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# Sustainable Finance/ESG – Further progress to be made in "S" and "G"

The EU had committed itself in 2015 at the Paris Climate Summit to achieving various climate targets by 2030, embarked on an intensified course in spring 2018 with the publication of the Sustainable Finance Action Plan and then proposed a further strengthening of its efforts with the Green Deal. Europe is thus currently very consistently and purposefully oriented and the question arises as to whether this goal, which can ultimately be described as a strategy, can be achieved and whether further measures are required.

On the regulatory side, the Sustainable Finance Action Plan is initially unilateral in its approach to financial services institutions. The idea here is fundamentally correct. After all, if triple-digit billions are to be invested in environmental protection measures every year, regulation can be used to persuade the financing institutions to steer the funds in the right sustainable direction as early as the financing stage. In order to decide which investments are sustainable, uniform criteria are needed, which are successively developed by the taxonomies. In addition, the financing institutions also need data from the investing companies in order to be able to apply the taxonomy. It will therefore also be necessary to persuade companies in the real economy to publish this data. And it will not be enough to focus only on the large companies. Many small and medium-sized banks in particular do not finance large companies at all, but at the same time they have to comply with the requirements of the Financial Services Action Plan.

The Action Plan initially focused on climate risks, even though the terms "S" for social and "G" for governance are already used in the other regulations published in 2019/20. The Covid-19 crisis in particular, but also recent business scandals, show that, in addition to "climate", progress must also be made very quickly in the areas of "social" and "governance". Therefore, taxonomies need to be developed in these areas as well. And here, too, the second step will be to find out how financiers can obtain data for these areas. Especially for financial institutions the requirements regarding Sustainable Finance/ESG will have a huge impact on business strategy, client approach and segmentation, products/services and prices, production/provision and operating model but also on risk management, finance and capital.

Ultimately, Europe seems to be developing very quickly and strongly in this environment. In America and Asia there are currently no comparable consistent developments to be seen. However, one continent cannot act alone on global financial and goods markets in the long term. We must therefore try to roll out the good European approach globally. Otherwise a potentially positive competitive factor for companies and institutions in Europe will quickly turn into a disadvantage. ●