

Public Policy Position Paper of FNG – the German, Austrian and Swiss Sustainable Investment Forum

Sustainability of financial markets to reach the sustainable aims of the German Federal Government

The current crisis illustrates the necessity of rethinking in financial markets. Over the past several months politicians, consumers and media representatives have been asking for more responsibility, ethics and transparency in financial markets. It's time to change the perspective and integrate also non-financial aspects into the review of status quo. Instead of short-term thinking a sustainable development should be the base of decision-making.

There are already good and resilient approaches – the time has come to take them seriously. Investors want to know the risks, opportunities, financial and non-financial outcomes of investments. The “meaning” behind investments is becoming more and more important for institutional as well as private investors.

Sustainable investments consider, besides economic indicators, environmental, social and governance (ESG) issues. Clean investment funds or micro finance are some examples.

In 2008 about 50 new sustainable funds with a total amount of 900 million Euro were admitted (created? launched?) in Germany, Austria and Switzerland. During the financial and economic crisis the interest in sustainable investments has increased steadily. Despite negative trends, providers of sustainable and responsible investments (SRI) reported cash inflows.

The Federal Government follows a strategy of sustainable development. Capital markets can contribute an important part towards sustainability. Institutional and private investors have a wide range of possibilities. E.g. they can link their investments on ESG criteria and send out signals to corporate politics.

Nevertheless legal and political conditions for SRI must be improved. Without a modified setting the German SRI market share could decrease thus making it more difficult to pursue sustainability in Germany. On behalf environment, climate and social matters, the opportunities of SRI should be used.

Look at the next page for FNG's **10 Point Position Paper** for more sustainability and responsibility in financial markets.

FNG's 10 points for more sustainability and responsibility in financial markets:

1. Direct public shareholdings should require a sustainable strategy in those companies.
2. Public investments, e.g. the assets of public pension funds, should presume sustainability standards.
3. The allocation of public money for private financial assurances, like "Riester" pension funds, should assume sustainability standards.
4. Public and charitable foundations shall expose regularly how they consider environmental, social and governance (ESG) issues in their investments and if these investments correspond with the foundation's aims.
5. Aspects of sustainability must be integrated into education and vocational training of financial advisers. The Federal Government should inform the public about its sustainability benchmarks.
6. There should be legal rules which determine a consideration of sustainability and individual value preferences in the investment decision. Besides the financial aspects, non-financial factors must be included into the investment consultancy.
7. Information about sustainability should be integrated in every relevant commercial document. This information must be revised by Federal Financial Supervisory Authority to license a financial product.
8. The German Federal Government advocates a quality label for transparency and sustainability in financial markets. The base of this quality label could be the European transparency logo.
9. Companies should be encouraged to sustainable action and inform investors about it. In addition, the reporting requirement should be extended to non-financial indicators in the annual report.
10. Financial services and institutional investors should be encouraged to invest sustainably and have to report on it.



Forum Nachhaltige Geldanlagen (FNG) – the German, Austrian and Swiss Sustainable Investment Forum.

FNG promotes the idea of sustainability and responsibility in financial markets. The Forum has more than hundred member affiliates like banks, rating-agencies, assurances, service providers and NGOs. Since 2001 FNG accelerates the dialogue between economy, science and politics. The transparency certification “transparent” is awarded by FNG for sustainable public funds which are managed sustainable and transparent. This certification offers detailed and traceable information to private and institutional investors.

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