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SCHOOL OF MANAGEMENT

The role of public-private cooperation in the greening of finance

Prof. Luca G. Brusati, Ph.D.

30th OSCE Economic and Environmental Forum "Promoting security and stability in the OSCE area through sustainable economic recovery from the COVID-19 pandemic"

First Preparatory Meeting - Vienna, 14th-15th February 2022

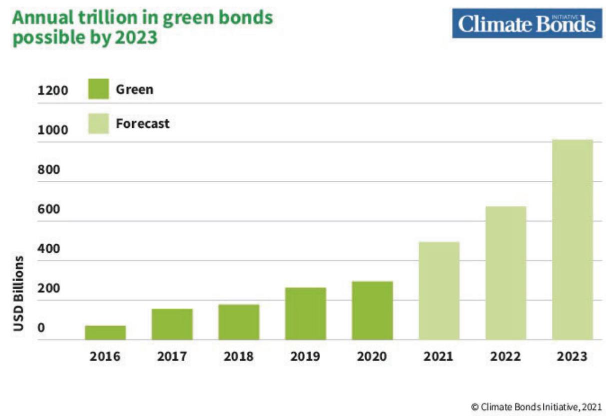
"Sustainable economic recovery"

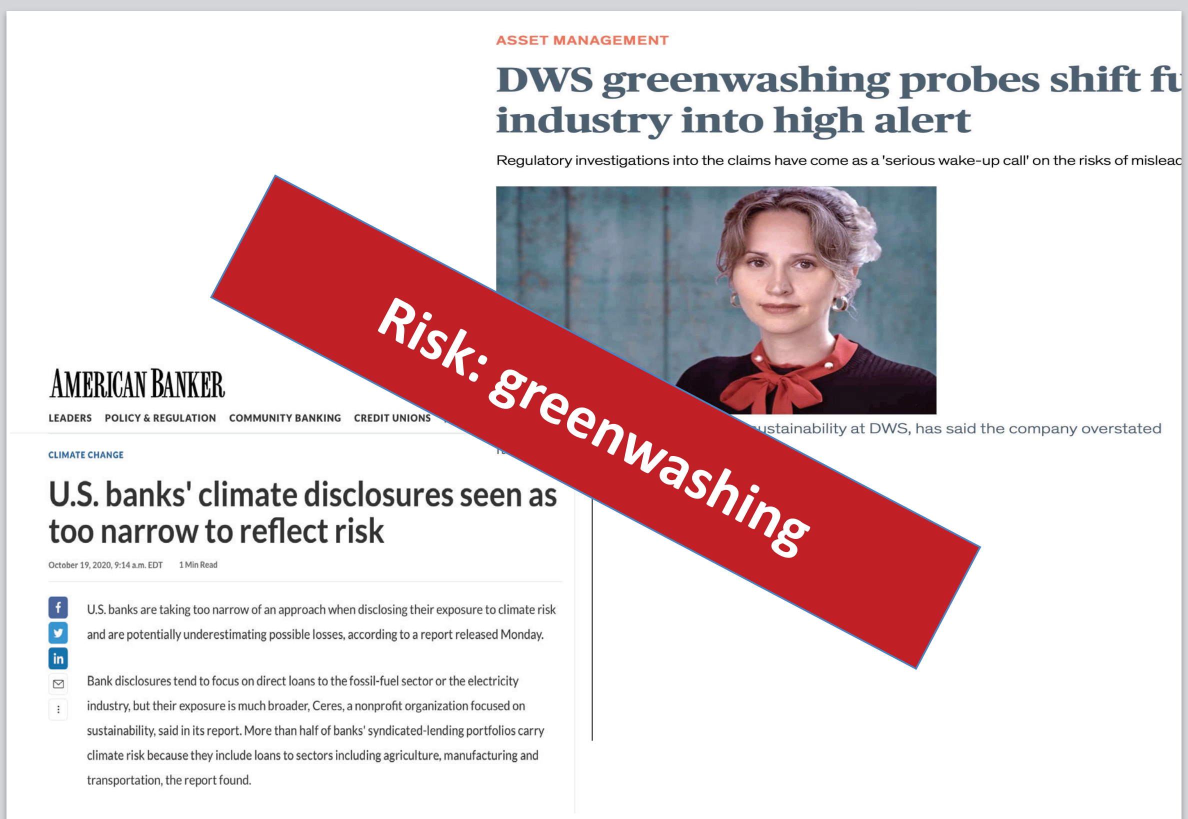
- The double challenge of economic recovery <u>and</u> environmental sustainability cannot be tackled by governments or by the private sector in isolation
- The scale of both challenges is unprecedented, and trade-offs between the economy and the environment are likely (e.g., energy)
- Innovative solution:
  - increase level
  - improve terms

  of financial flows from the public, private and not-for-profit sectors to sustainable development priorities

Green, social & sustainability investment

- “Green” investments are popular among investors and lenders alike
- Sustainability-linked loans are potentially a powerful tool:
  - more funds and better terms for sustainable projects
  - less funds and worse terms for non-sustainable ones





ASSET MANAGEMENT

DWS greenwashing probes shift fu
industry into high alert

Regulatory investigations into the claims have come as a 'serious wake-up call' on the risks of mislead

ustainability at DWS, has said the company overstated

AMERICAN BANKER

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CLIMATE CHANGE

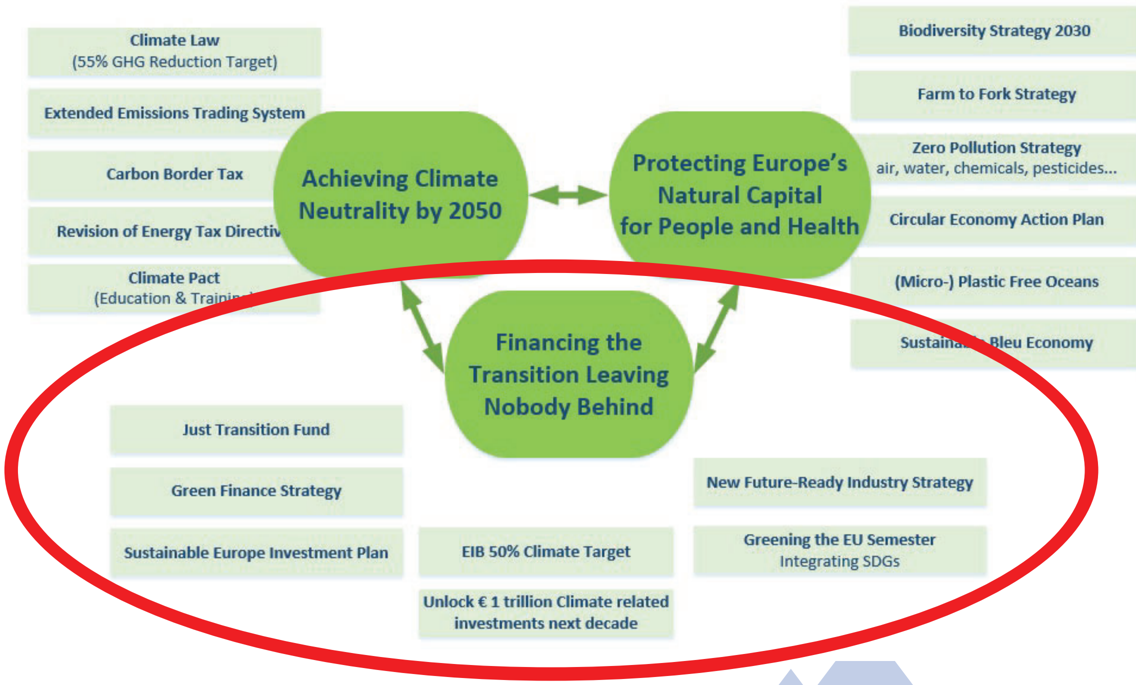
U.S. banks' climate disclosures seen as too narrow to reflect risk

October 19, 2020, 9:14 a.m. EDT 1 Min Read

U.S. banks are taking too narrow of an approach when disclosing their exposure to climate risk and are potentially underestimating possible losses, according to a report released Monday.

Bank disclosures tend to focus on direct loans to the fossil-fuel sector or the electricity industry, but their exposure is much broader, Ceres, a nonprofit organization focused on sustainability, said in its report. More than half of banks' syndicated-lending portfolios carry climate risk because they include loans to sectors including agriculture, manufacturing and transportation, the report found.

The role of governments: the example of the "European Green Deal"



"EU Sustainable Finance Taxonomy"

- The "Taxonomy" sets performance thresholds ("technical screening criteria") for economic activities that make a substantive contribution to at least one of the EU environmental objectives
- As such, the "Taxonomy" is meant to improve market transparency and to help companies, project promoters and issuers improve their environmental performance

Challenges

- Defining the contents of the “Taxonomy” is necessarily a political exercise (e.g., gas, nuclear power)
- Need to make sure sustainable investments are linked to broader strategic decisions (e.g., bank capital requirements linked to ESG risk?)
- Information requirements may be simpler to meet for certain categories of lenders (e.g., large firms vs. SMEs)

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