

Press Release

Support for confrontation short-termism in financial markets, more action needed from financial sector to meet Paris goals.

- Triodos Bank response to Final Report High-Level Expert Group on Sustainable Finance: Financing a Sustainable European Economy.

Zeist, 31 January 2018

Triodos Bank welcomes the publication of the Final Report 2018 by the High-Level Expert Group (the HLEG) on Sustainable Finance: Financing a Sustainable European Economy. Peter Blom, CEO of Triodos Bank: “The report marks to our satisfaction the end of short-termism that has dominated finance for decades, obstructed sustainable economic development and contributed to the 2008 financial crisis. A rapid increase in sustainable finance is required and many of the HLEG recommendations will contribute to this goal. Yet, too little attention has been devoted to current ‘unsustainable’ finance, in particular related to fossil assets. I hope the European Commission will tackle this issue in the upcoming Action Plan. It is good news that members of the European Parliament have already tabled several proposals for a brown charge in the current debate about the revision of capital rules”

On the ambition of the report.

- Triodos Bank fully supports the HLEG recommendation to confront short-termism in financial markets in order to reduce its negative impact on long-term corporate investment and development.
- Triodos Bank acknowledges the right direction of the report. Yet, Triodos Bank fears the ambition and measures do not match sufficiently with the Paris Agreement and the fair share that the financial sector has to take to meet the Paris 1,5°C limit. To meet the Paris Climate Agreement and the UN Sustainable Development Goals thorough action is urgent, in particular concerning the huge fossil portfolio (‘brown’ assets) of the financial sector.

About the ‘green’ and ‘brown’ assets

- Triodos Bank agrees with the HLEG that “the Paris Climate Agreement has made the distinction between “green” and “brown” assets explicit”. This is an important risk-differential that must be integrated into banks’ regulation as soon as possible. We welcome the introduction of ESG risk assessments by banks, to start the dialogue with their supervisors. Triodos Bank is in favour of an increase in capital requirements related to the carbon footprint of banks assets. Peter Blom: ‘In today’s legislation capital requirements are a function of risk. In our opinion that means that

banks with exposure to unsustainable assets should be required to hold additional capital, reflecting the systemic risk of brown assets. Whilst a capital support factor (discount) for sustainable (green) investment can provide an incentive to invest, we believe that to meet the Paris Climate targets, pressure on unsustainable investments (still the bulk of finance today) is needed.”

On Fiduciary duty

- Triodos Bank welcomes the implementation of full transparency with respect to the green house gas impact of investment portfolios and the balance sheets of financial institutions. These measures will effectively enable asset managers to engage with their clients for a transition towards a sustainable economy.
- Fiduciary duty requires an investment entity to act prudently and in the best interests of the beneficiary, which includes any impact of the investments in the whole portfolio. We appreciate the HLEG’s idea of an Omnibus including any provider of finance to adhere to new fiduciary duties towards citizens, and Triodos Bank would like to see banks added to the list of relevant finance providers with urgency, as this will enable depositors to know where their money goes.

On retail investors

- Triodos Bank especially supports the HLEG’s wish “to empower citizens to engage with sustainable finance”. As stated in the report “European household savings represent over 40% of total financial assets in the EU. [...] there is considerable evidence that most retail investors would like to invest in a sustainable manner, with over two thirds of retail investors considering environmental and social objectives as important for their investment decisions.”
- The HLEG acknowledges that “EU citizens expect sustainable funds to enable them to have a positive impact on the economy; but they lack the concrete tools to identify corresponding investment products.”
- Given the observation of the negative effects of short-termism, we count on the Commission following up this wish by opening up funds that invest in sustainable, non-listed, companies for retail investors. As a good start, minimum ESG standards for UCITS will facilitate retail investors’ wish for positive impact.

Find the report here: http://europa.eu/rapid/press-release_IP-18-542_en.htm?locale=en

Information for Editors

About Triodos Bank

Founded in 1980, Triodos Bank has become a reference point for sustainable banking globally. Triodos Bank is an independent bank that promotes sustainable and transparent banking. It does not see any conflict between a focus on people and the planet and a good financial return. Instead it believes that they reinforce each other in the long-term.

Triodos Bank has branches in the Netherlands, Belgium, the UK, Spain, Germany and an agency in France. It is a global authority in the field of microfinance in developing countries, Central Asia and Eastern Europe.

Triodos Bank co-founded the Global Alliance for Banking on Values, a network of 43 sustainable banks. Together these banks want to grow sustainable banking and its impact substantially.

Triodos Bank N.V. has a full banking licence and is registered with The Nederlandsche Bank N.V. (the Dutch central bank) and The Netherlands Authority for the Financial Markets.

Most recent company information is available on Triodos Bank’s website: www.triodos.com

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