

ESG regulation in Germany

What is the current ESG legislation landscape?

Germany is an EU member and committed to EU's legislation such as the EU Taxonomy, the European Green Deal and the European Disclosure Regulation.

Over the past several years, national regulations in Germany have laid a strong foundation for ESG investment. Many ESG goals, in terms of things like greenhouse gas emissions, are set out in the German Climate Action Plan 2050.

Some of key regulations are:

- > The Energy Concept aims to lower the primary energy demand in the buildings sector by at least 80% compared with 2008
- > By 2030, greenhouse gas emissions have to be reduced by 70 to 72 million tonnes of CO2 equivalent, a reduction of 66%-67% relative to 1990
- > The strategy on Energy efficiency in buildings adopted in 2015, aims to achieve a virtually climate-neutral building stock by 2050
- > Federal Immission Control Act sets environmental pollution guidelines caused by air, noise, vibration and similar phenomena which applies to many installations including commercial real estate like offices

- Occupational Health and Safety Act covers many social issues, such as employee protection

What changes are in the pipeline?

Germany's Act on Corporate Due Diligence in Supply Chains (Lieferkettensorgfaltspflichtengesetz) is set to come into effect in 2023.

- The law ensures companies comply with internationally recognised human rights and environmental policies in their operations and throughout their supply chains.
- Apply on all German-based companies with over 3,000 employees and foreign-based companies of the same size with offices or branches in Germany. The employee threshold will lower to 1,000 in 2024.

The Government has announced plans to create an investment premium for climate protection and digital assets in 2022 and 2023.

- Further adjustments to the Building Energy Act (GEG)
 1. For example, from 2024, any parts replaced during major extensions, conversions and extensions must comply with the KfW Efficiency House Standard 70.
 2. Furthermore, in 2025, newly installed heating systems might need to operate 65% renewable energy.

BaFin had been planning to implement new guidelines for sustainable funds but these have now been dropped due to Russia's invasion of Ukraine. It's unclear if these will be implemented in the future and to what extent.

How can Drooms help you during the process of ESG reporting?

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