tackle include preventing pollution, supporting the circular economy and preserving biodiversity. To achieve these goals, private capital must be mobilised with the help of green financial products or financing instruments (green bonds, green loans). At the same time, some market participants take issue with the complexity of regulation (e.g. Taxonomy Regulation, SFDR, CSRD) and the dangers of “green washing”.

Survey results

A clear majority of respondents (71.2%) regard sustainable finance as very important or important for financing the green transition of the German economy. On the other hand, a large majority (78.1%) of panellists criticise the detailed disclosure obligations on sustainability that various regulatory requirements impose on companies and financial institutions, which entail considerable expenses for data procurement and processing. A number of initiatives have been launched to establish uniform reporting standards for corporate sustainability (e.g. ISSB, EFRAG), resulting in overlap in some areas. A vast majority (84.1%) of respondents consider it very important or important to agree on globally harmonised reporting standards in order to improve comparability for investors and limit the costs for companies.

“The survey makes it clear that the complex regulatory framework should be reconsidered. Of course, it is crucial to avoid ‘green washing’. However, the expenses involved should remain proportionate, especially for small and medium-sized market players,” explains Professor Volker Brühl, Managing Director of the Center for Financial Studies.

As of August 2022, financial advisors are required to ask their customers about their sustainability preferences. However, there is variation in how different sustainability preferences are distinguished (according to the Taxonomy Regulation, according to the Disclosure Regulation, according to the avoidance of negative impacts on

Press Release

sustainability goals). In the practice of financial consulting, systematically recording these preferences poses a challenge. For this reason, 74.5% of respondents do not consider the current regulatory framework to be useful, as many customers are overwhelmed by the differentiated rules.

Nevertheless, 78.8% of respondents believe that the existence of green investment products is justified. At the same time, 47.6% of participants believe that many green investment products fail to fulfil their purpose.

"For me, the clear majority of more than 84 per cent in favour of unified reporting standards is a clear and confirming mandate for the International Sustainability Standards Board (ISSB), based in Frankfurt. The aim is to develop and establish a global baseline for sustainability reporting. The transformation will only succeed with the greatest possible global interoperability. Frankfurt thus has the opportunity to establish itself as the centre of this standard-setting, which is so important for the capital markets," says Hubertus Väth, Managing Director of Frankfurt Main Finance.

The results are based on a quarterly management survey in the German financial sector.

We would like to thank Frankfurt Main Finance e.V. for financially supporting the project.

In case of further questions, please contact:

Professor Dr. Volker Brühl
069/798 30050
volker.bruehl@hof.uni-frankfurt.de

The Center for Financial Studies (CFS) conducts independent and internationally-oriented research in important areas of Financial and Monetary Economics, ranging from Monetary Policy and Financial Stability, Household Finance and Retail Banking to Corporate Finance and Financial Markets. The CFS is also a contributor to policy debates and policy analyses, building upon relevant findings in its research areas. In providing a platform for research and policy advice, the CFS relies on its international network among academics, the financial industry and central banks in Europe and beyond.