|  |  |
| --- | --- |
|  | EUROPEAN COMMISSION  Directorate-General for Financial Stability, Financial Services and Capital Markets Union  HORIZONTAL POLICIES  **Sustainable finance** |

## CONSULTATION DOCUMENT

**CONSULTATION ON THE RENEWED SUSTAINABLE FINANCE STRATEGY**

**Disclaimer**

This document is a working document of the Commission services for consultation and does not prejudge the final decision that the Commission may take.

The responses to this consultation paper will provide important guidance to the Commission when preparing, if considered appropriate, a formal Commission proposal.

Commission européenne/Europese Commissie, 1049 Bruxelles/Brussel, BELGIQUE/BELGIË - Tel. +32 22991111 <https://ec.europa.eu/info/business-economy-euro_en>

You are invited to reply **by 15 July 2020** at the latest to the **online questionnaire**

available on the following webpage:

[https://ec.europa.eu/info/publications/finance-consultations-2020-sustainable-finance-](https://ec.europa.eu/info/publications/finance-consultations-2020-sustainable-finance-strategy_en) [strategy\_en](https://ec.europa.eu/info/publications/finance-consultations-2020-sustainable-finance-strategy_en)

Please note that in order to ensure a fair and transparent consultation process **only responses received through the online questionnaire will be taken into account and included in the report summarising the responses**.

Responses authorised for publication will be published on the following webpage: [https://ec.europa.eu/info/consultations/finance-2020-sustainable-finance-](https://ec.europa.eu/info/consultations/finance-2020-sustainable-finance-strategy_en#contributions) [strategy\_en#contributions](https://ec.europa.eu/info/consultations/finance-2020-sustainable-finance-strategy_en#contributions)

# INTRODUCTION

**On 11 December 2019, the European Commission adopted its** [**Communication on a**](https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1576150542719&uri=COM%3A2019%3A640%3AFIN)[**European Green Deal**,](https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1576150542719&uri=COM%3A2019%3A640%3AFIN) which significantly increases the EU’s climate action and environmental policy ambitions.

**A number of levers will need to be pulled in order to build this growth strategy, starting with enshrining the climate-neutrality target in law.** On 4 March 2020, the European Commission proposed a European [Climate Law](https://ec.europa.eu/commission/presscorner/detail/en/IP_20_335) to turn the political commitment of climate-neutrality by 2050 into a legal obligation. This follows the European Parliament’s [declaration of a climate emergency](https://www.europarl.europa.eu/news/en/press-room/20191121IPR67110/the-european-parliament-declares-climate-emergency) on 28 November 2019 and the [European Council conclusions](https://data.consilium.europa.eu/doc/document/ST-29-2019-INIT/en/pdf) of 12 December 2019, endorsing the objective of achieving a climate-neutral EU by 2050.

**The ongoing COVID-19 outbreak in particular shows the critical need to strengthen the sustainability and resilience of our societies and the ways in which our economies function.** This is necessary to, above all, minimise the risk of similar health emergencies in the future, which are more likely to occur as climate and environmental impacts escalate. In parallel, it will be paramount to ensure the resilience and capacity of our societies and economies to resist and recover from such emergencies. The COVID-19 outbreak underscores some of the subtle links and risks associated with human activity and biodiversity loss. Many of the recent outbreaks (e.g. SARs, MERS, and avian flu) can be linked to the illegal trade in, and consumption of, often endangered wild animal species. Furthermore, experts suggest that degraded habitats coupled with a warming climate may encourage higher risks of disease transmission, as pathogens spread more easily to livestock and humans.[[1]](#footnote-2) Therefore, it is important – now more than ever - to address the multiple and often interacting threats to ecosystems and wildlife to buffer against the risk of future pandemics, as well as preserve and enhance their role as carbon sinks and in climate adaptation.

## Financing the European Green Deal and increasing the financial resilience of the economy, companies and citizens

**Above all, the transition to a sustainable economy will entail significant investment efforts across all sectors, meaning that financing frameworks, both public and private, must support this overall policy direction:** reaching the current 2030 climate and energy targets alone would already require additional investments of approximately

€260 billion a year by 2030. And as the EU raises its ambition to cut emissions, the need for investment will be even larger than the current estimate. In addition, significant investments in the upskilling and reskilling of the labour force will be necessary to enable a just transition for all. Hence, the scale of the investment needs goes well beyond the capacity of the public sector. Furthermore, if the climate and biodiversity crises are to be successfully addressed and reversed before potentially dangerous tipping points are reached, much of the investment needs to happen in the next 5-10 years. In this context, a more sustainable financial system should also contribute to mitigate existing and future risks to wildlife habitats and biodiversity in general, as well as support the prevention of pandemics -such as the COVID-19 outbreak.

**In this context, the European Green Deal Investment Plan - the Sustainable Europe Investment Plan – announced on 14 January 2020 aims to mobilise public investment and help to unlock private funds through the EU budget** and associated instruments, notably through the InvestEU programme. Combined, the objective is to mobilise at least €1 trillion of sustainability-related investments over the next decade. In addition, for the next financial cycle (2021-2027) the **External Investment Plan (EIP) and the European Fund for Sustainable Development Plus (EFSD+)** will be available for all partner countries with a new External Action Guarantee of up to €60 billion. It is expected to leverage half a trillion Euros worth of sustainable investments. Lastly, the **European Investment Bank (EIB)** published on 14 November 2019 its [new climate](https://www.eib.org/en/press/all/2019-313-eu-bank-launches-ambitious-new-climate-strategy-and-energy-lending-policy) [strategy and Energy Lending Policy,](https://www.eib.org/en/press/all/2019-313-eu-bank-launches-ambitious-new-climate-strategy-and-energy-lending-policy) which notably sets out that the EIB Group will align all their financing activities with the goals of the Paris Agreement from the end of 2020. This includes, among other measures, a stop to the financing of fossil fuel energy projects from the end of 2021.

**However, the financial system as a whole is not yet transitioning fast enough.** Substantial progress still needs to be made to ensure that the financial sector genuinely supports businesses on their transition path towards sustainability, as well as further supporting businesses that are already sustainable. It will also mean putting in place the buffers that are necessary to support de- carbonisation pathways across all European Member States, industries that will need greater support, as well as SMEs.

**For all of these reasons, the European Green Deal announced a Renewed Sustainable Finance Strategy.** The renewed strategy will build on the 10 actions put forward in the European Commission’s initial [**2018 Action Plan on Financing**](https://ec.europa.eu/info/publications/180308-action-plan-sustainable-growth_en)[**Sustainable Growth**](https://ec.europa.eu/info/publications/180308-action-plan-sustainable-growth_en), which laid down the foundations for channelling private capital towards sustainable investments.

**As the EU moves towards climate-neutrality and steps up the fight against environmental degradation, the financial and industrial sectors will have to undergo a large-scale transformation, requiring massive investment**. Progress has already been made, but efforts need to be stepped up. Building on the achievements of the Action Plan on Financing Sustainable Growth, the current context requires a more comprehensive and ambitious strategy. **The Renewed Sustainable Finance Strategy will predominantly focus on three areas**:

1. **Strengthening the foundations for sustainable investment by creating an enabling framework, with appropriate tools and structures.** Many financial and non-financial companies still focus excessively on short-term financial performance instead of their long- term development and sustainability-related challenges and opportunities.
2. **Increased opportunities to have a positive impact on sustainability for citizens, financial institutions and corporates**. This second pillar aims at maximising the impact of the frameworks and tools in our arsenal in order to “finance green”.
3. **Climate and environmental risks will need to be fully managed and integrated into financial institutions and the financial system as a whole**, while ensuring social risks are duly taken into account where relevant. Reducing the exposure to climate and environmental risks will further contribute to “greening finance”.

## Objectives of this consultation and links with other consultation activities

**The aim of this consultation, available for 14 weeks (until 15 July) is to collect the views and opinions of interested parties in order to inform the development of the**

**renewed strategy.** All citizens, public authorities, including Member States, and private organisations are invited to contribute. Given the diversity of topics under consultation, stakeholders may choose to provide replies to some questions only. Section I (covering questions 1-5) is addressed to all stakeholders, including citizens, while Section II (covering questions 6-102) requires a certain degree of financial and sustainability- related knowledge and is primarily addressed at experts.

**This consultation builds on a number of previous initiatives and reports**, as well as complementing other consultation activities of the Commission, in particular:

* + The final report of the [High-Level Expert Group on Sustainable Finance](https://ec.europa.eu/info/publications/180131-sustainable-finance-report_en) (2018);
  + The [EU Action Plan on Financing Sustainable Growth](https://ec.europa.eu/info/publications/180308-action-plan-sustainable-growth_en) (2018);
  + The communication of the Commission on ‘[The European Green Deal’](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en) (2019);
  + The communication of the Commission on ‘ [The European Green Deal Investment Plan’](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en) (2020);
  + The [reports](https://ec.europa.eu/info/publications/sustainable-finance-technical-expert-group_en) published by the Technical Expert Group on sustainable finance (TEG) with regard to an EU taxonomy of sustainable activities, an EU Green Bond Standard, methodologies for EU climate benchmarks and disclosures for benchmarks and guidance to improve corporate disclosure of climate-related information.

**This consultation also makes references to past, ongoing and future consultations**, such as the [public consultation](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12129-Revision-of-Non-Financial-Reporting-Directive/public-consultation) and [inception impact assessment](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12129-Revision-of-Non-Financial-Reporting-Directive) on the possible revision of the Non-Financial Reporting Directive (NFRD), the inception impact assessment on the review of the Solvency II Directive or the future consultation on investment protection.

Please note that in order to ensure a fair and transparent consultation process **only responses received through the online questionnaire on time will be analysed and included in the report summarising the responses**. Should you have a problem completing this questionnaire or if you require particular assistance, please contact [fisma-sf-consultation@ec.europa.eu.](mailto:fisma-sf-consultation@ec.europa.eu)

[on the protection of personal data regime for this consultation](https://ec.europa.eu/info/files/2020-sustainable-finance-strategy-specific-privacy-statement_en)

•

[on this consultation](https://ec.europa.eu/info/publications/finance-consultations-2020-sustainable-finance-strategy_en)

•

More information:

***TABLE OF CONTENTS***

[INTRODUCTION 3](#_bookmark0)

[TABLE OF CONTENTS 6](#_bookmark1)

[SECTION I: QUESTIONS ADDRESSED TO ALL STAKEHOLDERS ON](#_bookmark2) [HOW THE FINANCIAL SECTOR AND THE ECONOMY CAN](#_bookmark2)

[BECOME MORE SUSTAINABLE 8](#_bookmark2)

[SECTION II: QUESTIONS TARGETED AT EXPERTS 9](#_bookmark3)

1. [STRENGTHENING THE FOUNDATIONS FOR SUSTAINABLE FINANCE 10](#_bookmark4)
   1. [Company reporting and transparency 11](#_bookmark5)
   2. [Accounting standards and rules 12](#_bookmark6)
   3. [Sustainability research and ratings 12](#_bookmark7)
   4. [Definitions, standards and labels for sustainable financial assets and financial products 13](#_bookmark8)

[EU Green Bond Standard 14](#_bookmark9)

[Prospectus and green bonds 15](#_bookmark10)

[Other standards and labels 15](#_bookmark11)

* 1. [Capital markets infrastructure 17](#_bookmark12)
  2. [Corporate governance, long-termism and investor engagement 17](#_bookmark13)

1. [INCREASING OPPORTUNITIES FOR CITIZENS, FINANCIAL INSTITUTIONS AND CORPORATES TO ENHANCE](#_bookmark14)  [SUSTAINABILITY 20](#_bookmark14)
   1. [Mobilising retail investors and citizens 20](#_bookmark15)
   2. [Better understanding the impact of sustainable finance on sustainability factors 21](#_bookmark16)
   3. [Green securitisation 22](#_bookmark17)
   4. [Digital sustainable finance 22](#_bookmark18)

[1.1. Project Pipeline 23](#_bookmark19)

* 1. [Incentives to scale up sustainable investments 25](#_bookmark20)
  2. [The use of sustainable finance tools and frameworks by public authorities 26](#_bookmark21)
  3. [Promoting intra-EU cross-border sustainable investments 27](#_bookmark22)
  4. [EU Investment Protection Framework 28](#_bookmark23)
  5. [Promoting sustainable finance globally 28](#_bookmark24)

1. [REDUCING AND MANAGING CLIMATE AND ENVIRONMENTAL RISKS 30](#_bookmark25)
   1. [Identifying exposures to harmful activities and assets and disincentivising environmentally harmful investments 30](#_bookmark26)
   2. [Financial stability risk 31](#_bookmark27)

[Insurance prudential framework 31](#_bookmark28)

[Banking prudential framework 32](#_bookmark29)

[Asset managers 33](#_bookmark30)

[Pension providers 33](#_bookmark31)

* 1. [Credit rating agencies 35](#_bookmark32)
  2. [Natural capital accounting or “environmental footprint” 35](#_bookmark33)
  3. [Improving resilience to adverse climate and environmental impacts 36](#_bookmark34)

[Climate-related loss and physical risk data 36](#_bookmark35)

[Financial management of physical risk 36](#_bookmark36)

1. [ADDITIONAL INFORMATION 38](#_bookmark37)

**SECTION I: QUESTIONS ADDRESSED TO ALL STAKEHOLDERS ON HOW THE FINANCIAL SECTOR AND THE ECONOMY CAN BECOME MORE SUSTAINABLE**

**Question 1**: With the increased ambition of the European Green Deal and the urgency with which we need to act to tackle the climate and environmental-related challenges, do you think that (please select one of the following):

* Major additional policy actions are needed to accelerate the systematic sustainability transition of the EU financial sector.
* Incremental additional actions may be needed in targeted areas, but existing actions implemented under the Action Plan on Financing Sustainable Growth are largely sufficient.
* No further policy action is needed for the time being.

**Question 2:** Do you know with sufficient confidence if some of your pension, life insurance premium or any other personal savings are invested in sustainable financial assets?

* Yes/No/Do not know.
* If yes, do you consider that you have had sufficient access to information with regard to the integration of sustainability criteria and options to invest in sustainable financial assets? Please explain and specify whether you searched for the information yourself or whether the information was made available to you [BOX 2000 characters].

Investment decisions are made on the basis of investment principles, which ensures that sustainability is factually taken into account. Information about the sustainability of economic activities of a certain investee company can (in most cases) be found on the company’s website.

* If no, would you like to be offered more information with regard to the integration of sustainability criteria and options to invest in sustainable financial assets and divest from non-sustainable assets?
  + Yes/No/Do not know
  + If necessary, please explain your answer [BOX 2000 characters].

**Question 3:** When looking for investment opportunities, would you like to be systematically offered sustainable investment products as a default option by your financial adviser, provided the product suits your other needs?

* Yes/No/do not know

**Question 4:** Would you consider it useful if corporates and financial institutions were required to communicate if and explain how their business strategies and targets contribute to reaching the goals of the Paris Agreement?

* Yes, corporates;
* Yes, financial institutions;
* Yes, both;
* Do not know.
* If **no**, what other steps should be taken instead to accelerate the adoption by corporates and financial sector firms of business targets, strategies and practices that aim to align their emissions and activities with the goals of the Paris Agreement? [BOX, 2000 characters]

Generally, we don’t consider it appropriate to require small and medium-sized corporates (SMEs) and small and medium-sized financial institutions to communicate if and explain how their business strategies and targets contribute to reaching the goals of the Paris Agreement, since such a reporting obligation would not be justified from a cost/benefit point of view. Apart from the additional efforts that lie in the fulfilment of the reporting requirements, such an obligation would mean that even small and middle-sized corporations and financial institutions would have to measure how their business strategies and targets contribute to reaching the goals of the Paris Agreement. This would involve major efforts in an area that is usually outside the particular business activities of small and middle-sized companies.

In order to avoid above-average compliance efforts and thus higher costs, we call for an objective international standardization of the determination and evaluation of sustainable strategies and goals. Experience has shown that when SMEs are the target group it is crucial to reduce the complexity of procedures. One solution would be to simplify national procedures financed by the EU. In order to avoid an above-average compliance effort and thus higher costs, we call here for a voluntary approach. It should be in the interest of the company to present the Paris compatibility. However, companies should not be obliged to choose this approach.

**Question 5:** One of the objectives of the European Commission’s 2018 Action Plan on Financing Sustainable Growth is to encourage investors to finance sustainable activities and projects. Do you believe the EU should also take further action to:

* Encourage investors to engage, including making use of their voting rights, with companies conducting environmentally harmful activities that are not in line with environmental objectives and the EU-wide trajectory for greenhouse gas emission reductions, as part of the European Climate Law, with a view to encouraging these companies to adopt more sustainable business models: scale from 1 (strongly disagree) to 5 (strongly agree). **3**
* Discourage investors from financing environmentally harmful activities that are not in line with environmental objectives and the EU-wide trajectory for greenhouse gas emission reductions, as part of the European Climate Law: scale from 1 (strongly disagree) to 5 (strongly agree). **1**
* In case you agree or strongly agree with one or both options [4-5]: what should the EU do to reach this objective?[BOX, 2000 characters]

In general, investors must decide for themselves in which companies/products they want to invest and which investment corresponds to their values. However, in a liberal market economy of the European Single Market, investments in sustainable business activities should be incentivised instead of penalizing investments that are (probably) not in line with certain sustainability targets. Sustainable investments should be supported in an objectively visible and incentivised manner and thus become attractive. In light of the dramatic effects of the COVID-19 pandemic on European economy, taxonomy must under no circumstances become a location killer. Complications and obstacles in accessing financing must be strictly avoided, especially for technologies and projects that serve to improve environmental and climate protection at the location.

**SECTION II: QUESTIONS TARGETED AT EXPERTS**

*The following section asks further technical and strategic questions on the future of sustainable finance, for which a certain degree of financial or sustainability-related expertise may be useful. This section is therefore primarily addressed at experts.*

**Question 6:** What do you see as the three main challenges and three main opportunities for mainstreaming sustainability in the financial sector over the coming 10 years?

[BOX, 2000 characters].

The main **challenges** for mainstreaming sustainability in the financial sector over the coming 10 years are

(1) the complexity of the regulatory framework (composed of the Taxonomy-Regulation, the Disclosure Regulation, the complementing Delegated Acts and Technical Screening Criteria); additionally, red tape must be reduced rather than increased; new obligations are only justified if they lead to significant improvements in climate and environmental protection; in this context the proportionality principle is crucial: no obstruction of investments that are not "green", no exclusion of financing for transition projects and enabling activities (technology neutrality), no tightening of legal standards "through the back door

(2) the lack of sustainability-data from the perspective of financial market participants and the difficulty to provide such sustainability-data from the perspective of companies; finding suitable criteria for measuring sustainability that are "fit for purpose" and pragmatic, applicable at reasonable cost; we also call on the Commisison to interlink the ESG standards, each factor should be treated equally and treated from the start (no “E” first).

(3) the lack of investor-awareness about the EUs sustainable framework (for example: What is a Taxonomy-compliant economic activity and what does it mean to invest in such an activity?).

The main **opportunities** for mainstreaming sustainability in the financial sector over the coming 10 years are

(1) to raise awareness (especially in the private sector), how one can actively contribute to sustainability through financing sustainable economic activities

(2) A uniform set of practicable and realistic rules is welcomed so that investors can rely on the designation of a product as green or sustainable. However, in many cases it’s not possible to rate investments by answering Yes/No questions. Existing instruments must be considered and strengthened when defining and updating new regulations.

(3) to set the right incentives to encourage sustainable investments, incentives are a more appropriate way to achieve political goals.

**Question 7:** Overall, can you identify specific obstacles in current EU policies and regulations that hinder the development of sustainable finance and the integration and management of climate, environmental and social risks into financial decision-making?

Please provide a maximum of three examples [BOX max. 2000 characters].

1. Coherence of different legislative and regulatory acts shall be established, e.g Taxonomy-Regulation targets on environmentally sustainable economic activities whereas ESG-Disclosure-Regulation (SFDR) applies to E, S and G. Beyond that the range of products falling under the scope of different acts is different, whereas Taxonomy-Regulation and SFDR apply to financial products other will apply to credit products (EBA loan origination Guideline, ECB ESG Guide, upcoming NFRD).
2. Beyond that, the deadlines for application are too short. Market participants are facing challenges to be compliant without the necessary delegated acts at stake (the SFDR for instances). Especially, as regards the Covid-19 constraints the situation got worse. Consequently, application dates should be aligned and, especially, extended by at least 6 months. The application date of the Disclosure Regulation is too early (there is not enough time to develop the corresponding Delegated acts so that financial market participants and financial advisers have enough time to prepare for their application in practice).
3. Uncertainty: At this point of time it is not clear, what effect the EU-Taxonomy and the Disclosure Regulation will have in practice once they enter into force (for example: what percentage of economic activities will qualify as sustainable according to the Taxonomy?) Additionally, how should financial market participants assess whether an economic activity is taxonomy-compliant, when there is a lack of sufficient sustainability data to perform such an assessment? The technical screening criteria (as suggested in the TEG-report) regarding the second environmental objective of the Taxonomy-Regulation (“climate change adaptation”) seem too difficult and complex to be applied in practice. A clear and precise definition of climate, environmental and social risks still needs to be developed at European level – otherwise it is not feasible to consider these risks in the risk management procedures.

**Question 8:** The transition towards a climate neutral economy might have socio- economic impacts, arising either from economic restructuring related to industrial decarbonisation, because of increased climate change-related effects, or a combination thereof. For instance, persons in vulnerable situations or at risk of social exclusion and in need of access to essential services including water, sanitation, energy or transport, may be particularly affected, as well as workers in sectors that are particularly affected by the decarbonisation agenda. How could the EU ensure that the financial tools developed to increase sustainable investment flows and manage climate and environmental risks have, to the extent possible, no or limited negative socio-economic impacts?

[BOX, 2000 characters]

This could be ensured by implementing the foreseen financial tools in a gradual (step by step) way, allowing businesses who are especially affected by the decarbonisation agenda to adapt their business models to the extent possible (and thereby securing as much workplaces as possible). A transition phase must be considered. At the same time only such a gradual approach would ensure that transitional risks are kept as low as possible and don’t emerge in a disruptive way. In order to promote sustainable investments as well as bridging solutions and thus make a contribution towards climate neutrality, entire value chains should be considered, evaluated and optimized over complete life cycles. Effective incentives should be created to support them. Incentives could include tax breaks, subsidized interest or better conditions for banks (Green Supporting Factor)and industry companies. Tightened standards for financing must not lead to carbon and investment leakage and push jobs out of the EU. Appropriate skills programs should be used to train or retrain employees accordingly, and relevant knowledge should be taught in schools and universities.

The EU legal and regulatory framework shall promote Social Banking. We believe that social lending/social banking should receive a special treatment in order to increase the stakeholder value. Social banking is important contributor to local societies and their financial stability in a long-term. Where applicable, we propose to add the following definition of Social Banking: “Providing financial services (incl. lending) to financially excluded and vulnerable client segments (people at risk of poverty or social exclusion) and social organizations (non-profit sector, non-governmental organizations and social enterprises)”

~~As a concrete example for modify the legal framework accordingly, we propose the following as regards social lending services:~~

* ~~The creditworthiness assessment for social organizations should consider the aspect of non-profit organization and assess the repayment capacity by the ability to decrease costs, create savings or generate additional income.~~
* ~~The creditworthiness assessment for borrowers in the segment social banking should verify the ability and prospect to meet the obligations under the loan agreement. Regular savings (i.e. one year) and future income projections (i.e. related to training, education and qualification programs) can be considered as income surrogate for financially excluded and vulnerable clients.~~
* ~~Institutions are encouraged to consider pro-active support for over-indebted clients. Combined debt advisory services and sustainable restructuring of loans should be considered for over indebted clients, in particular in case of the non-performing due to social causes (i.e. family member death, severe sickness / injury leading to inability to work or natural disaster) as alternative approach to enhanced loan selling activities.~~
* ~~Pricing may neglect profitability targets for this customer segment~~

**Question 9:** As a corporate or a financial institution, how important is it for you that policy-makers create a predictable and well-communicated policy framework that provides a clear EU-wide trajectory on greenhouse gas emission reductions, based on the climate objectives set out in the European Green Deal, including policy signals on the appropriate pace of phasing out certain assets that are likely to be stranded in the future?

* Please express your view by using a scale from 1 (not important at all) to 5 (very important). **5**
* For scores of 4 to 5, what are, in your view, the mechanisms necessary to be put in place by policy-makers to best give the right signals to you as a corporate or a financial institution? [BOX, 2000 characters]

A predictable policy framework is indispensable for businesses. It is very important for corporates and for financial institutions that they can rely on a clearly communicated and reliable policy framework to ensure an environment allowing to take relevant business decisions.

A clear and transparent policy framework for a defined transition phase as well as for specific measure like e.g. for a coal fired power plant phase out would help corporates as well as financial institutions with their long-term planning.

Such a policy framework should be transparent, appropriate to the size and business model of the financial institution, focus on realistic climate targets and take into account the possible detriments, which might occur in the transition period (in the form of increasing transitional risks).

**Question 10:** Should institutional investors and credit institutions be required to estimate and disclose which temperature scenario their portfolios are financing (e.g. 2°C, 3°C, 4°C), in comparison with the goals of the Paris Agreement, and on the basis of a common EU-wide methodology?

* Yes, institutional investors
* Yes, credit institutions
* Yes, both
* No
* Do not know

**Question 11:** Corporates, investors, and financial institutions are becoming increasingly aware of the correlation between biodiversity loss and climate change and the negative impacts of biodiversity loss in particular on corporates who are dependent on ecosystem services, such as in sectors like agriculture, extractives, fisheries, forestry and construction. The importance of biodiversity and ecosystem services is already acknowledged in the EU Taxonomy. However, in light of the growing negative impact of biodiversity loss on companies’ profitability and long-term prospects,[[2]](#footnote-3) as well as its strong connection with climate change, do you think the EU’s sustainable finance agenda should better reflect growing importance of biodiversity loss?

* Yes/No/Do not know
* If yes, please specify potential actions the EU could take. [BOX max. 2000 characters]

No – there is already the “Do no significant harm” criteria 🡪 Taxonomy

**Question 12:** In your opinion, how can the Commission best ensure that the sustainable finance agenda is appropriately governed over the long term at the EU level in order to cover the private and public funding side, measure financial flows towards sustainable investments and gauge the EU’s progress towards its commitments under the European Green Deal and Green Deal Investment Plan?

* [BOX, 2000 characters]

The Establishment of tools and instrument regarding a Sustainable Finance Strategy must be in accordance with all policy developments regarding the European Green Deal in general. Having in mind the principle of predictability and investment security Sustainable Finance measures should be evaluated regularly at EU level with the full involvement of relevant stakeholders. Here, the Platform on Sustainable Finance together with the EIB could play an important role. All market participants directly affected by Sustainable Finance, in particular the financial, corporate and industry sector, should be involved in the regular evaluations.

This could also (possibly) be achieved by following a step-by-step approach and measuring the EU’s progress.

**Question 13:** In your opinion, which, if any, further actions would you like to see at international, EU, or Member State level to enable the financing of the sustainability transition? Please identify actions aside from the areas for future work identified in the targeted questions below (remainder of Section II), as well as the existing actions implemented as part of the European Commission’s 2018 Action Plan on Financing Sustainable Growth.

* [BOX, 2000 characters]

EU Level:

* Companies need predictability in EU legislation; a steady tightening of targets is weakening EU businesses due to missing investment security;
* A clear communication about the EU Taxonomy, EU-Green Bonds Standard and the EU-Financial Ecolabel by the EU-Commission towards private investors is needed. It would create awareness about these key components of the sustainable finance framework among private investors and strengthen the flow of private investments towards sustainable economic activities.
* Respect the EU Better Regulation Agenda: introduce a “CSR-Test” within the impact assessment procedure (see SME-Test) to prevent the adverse selection of existing social banking products and services;
* Provide enough time for market participants to participate in consultations; provide enough time for Level 2-texts to be developed; provide enough time for implementation (at least 12 months); strive for more legal coherence; prevent a piecemeal approach (e.g. Taxonomy Regulation vs. SFDR); respect the principle of proportionality;
* Development of an EU Social Taxonomy Regulation

International level:

* An international level playing field should be ensured by implementing uniform CO2 pricing at global level (UN); as long as this has not been achieved especially industry companies need increased carbon leakage protection (direct and indirect);
* In individual sectors, an examination of CO2 limit compensation mechanisms or adequate instruments are needed to avoid cost disadvantages in international locational competition. An overarching international Taxonomy, creating a unified understanding of sustainable economic activities globally should also be enforced. At international level also the role of Export Credit Agencies (ECAs) should be strengthened. ECAs usually support the private sector with insurance cover and/or finance for exports; it is essential that sufficient finance for sustainable exports is available. ~~The involvement of ECAs could help closing the existing gap for Sustainable Finance. In order to do this, it is important that the international regulations which form a main pillar for ECAs’ activities provide for the necessary flexibilities and incentives for supporting the financing of sustainable projects. In this regard we would like to mention the OECD Arrangement on Officially Supported Export Credits. There are currently discussions on the modernization of the OECD Arrangement going on. This process could be used to build more incentives for the financing of climate friendly technologies into the rules (for example by extending the loan tenors or by increasing the portion which ECAs can support).~~

1. **STRENGTHENING THE FOUNDATIONS FOR SUSTAINABLE FINANCE**

In order to enable the scale-up of sustainable investments, it is crucial to have sufficient and reliable information from financial and non-financial companies on their climate, environmental and social risks and impacts. To this end, companies also need to consider long-term horizons. Similarly, investors and companies need access to reliable climate related and environmental data and information on social risks, in order to make sound business and investment decisions. Labelling tools, among other measures, can provide clarity and confidence to investors and issuers, which contributes to increasing sustainable investments. In this context, the full deployment of innovative digital solutions requires data to be available in open access and in standardised formats.

## Company reporting and transparency

In its Communication on the [European Green Deal](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2019%3A640%3AFIN), the Commission recognised the need to improve the disclosure of non-financial information by corporates and financial institutions. To that end, the Commission committed to reviewing the [Non-Financial](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014L0095) [Reporting Directive](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014L0095) (NFRD) in 2020, as part of its strategy to strengthen the foundations for sustainable investment. A [public consultation](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12129-Revision-of-Non-Financial-Reporting-Directive/public-consultation) is ongoing for that purpose.

The [political agreement](https://data.consilium.europa.eu/doc/document/ST-14970-2019-ADD-1/en/pdf) on the Regulation on establishing a framework to facilitate sustainable investment (‘Taxonomy Regulation’) places **complementary reporting requirements on the companies that fall under the scope of the NFRD**.

In addition to the production of relevant and comparable data, it may be useful to ensure open and centralised access not only to company reporting under the NFRD, but also to relevant company information on other available ESG metrics and data points (please also see the dedicated section on sustainability research and ratings 1.3). To this end, a **common database** would ease transparency and comparability, while avoiding duplication of data collection efforts. The Commission is developing a common European data space in order to create a [single market for data](https://ec.europa.eu/digital-single-market/en/policies/building-european-data-economy) by connecting existing databases through digital means. Since 2017, DG FISMA has been assessing the prospects of using Distributed Ledger Technologies (including blockchain) to federate and provide a single point of access to information relevant to investors in European listed companies ([European Financial Transparency Gateway](https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/transparency-requirements-listed-companies_en#eftg) - EFTG).

**Question 14:** In your opinion, should the EU take action to support the development of a common, publicly accessible, free-of-cost environmental data space for companies’ ESG information, including data reported under the NFRD and other relevant ESG data?

* Yes/No/.
* If yes, please explain how it should be structured and what type of ESG information should feature therein. [BOX, 2000 characters]

It should be noted in advance that a single database must lead to administrative relief. Under no circumstances should it result in additional reporting obligations or costs for companies yet again. Thus there must not be parallel reporting requirements (e.g. because of the Disclosure regulation). The coordination of parallel legal initiatives remains of great importance („Streamlining“).

Nevertheless, a well-organized platform can make business activities easier, especially for financial institutions. Currently they have to pay significant amounts to private ESG data providers in order to receive company-specific ESG information. However, due to the divergence in their rating methodologies significant differences in the rating outcome can occur. Therefore, a central and free-of-cost database could contribute substantially to expand ESG integration in the structured product.

Such a platform would have to be reliable enough to allow financial market participants and other users to work with the data sets without reservation. Accordingly, there should be no further investigation obligations with regard to the accuracy of the data.

Besides said platform should contain sustainability-data from various sources (which might be of relevance when applying the EU-Taxonomy), but most notably data that has already been collected by public authorities beforehand. It is also appears feasible to include proxy data prepared by public authorities.

**Question 15:** According to your own understanding and assessment, does your company currently carry out economic activities that could substantially contribute to the environmental objectives defined in the Taxonomy Regulation?[[3]](#footnote-4)

* Yes/No/Do not know.
* If yes, once the EU Taxonomy is established (end-2020 for climate change mitigation and adaptation),[[4]](#footnote-5) how likely is it that you would use the taxonomy for your business decisions (such as adapting the scope and focus of your activities in order to be aligned with the EU Taxonomy)? Please use a scale of 1 (not likely at all) to 5 (very likely). If necessary, please specify [BOX, 2000 characters].

Depends on the actual implementation of Taxonomy and the according red tape as well as protection of business data. However, the advantage of an EU Taxonomy is, that there will be a relevant legal framework for the definition of sustainable activities and investments on the European level.

## Accounting standards and rules

**Financial accounting standards and rules can have a direct impact on the way in which investment decisions are made** since they form the basis of assessments that are carried out to evaluate the financial position and performance of real economy and financial sector companies. **In this context, there is an ongoing debate around whether existing financial accounting standards might prove challenging for sustainable and long-term investments**. In particular, some experts question whether existing impairment and depreciation rules fully price in the potential future loss in value of companies that today extract, distribute, or rely heavily on fossil fuels, due to a potential future stranding of their assets.

Recognising the importance of ensuring that accounting standards do not discourage sustainable and long-term investments, as part of the 2018 Action Plan on Financing Sustainable Growth, the Commission already requested the European Financial Reporting Advisory Group (EFRAG) to explore potential alternative accounting treatments to fair value measurement for long-term investment portfolios of equity and equity-type instruments. EFRAG issued its advice to the Commission on 30 January 2020. Following this advice, the [Commission has requested the IASB](https://ec.europa.eu/transparency/regcomitology/index.cfm?do=search.documentdetail&Dos_ID=18970&ds_id=66506&version=1&page=1) to consider the re- introduction of re-cycling through the profit or loss statement of profits or losses realised upon the disposal of equity instruments measured at fair value through other comprehensive income (FVOCI).

**Question 16:** Do you see any further areas in existing financial accounting rules (based on the IFRS framework) which may hamper the adequate and timely recognition and consistent measurement of climate and environmental risks?

* Yes/no/do not know.
* If yes, what is in your view the most important area (please provide details, if necessary):
  + Impairment and depreciation rules. [BOX, 2000 characters]
  + Provision rules. [BOX, 2000 characters]
  + Contingent liabilities. [BOX, 2000 characters]
  + Other, please specify. [BOX, 2000 characters]

## Sustainability research and ratings

A variety of sustainability-related assessment tools (ratings, research, scenario analysis, screening lists, carbon data, ESG benchmarks, etc.) are offered by specialised agencies that analyse individual risks and by traditional providers, such as rating agencies and data providers. In the autumn of 2019, the Commission launched a study on the market structure, providers and their role as intermediaries between companies and investors. The study will also explore possible measures to manage conflicts of interest and enhance transparency in the market for sustainability assessment tools. The results are due in the autumn of 2020. To complement this work, the Commission would like to gather further evidence through this consultation.

**Question 17:** Do you have concerns on the level of concentration in the market for ESG ratings and data?

* Please express your view by using a scale of 1 (not concerned at all) to 5 (very concerned).3
* If necessary, please explain the reasons for your answer. [BOX, 2000 characters]

Currently, ESG data from different providers can only be compared in a limited way. Every provider has implemented different methodologies, scales, questionnaires or formats. And also the data they are working with, are very different from each other. Some providers use primary data (if already available via NFR) for calculation, other providers use secondary data which are calculated based on different assumptions (e.g. some of them are using AI technology for creating ESG models) and sometimes there is a mix of both methods. As a consequence, results for the same ESG aspect can diverge significantly between the data providers.

At least some basic principles should be considered, i.e., resources deemed trustworthy and reliable, data quality, availability, update frequency, KPIs, etc., in order to enhance quality, comparability, and relevance of ESG data.

Currently the whole ESG data provider industry is under consolidation. Many credit rating agencies are strengthening their ESG-division through M&As of ESG rating agencies. We expect the current wave of consolidation to result in an ESG rating agency market that is characterized by fewer players with rating methodologies that will converge over time.

**Question 18:** How would you rate the comparability, quality and reliability of ESG **data**

from sustainability providers currently available in the market?

* Please express your view by using a scale of 1 (very poor) to 5 (very good). 2
* If necessary, please explain the reasons for your answer. [BOX, 2000 characters]

Despite using similar KPIs and similar pillars (E, S and G) for an ESG rating, the rating itself can vary from one ESG agency to another rather significantly - as they for example use different weightings for different sectors. Furthermore, the presentation of the final rating often leads to misinterpretations as some ESG agencies are publishing a sector specific rating, whereas others are publishing the rating for a company in the context of the whole ESG universe.

**Question 19:** How would you rate the quality and relevance of ESG **research** material currently available in the market?

* Please express your view by using a scale of 1 (very poor) to 5 (very good). 2
* If necessary, please explain the reasons for your answer. [BOX, 2000 characters]

Relevance 2-3: But increasing. More and more asset managers are implementing ESG criteria in their investment decision processes.

Quality 2: The publicly available ESG research material is primarily not data driven, so for ESG raw data you normally have to pay for the access to an ESG agency data hub. This constitutes one of the main barriers for the implementation of ESG into the investment decision processes. Hence, it is more about accessibility than about quality.

**Question 20:** How would you assess the quality and relevance of ESG **ratings** for your investment decisions, both ratings of individual Environmental, Social or Governance factors and aggregated ones?

* Individual: Please express your view by using a scale of 1 (very poor quality and relevance) to 5 (very good). 3
* Aggregated: Please express your view by using a scale of 1 (very poor quality and relevance) to 5 (very good). 2
* If necessary, please explain the reasons for your answer. [BOX, 2000 characters]

**Question 21:** In your opinion, should the EU take action in this area?

* Yes/No/Do not know.
* If yes, please explain why and what kind of action you consider would address the identified problems. In particular, do you think the EU should consider regulatory intervention? [BOX, 2000 characters]

As several regulations are still being implemented (e.g. the Taxonomy Regulation, Disclosure Regulation), it is important to avoid any overlap or duplication of reporting obligations stemming from different pieces of legislation. Simplification of the existing regulatory framework in terms of coherence of different pieces of legislation would be very appropriate (taxonomy regulation, disclosure regulation, NFRD). In addition, excessive bureaucracy must be avoided.

## Definitions, standards and labels for sustainable financial assets and financial products

The market for sustainable financial assets (loans, bonds, funds, etc.) is composed of a wide variety of products, offered under various denominations like ‘green', ‘SDG’, 'transition', ‘ESG’, 'ethical', 'impact', ‘sustainability-linked’, etc. While a variety of products allows for different approaches that can meet the specific needs and wishes of those investing or lending, it can be difficult for clients, in particular retail investors, to understand the different degrees of climate, environmental and social ambition and compare the specificities of each product. **Clarity on these definitions through standards and labels can help to protect the integrity of and trust in the market for sustainable financial products, enabling easier access for investors, companies, and savers.**

As set out in the 2018 Action Plan on Financing Sustainable Growth, the Commission services started working on: (i) developing possible technical criteria for the [EU Ecolabel scheme for](https://susproc.jrc.ec.europa.eu/Financial_products/index.html) [retail funds, savings and deposits](https://susproc.jrc.ec.europa.eu/Financial_products/index.html), and (ii) establishing an EU Green Bond Standard (EU GBS). The Commission also committed to specifying the content of the prospectus for green bond issuances to provide potential investors with additional information, within the framework of the Prospectus Regulation.

*EU Green Bond Standard*

The Technical Expert Group on Sustainable Finance (TEG) put forward a [report in June](https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/190618-sustainable-finance-teg-report-green-bond-standard_en.pdf) [2019 with 10 recommendations for how to create an EU Green Bond Standard (EU](https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/190618-sustainable-finance-teg-report-green-bond-standard_en.pdf) [GBS).](https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/190618-sustainable-finance-teg-report-green-bond-standard_en.pdf) This was completed with a [usability guide in March 2020,](https://ec.europa.eu/info/files/200309-sustainable-finance-teg-green-bond-standard-usability-guide_en) as well as with an updated proposal for the standard (see Annex 1).

The TEG recommends the creation of an official voluntary EU GBS building on the EU Taxonomy. Such an EU Green Bond Standard could finance both physical assets and financial assets (including through covered bonds and asset-backed securities), capital expenditure and selected operating expenditure, as well as specific expenditure for sovereigns and sub-sovereigns. The standard should in the TEG’s view exist alongside existing market standards.

The overall aim of the EU GBS is to address several barriers in the current market, including reducing uncertainty on what is green by linking it with the EU Taxonomy, standardising costly and complex verification and reporting processes, and having an official standard to which certain (financial) incentives may be attached. The TEG has recommended that oversight and regulatory supervision of external review providers eventually be conducted via a centralised system organised by ESMA. However, as such a potential ESMA-led supervision would require legislation and therefore take time, the TEG suggests the set-up of a market-based, voluntary interim registration process for verifiers (the Scheme) of EU Green Bonds for a transition period of up to three years.

Below you will find four questions in relation to the EU GBS. **A separate dedicated consultation with regards to a Commission initiative for an EU Green Bond Standard will be carried out in the future**. Please note that questions relating to green bond issuances by public authorities are covered in section 2.7 and questions on additional incentives can be found in section 2.6.

**Question 22:** The TEG has recommended that verifiers of EU Green Bonds (green bonds using the EU GBS) should be subject to an accreditation or authorisation and supervision regime. Do you agree that verifiers of EU Green Bonds should be subject to some form of accreditation or authorisation and supervision ?

* Yes, at European level
* Yes, at a national level
* No
* Do not know
* If necessary, please explain the reasons for your answer [BOX 2000 characters]

The ultimate goal of a regulation like EU GBS should be the establishment of clarity regarding definitions, transparency regarding processes and uniformity among market participants. One essential part that creates trust in this new regulation is a clear accreditation process for verifiers. These verifiers should officially be allowed to act as independent third parties and release qualified opinions on sustainable finance products – similar to the process ESMA has set up for the accreditation of credit rating agencies within EU.

Since the EU Green Bond Standard is a European label (scheme), verifiers of EU Green Bonds should be supervised/accredited on a European level. This would ensure a consistent verification process (by verifiers) and a consistent supervision of verifiers.

**Question 23:** Should any action the Commission takes on verifiers of EU Green Bonds be linked to any potential future action to regulate the market for third-party service providers on sustainability data, ratings and research?

* Yes / No / Do not know
* If necessary, please specify the reasons for your answer [BOX 2000 characters]

**Question 24:** The EU GBS as recommended by the TEG is intended for any type of issuer: listed or non-listed, public or private, European or international. Do you envisage any issues for non- European issuers to follow the proposed standard by the TEG?

* Yes/ No/ Do not know
* If necessary, please specify the reasons for your answer [BOX 2000 characters]

*Prospectus and green bonds*

**Question 25:** In those cases where a prospectus has to be published, do you believe that requiring the disclosure of specific information on green bonds in the prospectus, which is a single binding document, would improve the consistency and comparability of information for such instruments and help fight greenwashing?

* Please express your view by using a scale of 1 (strongly disagree) to 5 (strongly agree) 3
* If necessary, please specify the reasons for your answer [BOX, 2000 characters]

We believe that in those cases, where a prospectus has to be published, requiring the disclosure of specific information on green bonds in the prospectus would improve the consistency and comparability of information for such instruments and help fight greenwashing.

Generally, we would welcome the disclosure of specific information on green bonds in the prospectus to improve transparency. However, we would like to suggest not only to limit this disclosure on green bonds but to refer to the even wider category of Sustainable Bonds instead.

**Question 26:** In those cases where a prospectus has to be published, to what extent do you agree with the following statement:

*“Issuers that adopt the EU GBS should include a link to that standard in the prospectus instead of being subject to specific disclosure requirements on green bonds in the prospectus”*

* Please express your view by using a scale of 1 (strongly disagree) to 5 (strongly agree) 5
* If necessary, please specify the reasons for your answer [BOX]

We strongly believe that in those cases where a prospectus has to be published issuers that adopt the EU GBS should include a link to that standard in the prospectus instead of being subject to specific disclosure requirements on green bonds in the prospects.

The EU GBS should be included in the list of documents eligible for incorporation per reference pursuant to Art 19 of Regulation (EU) 2017/1129.

*Other standards and* labels

Already now, the Disclosure Regulation defines two categories of sustainable investment products: those promoting environmental or social characteristics and those with environmental or social objectives, the latter being defined as ‘sustainable investments’. Both types of products have to disclose their use of the EU Taxonomy, for the environmental portion of the product.

**Question 27:** Do you currently market financial products that promote environmental characteristics or have environmental objectives?

* Yes/No/Do not know.
* If yes, once the EU Taxonomy is established,[[5]](#footnote-6) how likely is it that you would use the EU Taxonomy in your investment decisions (i.e. invest more in underlying assets that are partially or fully aligned with the EU Taxonomy)? Please use a scale of 1 (not likely at all) to 5 (very likely). Please specify if necessary [box, 2000 characters] 4

The EU Taxonomy will be the relevant legal framework for the definition of sustainable activities and investments on the European level.

Some financial institutions have a broad SRI process in place that tackles all ESG factors. The EU Taxonomy is focused only on “green activities” and will be considered by us in respect of such investments.

**Question 28**: In its final report, the High-Level Expert Group on Sustainable Finance recommended to establish a minimum standard for sustainably denominated investment funds (commonly referred to as ESG or SRI funds, despite having diverse methodologies), aimed at retail investors. What actions would you consider necessary to standardise investment funds that have broader sustainability denominations?

* No regulatory intervention is needed.
* The Commission or the ESAs should issue guidance on minimum standards.
* Regulatory intervention is needed to enshrine minimum standards in law.
* Regulatory intervention is needed to create a label.

We believe that a generally accepted definition of sustainability, i.e. a definition that fits everyone, is neither possible nor desirable (not possible of different cultural backgrounds, education, etc). Focusing only on green activities does not go far enough here. There are currently offers which invest according to ethical criteria, want to generate impact, invest in environmental themes, social themes, microfinance, etc. What all these investments have in common is that they support sustainable development. Therefore, they should continue to be considered sustainable investments, subject to certain minimum criteria and standards. Possible criteria for this would be, for example, compliance with the UN Global Compact, guidelines for multinational companies of the OECD, compliance with environmental laws, but also minimum social standards with regard to human and labour rights.

Investments that are considered as “green” or “sustainable” need to comply with these objectives. Still, from our experience it is more feasible to accept a limited exposure to adverse impacts on environmental issues if the corporation is on a clear and measurable path to limit such an exposure and adapt its way of conduct. Thereby the transformation path of businesses can be supported, and the risk can be limited that the brown economy is being outsourced into special non transparent vehicles. This is also true for social and governance issues.

**Question 29**: Should the EU establish a label for investment funds (e.g. ESG funds or green funds aimed at professional investors)?

* Yes/No/Do not know.
* If necessary, please explain your answer [BOX, 2000 characters]

Generally, we support a label for investment funds. However, before introducing new labels, we recommend, as a first step, to finalise the rules on the upcoming Ecolabel, assess its functioning, usability by the financial market players and the achievement of the desired objectives.

Additionally, we would only provide a minimum catalogue of requirements so that there is at least a clear direction regarding the minimum standards to be met. We stress that the ideas and objectives are not necessarily uniform, so we cannot imagine that a label can really cover these objectives in a generally accepted and comprehensive manner.

It has also to be considered that there are already various labels established in the market (e.g. FNG, European SRI Transparency logo etc.) reflecting different key features and also regional aspects (like e.g. approach to nuclear energy). An additional EU label might become only another label in this context and might push the market towards green products (as this is the focus). This could possibly hinder the development of products which focus more on social issues.

* If yes, regarding green funds aimed at professional investors, should this be in the context of the EU Ecolabel?
* Yes/No/Do not know
* If necessary, please explain your answer [BOX, 2000 characters]

**Question 30**: The market has recently seen the development of sustainability-linked bonds and loans, whose interest rates or returns are dependent on the company meeting pre-determined sustainability targets. This approach is different from regular green bonds, which have a green use-of-proceeds approach. Should the EU develop standards for these types of sustainability-linked bonds or loans?

* Please express your view by using a scale of 1 (strongly disagree) to 5 (strongly agree). 5
* If necessary, please explain. [BOX, 2000 characters]

Investors must have the possibility to make use of random or sustainability-linked bonds and loans. We have well taken note of the broad and evolving landscape of green bonds which to an increasing degree sees more complex structures being used, such as conditional interest pay-offs or notional pay-backs linked to specific sustainability targets of an underlying reference entity/project being met.

These instruments actually resemble (methodologically) structured investment products as issued on regular markets. Bearing in mind the endless variations possible (in terms of referenced target values and the impact their attainment has on the interest/notional payment of the bond) we would speak out against creating a new standard for them.

Sustainability-linked products have lately been trending especially in the loan and Schuldscheindarlehen markets. A regulation similar to what the European Commission is working out for GBS could make sense. Tieing coupon payments to the development of an  underlying Sustainable Performance Target (e.g. ESG rating scores, other KPIs) is currently best practice in the market, but doesn´t have to be standard in the future. There could also be a switch from coupon step-ups /-downs to hard covenants. Anyway, what we definitely need is a clear definition of what characteristics the regulator wants to see in order to classify sustainability-linked products as sustainable.

**Question 31**: Should such a potential standard for target-setting sustainability-linked bonds or loans make use of the EU Taxonomy as one of the key performance indicators?

* Please express your view by using a scale of 1 (strongly disagree) to 5 (strongly agree).
* If necessary, please explain. [BOX, 2000 characters]

**Question 32:** Several initiatives are currently ongoing in relation to energy-efficient mortgages[[6]](#footnote-7) and green loans more broadly. Should the EU develop standards or labels for these types of products?

* Yes/No/Do not know.
* If yes, please select all that apply:
* a broad standard or label for sustainable mortgages and loans (including social and environmental considerations);
* a standard or label for green (environmental and climate) mortgages and loans;
* a narrow standard or label only for energy-efficient mortgages and loans for the renovation of a residential immovable property;
* other: please specify what type of standard or label on sustainability in the loan market you would like to see [BOX, 2000 characters]

**Question 33**: The [Climate Benchmarks Regulation](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32019R2089) creates two types of EU climate benchmarks - ‘EU Climate Transition’ and ‘EU Paris-aligned’ - aimed at investors with climate-conscious investment strategies. The regulation also requires the Commission to assess the feasibility of a broader ‘ESG benchmark’. Should the EU take action to create an ESG benchmark?

* Yes/No/Do not know.
* If no, please explain the reasons for your answer, if necessary. [BOX, 2000 characters]
* If yes, please explain what the key elements of such a benchmark should be. [BOX max. 2000 characters]

The “EU Climate Transition BM” and the “EU Paris aligned BM” have been implemented just recently. It remains to be seen how these two benchmarks will be adopted in practice. Against this background it seems too early to create a broader ESG-benchmark.

Nevertheless, the goal should be to establish such a broad ESG-benchmark in the future.

**Question 34:** Beyond the possible standards and labels mentioned above (for bonds, retail investment products, investment funds for professional investors, loans and mortgages, benchmarks), do you see the need for any other kinds of standards or labels for sustainable finance?

* Yes/No/Do not know.
* If yes, what should they cover thematically and for what types of financial products? [box max. 2000 characters]

At this point of time the EU Ecolabel for financial products is not finalised.

Therefore, it is not clear which financial products will be covered by the Ecolabel and for which financial products there will be a need to (additionally) create a specific standard or label. Existing labeling and standard initiatives should be sufficient. However, the scope of them should be expanded to include financial product types which are currently not covered by these initiatives (e.g. structured products). If the current scope is not being expanded, it is very likely that EU investors which integrate ESG into their investment decision will not consider other financial products to the extent they would do under level playing field conditions. As a result, the EU financial market for sustainable products will be biased towards certain financial products which are in scope of the labeling regime. As always, such a situation runs the danger to ultimately distort market-adequate asset allocation and risk exposure, especially though not only of retail investors. So it is necessary to establish a label for all kind of financial instruments according the principle: “diversity in methodologies (because of different nature of products), unity in label”

## Capital markets infrastructure

The recent growth in the market for sustainable financial instruments has raised questions as to whether the current capital markets infrastructure is fit for purpose. Having an infrastructure in place that caters to those types of financial instruments could support and further enhance sustainable finance in Europe.

**Question 35**: Do you think the existing capital market infrastructure sufficiently supports the issuance and liquidity of sustainable securities?

* Please express your view by using a scale of 1 (strongly disagree) to 5 (strongly agree).
* For scores of 1 and 2, please list the main problems you see (maximum three). [BOX, 2000 characters].

**Question 36:** In your opinion, should the EU foster the development of a sustainable finance- oriented exchange or trading segments that caters specifically to trading in sustainable finance securities and is better aligned with the needs of issuers?

* Yes/No/Do not know.
* If necessary, please explain the reasons for your answer. [BOX max. 2000 characters]

The question is whether there will be a sufficient amount of sustainable financial products that could be traded on such a sustainable-finance oriented exchange and what benefits such a specific trading platform or segment could provide.

**Question 37**: In your opinion, what core features should a sustainable finance–oriented exchange have in order to encourage capital flows to ESG projects and listing of companies with strong ESG characteristics, in particular SMEs?

* [BOX max. 2000 characters]

## Corporate governance, long-termism and investor engagement

To reflect long-term opportunities and risks, such as those connected to climate change and environmental degradation, **companies and investors need to integrate long-term horizons and sustainability in their decision-making processes**. However, this is often difficult in a context where market pressure and prevailing corporate culture prompt corporate managers and financial market participants to focus on near-term financial performance at the expense of mid- to long-term objectives. Focusing on short-term returns without accounting for long-term implications may lead to underperformance of the corporation and investors in the long-term, and, by extension, of the economy as a whole. In this context, investors should be driving long-termism, where this is relevant, and not pressure companies to deliver short-term returns by default.

**The ongoing COVID-19 outbreak in particular underscores that companies should prioritise the long term interests of their stakeholders**. Many companies in the EU have decided to prioritise the interests of key stakeholders, in particular employees, customers and suppliers, over short-term shareholder interest.[[7]](#footnote-8) These factors contribute to driving long-term returns as they are crucial in order to maintain companies’ ability to operate. Therefore, institutional investors have an important role to play in this context. As part of action 10 of the Action Plan on Financing Sustainable Growth, in December 2019 the **European Supervisory Authorities delivered reports (**[**ESMA report,**](https://www.esma.europa.eu/press-news/esma-news/esma-proposes-strengthened-rules-address-undue-short-termism-in-securities) [**EBA**](https://eba.europa.eu/eba-calls-banks-consider-long-term-horizons-their-strategies-and-business-activities)[**report,**](https://eba.europa.eu/eba-calls-banks-consider-long-term-horizons-their-strategies-and-business-activities) [**EIOPA report**](https://www.eiopa.europa.eu/content/potential-undue-short-term-pressure-financial-markets)**) that had the objective of assessing evidence of undue short-term pressure from the financial sector on corporations**. They identified areas within their remit where they found some degree of short-termism and issued policy recommendations accordingly. For instance, they advise the adoption of longer-term perspectives among financial institutions through more explicit legal provisions on sustainability.

**Question 38:** In your view, which recommendation(s) made in the ESAs’ reports have the highest potential to effectively tackle short-termism? Please select among the following options.

* Adopt more explicit legal provisions on sustainability for credit institutions, in particular related to governance and risk management;
* Define clear objectives on portfolio turn-over ratios and holdings periods for institutional investors;
* Require Member States to have an independent monitoring framework to ensure the quality of information disclosed in remuneration reports published by listed companies and funds (UCITS management companies and AIFMs);
* Other, please specify. [box max. 2000 characters]

**Question 39:** Beyond the recommendations issued by the ESAs, do you see any barriers in the EU regulatory framework that prevent long-termism and/or do you see scope for further actions that could foster long-termism in financial markets and the way corporates operate?

* Yes/No/Do not know.
* If yes, please explain what action(s). [BOX max. 2000 characters]

The Shareholder Rights Directive II states that **directors’ variable remuneration** should be based on both financial and non-financial performance, where applicable. However, there is currently no requirement regarding what the fraction of variable remuneration should be linked to, when it comes to non-financial performance.

**Question 40**: In your view, should there be a mandatory share of variable remuneration linked to non-financial performance for corporates and financial institutions?

* Yes/No/Do not know.
* If yes, please indicate what share. [box 2000 characters]

In our view there should be no mandatory share of variable remuneration linked to non-financial performance for corporates and financial institutions.

It should be up to the corporation or financial institution to decide, which amount of variable remuneration should be linked to non-financial performance, since this is primarily an individual strategic decision by each corporation/financial institution.

Hence, this flexibility regarding remuneration policies should be maintained.

Moreover, on the basis of CRD IV the remuneration policy for financial institutions has to be aligned with the values and long-term interests of the institution. Variable remuneration should take into account all the current and future risks for an institution. Therefore, a certain linkage between the financial and non-financial performance does already exist.

**Question 41**: Do you think that a defined set of EU companies should be required to include carbon emission reductions, where applicable, in their lists of ESG factors affecting directors’ variable remuneration?

* Yes/No/Do not know.

The Shareholder Rights Directive II introduces **transparency requirements** to better align long-term interests between institutional investors and their asset managers.

**Question 42:** Beyond the Shareholder Rights Directive II, do you think that EU action would be necessary to further enhance long-term engagement between investors and their investee companies?

* Yes/No/Do not know.
* If yes, what action should be taken? Please explain or provide appropriate examples. [BOX max. 2000 characters]

**Question 43:** Do you think voting frameworks across the EU should be further harmonised at EU level to facilitate shareholder engagement and votes on ESG issues?

* Yes/No/Do not know

**Question 44:** Do you think that EU action is necessary to allow investors to vote on a company’s environmental and social strategies or performance?

* Yes/No/Do not know.
* If yes, please explain. [BOX max. 2000 characters]

Questions have been raised about whether passive index investing could lower the incentives to participate in corporate governance matters or engage with companies regarding their long term strategies.

**Question 45**: Do you think that passive index investing, if it does not take into account ESG factors, could have an impact on the interests of long-term shareholders?

* Yes/No/Do not know.
* If no, please explain the reasons for your answer if necessary. [BOX max. 2000 characters]
* If yes, in your view, what do you think this impact is, do you think that the EU should address it and how? [box max. 2000 characters]

Passive index investing in itself has no impact on the interests of long-term shareholders (it allows diversified investments at a reasonable cost). What could have an impact on the interests of long-term shareholders though, might be the composition of the respective index.

To foster more sustainable corporate governance, as part of action 10 of the 2018 Action Plan on Financing Sustainable Growth, **the Commission launched a** [**study on due**](https://ec.europa.eu/info/business-economy-euro/doing-business-eu/company-law-and-corporate-governance_en#studies)[**diligence**](https://ec.europa.eu/info/business-economy-euro/doing-business-eu/company-law-and-corporate-governance_en#studies) (i.e. identification and mitigation of adverse social and environmental impact in a company’s own operations and supply chain), which was published in February 2020. This study indicated the need for policy intervention, a conclusion which was supported by both multinational companies and NGOs. Another study on directors’ duties and possible sustainability targets will be finalised in Q2 2020.

**Question 46:** Due regard for a range of ’stakeholder interests’, such as the interests of employees, customers, etc., has long been a social expectation vis-a-vis companies. In recent years, the number of such interests have expanded to include issues such as human rights violations, environmental pollution and climate change. Do you think companies and their directors should take account of these interests in corporate decisions alongside financial interests of shareholders, beyond what is currently required by EU law?

* Yes, a more holistic approach should favour the maximisation of social, environmental, as well as economic/financial performance.
* Yes, as these issues are relevant to the financial performance of the company in the long term.
* No, companies and their directors should not take account of these sorts of interests.
* I do not know.

**Question 47:** Do you think that an EU framework for supply chain due diligence related to human rights and environmental issues should be developed to ensure a harmonised level-playing field, given the uneven development of national due diligence initiatives?

* Yes/No/Do not know.

**Question 48:** Do you think that such a supply chain due diligence requirement should apply to all companies, including small and medium sized companies?

* Yes/No/Do not know.
* If yes, please select your preferred option:
  + All companies, including SMEs.
  + All companies, but with lighter minimum requirements for SMEs.
  + Only large companies in general, and SMEs in the most risky economic sectors sustainability-wise.
  + Only large companies.
* If necessary, please explain the reasons for your answer. [box max. 2000 characters]

Such a supply chain due diligence would be inadequate, especially for SMEs. For the time being and in light of the COVID-19 pandemic such an additional obligation for corporations and financial institutions (to identify and mitigate adverse social and environmental impacts in a company’s own operations and supply chain) should be avoided in order not to burden the economy with further costs.

1. **INCREASING OPPORTUNITIES FOR CITIZENS, FINANCIAL INSTITUTIONS AND CORPORATES TO ENHANCE SUSTAINABILITY**

**Increased opportunities need to be provided to citizens, financial institutions and corporates in order to enable them to have a positive impact on sustainability.** Citizens can be mobilised by providing them with opportunities to invest their pensions and savings sustainably or by using digital tools to empower them to make their communities, their homes and their businesses more resilient. Financial institutions and corporates can increase their contribution to sustainability if the right policy signals and incentives are in place. Furthermore, international cooperation and the use of sustainable finance tools and frameworks in developing countries can help build a truly global response to the climate and environmental crisis.

**As part of the European Green Deal, the Commission has launched a European Climate Pact** to bring together regions, local communities, civil society, businesses and schools in the fight against climate change, incentivising behavioural change from the level of the individual to the largest multinational, and to launch a new wave of actions. A [consultation on the European Climate Pact](https://ec.europa.eu/clima/policies/eu-climate-action/pact_en) is open until 27 May 2020 in order to better identify the areas where the Commission could support and highlight pledges as well as set up fora to work together on climate action (including possibly on sustainable finance).

## Mobilising retail investors and citizens

Although retail investors today are increasingly aware that their own investments and deposits can play a role in achieving Europe’s climate and environmental targets, they are not always offered sustainable financial products that match their expectations. In order to ensure that the sustainability preferences of retail investors are truly integrated in the financial system, it is crucial to help them to better identify which financial products best correspond to these preferences, providing them with user-friendly information and metrics they can easily understand. To that end, the European Commission will soon publish the amended delegated acts of MIFID II and IDD, which will require investment advisors to ask retail investors about their sustainability preferences.

**Question 49**: In order to ensure that retail investors are asked about their sustainability preferences in a simple, adequate and sufficiently granular way, would detailed guidance for financial advisers be useful when they ask questions to retail investors seeking financial advice?

* Yes/No/Do not know.
* If necessary, please provide an explanation of your answer. [box max. 2000 characters]

Such a detailed guidance for financial advisers would create a burdensome administrative procedure (that the financial adviser and the retail investor would have to follow) without providing real benefits for either of them.

It would be worth thinking about implementing a far more flexible process, where the retail investor would provide the financial adviser with information about his specific sustainability preferences and the financial adviser would find and suggest financial products according to these preferences.

We believe that the current framework is sufficient. We advocate a flexible approach so that financial advisers can adapt, according to their assessment, the questions within the existing framework to the specific needs of local clients and the local market.

A minimum standard could help intermediaries and clients. However, the standard must not be too detailed or complex.

**Question 50:** Do you think that retail investors should be systematically offered sustainable investment products as one of the default options, when the provider has them available, at a comparable cost and if those products meet the suitability test?

* Yes/No/Do not know.

The result of the assessment of the individual client needs should be decisive for the decision which products are included in a product proposal. In practice, assessing the equivalence of products is complex, as a number of aspects of the respective products play a role here. An obligation to offer a sustainable investment product in any case runs the risk of disproportionately restricting client´s choice of products against their interest.

**Question 51**: Should the EU support the development of more structured actions in the area of financial literacy and sustainability, in order to raise awareness and knowledge of sustainable finance among citizens and finance professionals? Please reply using a scale of 1 (completely disagree) to 5 (fully agree) 5

* If you agree (for scores of 4 to 5), please choose what particular action should be prioritised:
* Integrate sustainable finance literacy in the training requirements of finance professionals. [1-5] 5
* Stimulate cooperation between Member States to integrate sustainable finance as part of existing subjects in citizens’ education at school, possibly in the context of a wider effort to raise awareness about climate action and sustainability.[1-5] 5
* Beyond school education, stimulate cooperation between Member States to ensure that there are sufficient initiatives to educate citizens to reduce their environmental footprint also through their investment decisions. [1-5] 4
* Directly, through targeted campaigns. [1-5] 5
* As part of a wider effort to raise the financial literacy of EU citizens. [1-5] 5
* As part of a wider effort to raise the knowledge citizens have of their rights as consumers, investors, and active members of their communities. [1-5] 4
* Promote the inclusion of sustainability and sustainable finance in the curricula of students, in particular future finance professionals. [1-5] 5
* Other, please explain.[box max. 2000 characters]

## 

Highlighting the respective recommendation by the High-Level Forum on Capital Markets Union we call on the Commission to review the Council Recommendation “Key Competences on Lifelong learning” and to introduce financial competence as a stand-alone key competence. The Commission should also identify financial skills as a priority in an update of its Communication on “A new Skills agenda for Europe” and, accordingly, add a specific focus on sustainable finance literacy.

## Better understanding the impact of sustainable finance on sustainability factors

**While sustainable finance is growing, there are questions on how to measure and assess the positive impact of sustainable finance on the real economy**. Recently, tools have been developed that can be used to approximate an understanding of the climate and environmental impact of economic activities that are being financed. Examples of such tools include the EU Taxonomy, which identifies under which conditions economic activities can be considered environmentally sustainable, use-of-proceeds reporting as part of green bond issuances, or the Disclosure Regulation, which requires the reporting of specific adverse impact indicators.

Yet, an improved understanding of how different sustainable financial products impact the economy may further increase their positive impact on sustainability factors and accelerate the transition.

**Question 52**: In your view, is it important to better measure the impact of financial products on sustainability factors?

* Please express your view by using a scale of 1 (not important at all) to 5 (very important). 2
* For scores of 4 to 5, what actions should the EU take in your view? [BOX max. 2000 characters]

The added value of an additional analysis and disclosure of the impact on sustainability factors for financial products relating to secondary market equity and debt instruments does not justify the additional workload. However, this might be different for financial products related to primary market issuances (debt and equity) since here proceeds can often be directly linked to the company’s economic activities

**Question 53:** Do you think that all financial products / instruments (e.g. shares, bonds, ETFs, money market funds) have the same ability to allocate capital to sustainable projects and activities?

* Yes/No/Do not know.
* If no, please explain what you would consider to be the most impactful products/instruments to reallocate capital in this way.[box max. 2000 characters]

Bonds are better suited to attract capital to sustainable projects.

## Green securitisation

Securitisation is a technique that converts illiquid assets, such as bank loans or trade receivables, into tradeable securities. As a result, banks can raise fresh money as well as move credit risk out of their balance sheets, thereby freeing up capital for new lending. Securitisation also facilitates access to a greater range of investors, who can benefit from the banks’ expertise in loan origination and servicing, thereby diversifying risk exposure. Green securitisations and collaboration between banks and investors could play an important role in financing the transition as banks’ balance sheet space might be too limited to overcome the green finance gap. The EU’s new securitisation framework creates a specific framework for high-quality Simple, Transparent and Standardised (STS) securitisations, together with a more risk-sensitive prudential treatment for banks and insurers.

**Question 54:** Do you think that green securitisation has a role to play to increase the capital allocated to sustainable projects and activities?

* Please express your view by using a scale of 1 (not important at all) to 5 (very important). 5
* If necessary, please explain your answer. [box, max. 2000 characters]

Green securitisation probably will play an important role in increasing the capital allocated to sustainable projects and activities by making illiquid assets tradeable and thereby freeing up capital for new financing purposes.

Securitization may in general unlock capital for investments if shortfalls in the current framework are sufficiently addressed (see Question 55). Investments in sustainable and green projects should be incentivised in principle - not just via securitization, but securitization can of course play an important role.

Securitization helps to improve banks’ balance sheet efficiency and consequently frees up capacity for new business activities. Hence, securitization of green and sustainable assets will positively contribute to further incentivize the origination of such assets in the future. At the same time securitization transactions will support banks in their management of MREL requirements, a new and increasingly limiting factor in banks funding of new business. The MREL equation can be approached from two sides. (i) Optimisation (reduction) of risk weighted assets or (ii) raising MREL debt on the market.

In both cases (e.g. optimisation of RWAs through securitizing assets or raising MREL debt) we consider that more and more institutional investors would include in their investment policies and criteria sustainability considerations.

Supranational institutions already have incorporated this aspect in their underwriting processes, and we see the ESG component gaining more and more importance. Still more funds and other institutional investors focus on investing in sustainable assets. This component might attract such investors both on the securitisation side as well as investment in MREL eligible assets with a sustainable component.

In both cases this will represent an incentive for banks in the future to originate more sustainable assets.

**Question 55:** Do the existing EU securitisation market and regulatory frameworks, including prudential treatment, create any barriers for securitising ‘green assets’ and increasing growth in their secondary market?

* Yes/No/Do not know.
* If yes, please list the barriers you see (maximum three). [BOX max. 2000 characters]

Yes, but these barriers are not specific to “green assets”: the STS framework as approved by European Parliament in 2017 did eventually fall short of expectations that it will facilitate additional new lending to a greater extent. Respective regulations turned out to be quite restrictive on the one hand and exclude synthetic securitization transactions on the other hand. Synthetic transactions particularly support banks in increasing balance sheet efficiency.

All these shortfalls in the 2017 securitization framework have been addressed by banks’ industry bodies several times. Most recently by PCS Secretariat in “RELAUCHING SECURITISATION IN THE EU” on the occasion of the High Level Seminar by EUROFI in Zagreb in April this year (<https://www.eurofi.net/wp-content/uploads/2020/04/relauching-securitisation-in-the-eu_zagreb_april20.pdf>)

**Question 56:** Do you see the need for a dedicated regulatory and prudential framework for ‘green securitisation’?

* Yes/No/Do not know.
* If yes, what regulatory and/or prudential measures should the dedicated framework contain and how would they interact with the existing general rules for all securitisations and specific rule for STS securitisations? [box max. 2000 characters]

Yes, as outlined in “RELAUCHING SECURITISATION IN THE EU” by PCS Secretariat (see question 55) capital requirements for investors in tranches of securitization transactions in CRR as well as Solvency II need to be re-calibrated accordingly providing an incentive for investors to engage in „green“ portfolios and transactions.

## Digital sustainable finance

The ongoing COVID-19 outbreak is highlighting the key role of digitalisation for the daily personal and professional lives of many Europeans. However, it has also revealed how digital exclusion can exacerbate financial exclusion – a risk that needs to be mitigated.

Digitalisation is transforming the provision of financial services to Europe’s businesses and citizens As shown in the [Progress Report of the UN Secretary-General’s Task Force](https://digitalfinancingtaskforce.org/wp-content/uploads/2019/07/DFET-White-Paper-Final-08-17-afa.pdf) [on Digital Financing of the Sustainable Development Goals (SDGs),](https://digitalfinancingtaskforce.org/wp-content/uploads/2019/07/DFET-White-Paper-Final-08-17-afa.pdf) digital finance brings a wide array of opportunities for citizens worldwide by making it easier to make payments, save money, invest, or get insured. However, digital finance also brings new risks, such as deepening the digital divide. It is therefore paramount to ensure that the potential of digitalisation for sustainable finance is fully reaped, while mitigating associated challenges appropriately. In this context, the Commission has launched a consultation dedicated to digital finance.

In the area of sustainable finance, technological innovation such as Artificial intelligence (AI) and machine learning can help to better identify and assess to what extent a company’s activities, a large equity portfolio, or a bank’s assets are sustainable. The application of Blockchain and the Internet of Things (IoT) may allow for increased transparency and accountability in sustainable finance, for instance with automated reporting and traceability of use of proceeds for green bonds.

**Question 57:** Do you think EU policy action is needed to maximise the potential of digital tools for integrating sustainability into the financial sector?

* Yes/No/Do not know
* If yes, what kind of action should the EU take and are there any existing initiatives that you would like the European Commission to consider? Please list a maximum of three actions and a maximum of three existing initiatives. [BOX max. 2000 characters]

In particular, digitalisation has the potential to empower citizens and retail investors to participate in local efforts to build climate resilience. For instance, [M-Akiba](https://www.m-akiba.go.ke/) is a Government of Kenya-issued retail bond that seeks to enhance financial inclusion for economic development. Money raised from issuance of M-Akiba is dedicated to infrastructural development projects, both new and ongoing.

Generally, no - Through the creation of standards for financial products (which include sustainable financial products) a lot of innovation can be driven in the digital channels as well. This should attract the private sector to develop applications that can help consumers to be aware, interested, purchase and manage sustainable finance products via digital channels.

**Question 58**: Do you consider that public authorities, including the EU and Member States should support the development of digital finance solutions that can help consumers and retail investors to better channel their money to finance the transition?

* Yes/No/Do not know.
* If yes, please explain what actions would be relevant from your perspective and which public authority would be best-positioned to deliver it. Please list a maximum of three actions [BOX max. 2000 characters]

From our point of view it is relevant to promote the establishment of innovation hubs or sandboxes with a specific focus (e.g. a specific technology like Blockchain or a specific purpose like sustainable finance). Considering the potential that the use of publicly available data brings in finance, we would see the need to facilitate integrated access to data in the EU in the following areas: Financial reporting data from listed companies; Non-financial reporting data from listed companies and SME data.

We call on the Commission to build or support, based on existing solutions, a **central European ESG data register** that would:

* + - * Collect periodically, with the help of new reading technologies, existing climate change mitigation and adaptation data of companies that publishes non-financial statements under the NFRD.
      * Collect other available relevant information, ESG metrics and relevant data points
      * Interconnect the relevant EU and MS databases collecting ESG information
      * As well as collecting company register, land register etc. data.

The availability of raw harmonized ESG data would allow for comparability, increase transparency, lower barriers and costs, generate efficiency and attract new players. Especially when linked to taxonomy the database could provide a very valuable source of information to markets and policy makers alike. As risk mitigation measure: access only by authorized/supervised entities and only with explicit customer consent.

**Question 59:** In your opinion, should the EU, Member States, or local authorities use digital tools to involve EU citizens in co-financing local sustainable projects?

* Yes/No/Do not know.
* If yes, please detail, in particular if you see a role for EU intervention, including financial support. [BOX max. 2000 characters]

Yes, we propose the following methodology to appropriately advise local authorities:

1. It is important to create a definition of “sustainable projects” so that local project plans can qualify for this category.

2. Based on this definition, a “demand picture” should be created regarding the number of sustainability projects and the amount of funds that could be co-financed by EU citizens.

3. There are already a lot of digital tools (e.g. crowdfunding) in the market place that leverage social media and social networks to raise funds for environmental, cultural and social causes. It would be useful for EU and Member States to then understand which digital tool would be most suitable for financing local sustainability projects.

4. Create a “How-to“ document for local authorities to follow.

## 1.1. Project Pipeline

The existing project pipeline (availability of bankable and investable sustainable projects) is generally considered to be insufficient to meet current investor demand for sustainable projects. Profitability of existing business models plays a role, with some projects (e.g. renewable energy), being more bankable than others (e.g. residential energy efficiency). Identifying the key regulatory and market obstacles that exist at European and national level will be key in order to fix the pipeline problem. Please note that questions relating to incentives are covered in section 2.6.

**Question 60**: What do you consider to be the key market and key regulatory obstacles that prevent an increase in the pipeline of sustainable projects? Please list a maximum three for each.

* BOX max. 2000 characters

**Planning and investment security is crucial:** As the profitability of renewable energy projects strongly depends on subsidies, we believe that the stability of the regulatory environment is a key criterion for the bankability of those projects. Given the lengths of the investment horizon it would be essential to ensure that the regulatory environment remains unchanged for the lifetime of the projects. In the past renewable projects suffered extensively from negative changes in the regulatory regimes in nearly all EU legislations which resulted in a cautious approach towards renewable energy projects. Ensuring that the regulatory environment on which the investment decision was based remains in place for the lifetime of the project would therefore in our view be an essential criterion.

An other obstacle is the lack of considering, evaluating and optimizing whole value chains over full lifecycles with transparent, standardized methods instead of burdening individual processes in the EU.

**Question 61**: Do you see a role for Member States to address these obstacles through their NECPs (National Energy and Climate Plans)?

* Yes/No/Do not know

If necessary, please provide details. [box. Max. 2000 characters]

**Question 62:** In your view, how can the EU facilitate the uptake of sustainable finance tools and frameworks by SMEs and smaller professional investors? Please list a maximum of three actions you would like to see at EU-level

* [BOX max. 2000 characters]

We believe that the EU could facilitate the uptake of sustainable finance tools and frameworks by SMEs and smaller professional investors by developing tools that guide them through the necessary project documentation and data provision. This would allow a quick-check whether the planned economic activities would be EU-Taxonomy aligned respectively it would show what would be the gap needed to be closed. When SMEs are the target group it is crucial to reduce the complexity of procedures. One solution would be to simple national procedures financed by the EU.

**Question 63:** The transition towards a sustainable economy will require significant investment in research and innovation (R&I) to enable rapid commercialisation of promising and transformational R&I solutions, including possible disruptive and breakthrough inventions or business models. How could the EU ensure that the financial tools developed to increase sustainable investment flows turn R&I into investable (bankable) opportunities?

* [Box max. 2000 characters]

**Question 64:** In particular, would you consider it useful to have a category for R&I in the EU Taxonomy?

* Yes/No/Do not know

We would consider it useful to have a category for Research & Innovation (R&I) in the EU Taxonomy to reach the EU’s environmental and climate action objectives.

**Question 65**: In your view, do you consider that the EU should take further action in:

* Bringing more financial engineering to sustainable R&I projects? Yes/No
* Assisting the development of R&I projects to reach investment-ready stages, with volumes, scales, and risk-return profiles that interest investors (i.e. ready and bankable projects that private investors can easily identify)? Yes/No
* Better identifying areas in R&I where public intervention is critical to crowd in private funding? Yes/No
* Ensuring alignment and synergies between Horizon Europe and other EU programmes/funds? Yes/No
* Conducting more research to address the high risks associated with sustainable R&I investment (e.g. policy frameworks and market conditions)? Yes/No
* Identifying and coordinating R&I efforts taking place at EU, national and international levels to maximise value and avoid duplication? Yes/No
* Facilitating sharing of information and experience regarding successful low-carbon business models, research gaps and innovative solutions? Yes/No
* Increasing the capacity of EU entrepreneurs and SMEs to innovate and take risks? Yes/No
* If necessary, please explain your answer. [Box max. 2000 characters]

We would welcome, if the EU would take further action in bringing more financial engineering to sustainable R&I projects, assisting the development of R&I projects to reach investment-ready stages, with volumes, scales, and risk-return profiles that interest investors (i.e. ready and bankable projects that private investors can easily identify) and facilitating sharing of information and experience regarding successful low-carbon business models, research gaps and innovative solutions. To increase the capacity of EU entrepreneurs and SMEs to innovate and take risks is one of the most important actions in our opinion.

## Incentives to scale up sustainable investments

**While markets for sustainable financial assets and green lending practices are growing steadily, they remain insufficient to finance the scale of additional investments needed to reach the EU’s environmental and climate action objectives**, including climate-neutrality by 2050. For instance, companies’ issuances of sustainable financial assets (bonds, equity) and sustainable loans currently do not meet investors’ increasing interest. The objective of the European Green Deal Investment Plan, published on 14 January 2020, is to mobilise through the EU budget and the associated instruments at least EUR 1 trillion of private and public sustainable investments over the coming decade. The purpose of this section is to identify whether there are market failures or barriers that would prevent the scaling up of sustainable finance, and if yes what kinds of public financial incentives could help rectify this.

**Question 66**: In your view, does the EU financial system face market barriers and inefficiencies that prevent the uptake of sustainable investments?

* Please express your view on the current market functioning by using a scale of 1 (not well functioning at all) to 5 (functioning very well).
* Please specify your answer. [BOX max. 2000 characters]

**Question 67:** In your view, to what extent would potential public incentives for issuers and lenders boost the market for sustainable investments?

* Please express your view on the importance of financial incentives by using a scale of 1 (not effective at all) to 5 (very effective).
* In case you see a strong need for public incentives (scores of 4 to 5), which specific incentive(s) would support the issuance of which sustainable financial assets, in your view? Please rank their effectiveness using a scale of 1 (not effective at all) to 5 (very effective).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Types of incentives | Bonds | Loans | Equity | Other |
|  |
| Revenue-neutral subsidies for issuers |  |  |  |  |
| De-risking mechanisms such as guarantees and blended financing instruments at EU-level | x | x | x |  |
| Technical Assistance |  |  |  |  |
| Any other public sector incentives - Please specify in the box below. |  |  |  |  |

* Please specify the reasons for your answer (provide if possible links to quantitative evidence) and add any other incentives you would like the Commission to consider. [BOX max. 2000 characters]

**Question 68:** In your view, to what extent would potential incentives for investors (including retail investors) help create an attractive market for sustainable investments?

* Please express your view by using a scale of 1 (not effective at all) to 5 (very effective).
* For scores of 4 to 5, in case you see a strong need for incentives for investors, which specific incentive(s) would best support an increase in sustainable investments? [drop down menu]
* Revenue-neutral public sector incentives
* Adjusted prudential treatment 5
* Public guarantee or co-financing
* Other
* Please specify the reasons for your answer (provide if possible links to quantitative evidence) and the category of investor to whom it should be addressed (retail, professional, institutional, other). [BOX max. 2000 characters]

Introduction of a Green Supporting Factor and a Social Supporting Factor.

**Question 69:** In your view, should the EU consider putting in place specific incentives that are aimed at facilitating access to finance for SMEs carrying out sustainable activities or those SMEs that wish to transition?

* Yes/No/Do not know.
* If yes, what would be your main three suggestions for actions the EU should prioritise to address this issue? [box max. 2000 characters]

In our view, the EU should consider putting in place specific incentives that are aimed at facilitating access to finance for SMEs carrying out sustainable activities AND those SMEs that wish to transition. We believe that in our current situation it should not be a question of either-or. It should be clear, however, that those that wish to transition need to come up with the necessary strategy and report on the actions set to fulfill it. Especially for SMEs the complexity of the incentives and programmes should be reduced to a minimum to make them accessible for SMEs. The procedures should not be too time and resource consuming. Therefore, we would consider national programmes with EU-funding reasonable.

In our view the EU should consider the following two incentives in order to facilitate access for SMEs carrying out sustainable activities or wishing to transition:

* Reduced capital requirements for financing such sustainable SMEs;
* Special subsidies for financing SMEs carrying out sustainable activities or SMEs that wish to transition;

## The use of sustainable finance tools and frameworks by public authorities

**Even though the potential scope of sustainable finance is broad, it is often viewed as being only confined to the ambit of private financial flows within capital markets.** Nevertheless, the boundary between public and private finance is not always strict and some concepts that are generally applied to private finance could also be considered for the public sector, such as the EU Taxonomy. This is recognised in the [European Green](https://ec.europa.eu/regional_policy/en/newsroom/news/2020/01/14-01-2020-financing-the-green-transition-the-european-green-deal-investment-plan-and-just-transition-mechanism) [Deal Investment Plan](https://ec.europa.eu/regional_policy/en/newsroom/news/2020/01/14-01-2020-financing-the-green-transition-the-european-green-deal-investment-plan-and-just-transition-mechanism) and the [Climate Law,](https://ec.europa.eu/clima/policies/eu-climate-action/law_en) where the Commission committed to exploring how the EU Taxonomy can be used in the context of the European Green Deal by the public sector, beyond InvestEU. The InvestEU programme, proposed as part of the EU’s Multiannual Financial Framework 2021 – 2027, combines public and private funding and once the taxonomy is in place (from end-2020 onwards) will serve as a test case for its application in public sector-related spending.

**Question 70**: In your view, is the EU Taxonomy, as currently set out in the [report](https://ec.europa.eu/info/publications/sustainable-finance-teg-taxonomy_en#200903) of the Technical Expert Group on Sustainable Finance, suitable for use by the public sector, for example in order to classify and report on green expenditures?

* Yes - please explain which public authority could use it, how and for what purposes. [Box max. 2000 characters]
* Yes, but only partially - please explain which public authority could use it, how and for what purposes, as well as the changes what would be required to make it fit for purpose. [Box max. 2000 characters]
* No - please explain why you consider that it is not suitable for use by public authorities, and how those reasons could be best addressed in your view. [Box max. 2000 characters]
* Do not know.

As the Taxonomy does not (yet) cover all relevant sectors/industries (e.g. mining, copper, etc.), the applicability and informative value is incomplete and limited. Reliable statements can only be made when all relevant sectors / industries are included. For sectors already covered, the criteria established (Technical Screening Criteria) are not "fit for purpose" (e.g. EU ETS benchmarks for steel, aluminium in relation to the environmental protection target; life cycle consideration is missing; more suitable would be the Aluminium Stewardship Initiative for aluminium and EN 19694 for steel production)

**Question 71**: In particular, is the EU Taxonomy, as currently set out in the [report](https://ec.europa.eu/info/publications/sustainable-finance-teg-taxonomy_en#200903) of the Technical Expert Group on Sustainable Finance, suitable for use by the public sector in the area of green public procurement?

* Yes/Yes, but only partially/No /Do not know
* If no or yes, but only partially, please explain why and how those reasons could be best addressed. [BOX max. 2000 characters]

The EU Taxonomy will become applicable at the end of 2021/2022 - so at this point of time it is not ensured that it is suitable for the use by the private sector. Therefore, it is not possible to anticipate whether the EU Taxonomy will be suitable for use by the public sector.

It is also unclear what applies to sectors for which no separate technical screening criteria have been established; in this respect, it would be necessary to make it explicitly clear that these sectors are not excluded from green financing / taxonomy

However, in order to ensure consistency, the intention for the future should be to use the EU Taxonomy as a standard in the public sector in the same way (for example in the area of green public procurement).

**Question 72:** In particular, should the EU Taxonomy[[8]](#footnote-9) play a role in the context of public spending frameworks at EU level, i.e. EU spending programmes such as EU funds, Structural and Cohesion Funds and EU state aid rules, where appropriate? Please select all that apply.

* Yes, the taxonomy with climate and environmental objectives set out in the Taxonomy Regulation;
* Yes, but only if social objectives are incorporated in the EU Taxonomy, as recommended by the TEG, and depending on the outcome of the report that the Commission must publish by 31 December 2021 in line with the review clause of the political agreement on the Taxonomy Regulation.
* No;
* Do not know.

## Follow-up questions:

* If yes, what role should it play and is the taxonomy, as currently set out in the [report of the Technical Expert Group on Sustainable Finance](https://ec.europa.eu/info/publications/sustainable-finance-technical-expert-group_en), suitable for the following purposes? Select all that apply:
  + In the context of some EU spending programmes: BOX [max 2000 characters]
  + In the context of EU state aid rules: BOX [max 2000 characters]
  + Other, please specify. BOX [max. 2000 characters]
* If yes, but only if social objectives are included; what role do you see for a social, climate and environmental taxonomy? Select all that apply.
  + In the context of some EU spending programmes: BOX [max 2000 characters]
  + In the context of EU state aid rules: BOX [max 2000 characters]
  + Other, please specify. BOX [max. 2000 characters]

**Question 73:** Should public issuers, including Member States, be expected to make use of a future EU Green Bond Standard for their green bond issuances, including the issuance of sovereign green bonds in case they decide to issue this kind of debt?

* Yes/No/Do not know.
* If no, are there specificities of public issuers and funded projects or assets that the existing guidance on green bonds, developed by the TEG, does not account for? [BOX max. 2000 characters]

[BOX max. 2000 characters]

## Promoting intra-EU cross-border sustainable investments

In order to attract and encourage cross-border investments, a range of investment promotion services have been put in place by public authorities. Investment promotion services include for instance information on the legal framework, advice on the project, such as on financing, partner and location search, support in completing authorisations and problem-solving mechanisms relating to issues of individual or general relevance. In some cases specific support is provided for strategic projects or priority sectors.

**Question 74:** Do you consider that targeted investment promotion services could support the scaling up of cross-border sustainable investments?

* Yes/No/Do not know.
* If yes, please specify what type of services would be useful for this purpose:
* Information on legal frameworks
* Individualised advice (e.g. on financing)
* Partner and location search
* Support in completing authorisations
* Problem-solving mechanisms
* Other, please specify [box max. 2000 characters]

## EU Investment Protection Framework

To encourage long-term sustainable investments in the EU, it is essential that investors are confident that their investments will be effectively protected throughout their life- cycle in relation to the state where they are located. The EU investment protection framework includes the single market fundamental freedoms, property protection from expropriation, the principles of legal certainty, legitimate expectations and good administration which ensure a stable and predictable environment, including remedies and enforcement in national courts. These elements can have an impact on cross-border investment decisions, especially for long-term investments. While a separate consultation on investment protection will take place soon, **the purpose of this section is to investigate whether the above-mentioned factors have an impact on sustainable projects in particular**, such as for instance for long-term infrastructure and innovation projects necessary for the EU's industrial transition towards a sustainable economy.

**Question 75:** Do you consider that the investment protection framework has an impact on decisions to engage in cross-border sustainable investment? Please choose one of the following:

* + - Investment protection has **no impact.**
    - Investment protection has **a small impact** (one of many factors to consider).
    - Investment protection has **medium impact** (e.g. it can lead to an increase in costs).
    - Investment protection has a **significant impact** (e.g. influence on scale or type of investment).
    - Investment protection is a factor that can have a **decisive impact** on cross-border investments decisions and can result in cancellation of planned or withdrawal of existing investments.
    - Do not know.

## Promoting sustainable finance globally

The global financial challenge posed by climate change and environmental degradation requires an **internationally coordinated** response. To complement the work done by the Network of Central Banks and Supervisors for Greening the Financial system (NGFS) on climate-related risks and the Coalition of Finance Ministers for Climate Action mainly on public budgetary matters and fiscal policies, **the EU has launched together with the relevant public authorities from like-minded countries the** [**International Platform**](https://ec.europa.eu/commission/presscorner/detail/en/QANDA_19_6116)[**on Sustainable Finance**](https://ec.europa.eu/commission/presscorner/detail/en/QANDA_19_6116) **(IPSF)**. The purpose of the IPSF is to promote integrated markets for environmentally sustainable investment at a global level. It will deepen international coordination on approaches and initiatives that are fundamental for private investors to identify and seize environmentally sustainable investment opportunities globally, in particular in the areas of taxonomy, disclosures, standards and labels.

**Question 76:** Do you think the current level of global coordination between public actors for sustainable finance is sufficient to promote sustainable finance globally as well as to ensure coherent frameworks and action to deliver on the Paris Agreement and/or the UN Sustainable Development Goals (SDGs)?

* Please express your view by using a scale of 1 (highly insufficient) to 5 (fully sufficient).2
* For scores of 1-2, what are the main missing factors at international level to further promote sustainable finance globally and to ensure coherent frameworks and actions? [BOX max. 2000 characters]

This global coordination between public actors should ultimately lead to the creation of an overarching international Taxonomy, in order to establish a unified understanding of sustainable economic activities globally (in particular for investors in the US and in Asia in the same way).

Additionally, we call for a global CO2-price to ensure a global level playing field.

**Question 77**: What can the Commission do to facilitate global coordination of the private sector (financial and non-financial) in order to deliver on the goals of the Paris Agreement and/or SDGs? Please list a maximum of three proposals.

* [BOX max. 2000 characters]
* Foster the engagement in the International Platform on Sustainable Finance (IPSF).
* Promote the establishment of an internationally coordinated, globally applicable Taxonomy (defining under which conditions economic activities are sustainable).
* A link to ISO standards is crucial.

**Question 78:** In your view, what are the main barriers private investors face when financing sustainable projects and activities in emerging markets and/or developing economies? Please select all that apply.

* Lack of internationally comparable sustainable finance frameworks (standards, taxonomies, disclosure, etc.);
* Lack of clearly identifiable sustainable projects on the ground;
* Excessive (perceived or real) investment risk;
* Difficulties to measure sustainable project achievements over time;
* Other, please specify [BOX max. 2000 characters].

**Question 79:** In your opinion, in the context of European international cooperation and development policy, how can the EU best support the mobilisation of international and domestic private investors to finance sustainable projects and activities in emerging markets and developing countries, whilst avoiding market distortions?

* Please provide a maximum of three proposals. [BOX max. 2000 characters]

The EU could support the mobilisation of international and domestic private investors to finance sustainable projects and activities in emerging markets and developing countries by ensuring the proper protection of investments and by creating a global Taxonomy for sustainable economic activities and projects.

**Question 80:** How can EU sustainable finance tools (e.g. taxonomy, benchmarks, disclosure requirements) be used to help scale up the financing of sustainable projects and activities in emerging markets and/or developing economies? Which tools are best- suited to help increase financial flows towards and within these countries and what challenges can you identify when implementing them? Please select among the following options.

* All EU sustainable finance tools are already suitable and can be applied to emerging markets and/or developing economies without any change.
* Some tools can be applied, but not all of them. If necessary, please explain [box max. 2000 characters].

GHG criterion should not be based on EU-ETS Benchmarks, which do not always reflect real GHG emission potential but rather on standardized LCA or, as a second best proxy, on GHG performance assessment, eg. by EN 19694

* These tools need to be adapted to local specificities in emerging markets and/or developing economies. Please explain how you think they could be adapted [box max. 2000 characters].
* Do not know.

**Question 81**: In particular, do you think that the EU Taxonomy is suitable for use by development banks, when crowding in private finance, either through guarantees or blended finance for sustainable projects and activities in emerging markets and/or developing economies?

* Yes / Yes, but only partially / no / do not know.
* If no or yes, but only partially, please explain why and how the obstacles you identify could be best addressed [box max. 2000 characters].

The EU Taxonomy will become applicable at the end of 2021/2022 (when the respective Delegated Acts will become binding) - so at this point of time it is not ensured that it is suitable for the use by the private sector. Therefore, it is not possible to anticipate whether the EU Taxonomy will be suitable for use by development banks.

1. **REDUCING AND MANAGING CLIMATE AND ENVIRONMENTAL RISKS**

Climate and environmental risks, including relevant transition risks, and their possible negative social impacts, can have a disruptive impact on our economies and financial system, if not managed appropriately. Against this background, the three European supervisory authorities (ESAs) have each developed work plans on sustainable finance.[[9]](#footnote-10) Building, among others, on the ESAs’ activities further actions are envisaged to improve the management of climate and environmental risks by all actors in the financial system. In particular, the political agreement on the Taxonomy Regulation tasks the Commission with publishing a report on the provisions required for extending its requirements to activities that do significantly harm environmental sustainability (the so-called “brown taxonomy”).

## Identifying exposures to harmful activities and assets and disincentivising environmentally harmful investments

**Question 82**: In particular, do you think that existing actions need to be complemented by the development of a taxonomy for economic activities that are most exposed to the transition due to their current negative environmental impacts (the so-called “brown taxonomy”) at EU level, in line with the review clause of the political agreement on the Taxonomy Regulation?

* Yes/No/Do not know.
* If no, please explain why you disagree [BOX max. 2000 characters]

We oppose the development of a brown taxonomy mainly out of the following reasons:

Firstly, a brown taxonomy would expose certain industries and sectors, which already have to deal with the struggles of adapting their business models to the best extent possible to the sustainable agenda. In this context it has to be borne in mind that these industries also provide a huge number of workplaces in the EU. These workplaces have to be secured more than ever in the light of the COVID-19 crisis.

Life assessment analysis along the value chain is crucial. Mining activities, for example, also contribute to the achievement of climate protection goals, because without the metals produced downstream, many low-carbon technologies and products (wind turbines, solar panels, batteries, etc.) are not feasible.

Secondly, a brown taxonomy could lead to increasing transitional risks for non-sustainable industries and sectors. Such risks could appear in form of financial outflows caused by disinvestments or in form of financing constraints. Accompanied by a significant decline in customer demand this could have severe negative impacts on non-sustainable industries and sectors.

Furthermore, Such a penalising factor could negatively impact adequate risk management. Globally speaking there is no clarity about the definition of ‘brown’, while there is a lack of reliable data on the way that ‘brown’ companies affect the climate. Consequently, the European Union should take a positive forward-thinking approach by introducing a Green Supporting Factor.

Enabling the transition of the “brown” industry is a very important factor to successfully step forward towards the Green Deal goals. Setting transition periods and targets for the companies active in the most polluting industries should be paralleled by corresponding transition funds at the EU level – thus avoid sudden insolvencies and job losses. Further, special funds for reskilling the workers in those industries should be made available at EU level.

* If yes, what would be the purpose of such a brown taxonomy? (select all that apply)
  + Help supervisors to identify and manage climate and environmental risks.
  + Create new prudential tools, such as for exposures to carbon-intensive industries.
  + Make it easier for investors and financial institutions to voluntarily lower their exposure to these activities.
  + Identify and stop environmentally harmful subsidies.
  + Other, please specify. [box max. 2000 characters]

**Question 83**: Beyond a sustainable and a brown taxonomy, do you see the need for a taxonomy which would cover all other economic activities that lie in between the two ends of the spectrum, and which may have a more limited negative or positive impact, in line with the review clause of the political agreement on the Taxonomy Regulation?

* Yes/No/Do not know.
* If yes, what should be the purpose of such a taxonomy? Please specify. [BOX max. 2000 characters]

Investments in "transition activities" and "enabling activities" make a significant contribution to the reduction of greenhouse gases and to the attainment of climate goals and must not be fundamentally excluded from receiving a sustainability award. The definition of "environmentally sustainable investment" should not be interpreted too narrowly.

Instead of evaluating parts of the economy individually, it would be important to consider entire value chains (life-cycle assessment).

## Financial stability risk

The analysis and understanding of the impact of climate-related and environmental risks on financial stability is improving, thanks in particular to the work done by supervisors and central banks,[[10]](#footnote-11) regulators and research centres. However, significant progress still needs to be made in order to properly understand and manage the impact of these risks.

**Question 84**: Climate change will impact financial stability through two main channels: physical risks, related to damages from climate-related events, and transition risks, related to the effect of mitigation strategies, especially if these are adopted late and abruptly. In addition, second-order effects (for instance the impact of climate change on real estate prices) can further weaken the whole financial system. What are in your view the most important channels through which climate change will affect your industry? Please provide links to quantitative analysis when available.

Physical risks, please specify if necessary [BOX max. 2000 characters]

* Disruption or interruption of raw material and energy supply, supply and value chains and access to sales markets; please see also: <http://www3.weforum.org/docs/WEF_Global_Risk_Report_2020.pdf>
* Transition risks, please specify if necessary [BOX max. 2000 characters]

We expect a clear and transparent path developed at EU level on how the most affected industries can be supported to achieve the transition and the means of financing it, so that it can be done in an orderly manner. Sudden and strict rules, without enough time to ensure transition will lead to increase NPE/risk costs and could have a negative impact on the banking system.

Lack of access to renewable energy at competitive costs and to technologies for decarbonising industrial processes on the necessary scale; risk of competitive disadvantages due to higher production costs (as other economic areas do not follow suit in their climate ambitions); increased risk of carbon leakage through the raising of unilateral EU targets without an international level playing field; political risk of regional and national self-sufficiency instead of improving the EU internal market; risk of trade policy disadvantages (impediments to exports) due to CBAM not being coordinated internationally or not being transparent

* Second-order effects, please specify if necessary [BOX max. 2000 characters]
* High risk of rising electricity costs due to decarbonization of industrial processes without appropriate compensation (indirect carbon leakage)

We also see as second order effects not only the impact on the value of real estate but also the impact on the business model of the companies operating in certain regions (where the frequency of those events will increase significantly); especially for those companies that have operations concentrated in a single area; Furthermore, as a result supply chains might get easily disrupted – as such events are not easy to predict.

* Other, please specify [BOX max. 2000 characters]

**Question 85:** What key actions taken in your industry do you consider to be relevant and impactful to enhance the management of climate and environment related risks?

* Please identify a maximum of three actions taken in your industry [BOX max. 2000 characters]

Implementation of internal management processes, fulfilment of NFRD (national NaDiVeG) disclosure obligations, risk management within the company, diversification of product and supply chains, compliance with the state of the art, pilot plant for CO2-free hydrogen production

**Question 86:** Following the financial crisis, the EU has developed several macro- prudential instruments, in particular for the banking sector (CRR/CRDIV), which aim to address systemic risk in the financial system. Do you consider the current macro- prudential policy toolbox for the EU financial sector sufficient to identify and address potential systemic financial stability risks related to climate change?

* Please express your view by using a scale of 1 (highly inadequate) to 5 (fully sufficient). 5
* For scores of 1-2, what solution would you propose? Please list a maximum of three. [BOX max 2000 characters]

We consider the current macro-prudential policy toolbox for the EU financial sector (systemic risk buffer, countercyclical capital buffer, O-SII buffer etc.) fully sufficient to identify and address potential systemic financial stability risks related to climate change.

Since financial stability risks related to climate change don’t constitute a specific risk category (indeed they are assigned to the already existing risk categories), they can be addressed within the frame of the current macro-prudential policy toolbox. Hence, there is no need for specific (new) macro-prudential tools to address these kinds of risks that are already covered by the existing regulatory framework.

Moreover, according to Article 98(8)(b) CRD V EBA shall already assess the development of appropriate qualitative and quantitative criteria for the assessment of the impact of ESG risks on the financial stability of institutions in the short, medium and long term until June 2021. Such criteria shall include stress testing processes and scenario analyses to assess the impact of ESG risks under scenarios with different severities.

For all of these reasons there’s generally no need for further regulatory action to expand the current macro- prudential policy toolbox for the EU financial sector in this area. However, the European Union should take a positive forward-thinking approach by introducing a Green Supporting Factor. The Green Supporting Factor would be a game-changer in the battle to decarbonise the EU economy, as it would support the re-orientation of capital into the green economy.

*Insurance prudential framework*

Insurers manage large volumes of assets on behalf of policyholders and they can therefore play an important role in the transition to a sustainable economy. At the same time, insurance companies have underwriting liabilities exposed to sustainability risks. In addition, the (re)insurance sector plays a key role in managing risks arising from natural catastrophes though risk-pooling and influencing risk mitigating behaviour. The [Solvency II Directive](https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex%3A32009L0138)[[11]](#footnote-12) sets out the prudential framework for insurance companies. The Commission requested [technical advice](https://www.eiopa.europa.eu/content/technical-advice-integration-sustainability-risks-and-factors-solvency-ii-and-insurance) from the European Insurance and Occupation Pensions Authority (EIOPA) on the integration of sustainability risks and sustainability factors in Solvency II. The Commission also [mandated EIOPA](https://ec.europa.eu/info/files/190211-request-eiopa-technical-advice-review-solvency-2_en) to investigate whether there is undue volatility of their solvency position that may impede long-term investments, as part of the 2020 Review of Solvency II. EIOPA is expected to submit its final advice in June 2020.

In September 2019, EIOPA already provided an [opinion](https://www.eiopa.europa.eu/Publications/Opinions/2019-09-30%20OpinionSustainabilityWithinSolvencyII.pdf) on sustainability within Solvency II. EIOPA identified additional practices that should be adopted by insurance companies to ensure that sustainability risks are duly taken into account in companies’ risk management.

On that basis, the Commission could consider clarifications of insurers’ obligations as part of the review of the Solvency II Directive. Stakeholders will soon be invited to comment on the Commission’s inception impact assessment as regards the review. The Commission will also launch a public consultation as part of the review.

**Question 87:** Beyond prudential regulation, do you consider that the EU should take further action to mobilise insurance companies to finance the transition and manage climate and environmental risks?

* Yes/No/Do not know.
* If yes, please specify which actions would be relevant. [BOX max. 2000 characters]

*Banking prudential framework*

In the context of the last CRR/D review, co-legislators agreed on three actions aiming at integrating ESG considerations into EU banking regulation:

* a mandate for the EBA to assess and possibly issue guidelines regarding the inclusion of ESG risks in the supervisory review and evaluation process (SREP) (Article 98(8) CRD);
* a requirement for large, listed institutions to disclose ESG risks (Article 449a CRR) (note that some banks are also in the scope of the NFRD);
* a mandate for the EBA to assess whether a dedicated prudential treatment of exposures related to assets or activities associated substantially with sustainability objectives would be justified (Article 501c CRR).

Because the work on ESG risks was at its initial stages, co-legislators agreed on a gradual approach to tackling those risks. However, given the new objectives under the European Green Deal, it can be argued that the efforts in this area need to be scaled up in order to support a faster transition to a sustainable economy and increase the resilience of physical assets to climate and environmental risks. Integrating sustainability considerations in banks’ business models requires a change in culture which their governance structure needs to effectively reflect and support.

**Question 88**: Do you consider that there is a need to incorporate ESG risks into prudential regulation in a more effective and faster manner, while ensuring a level- playing field?

* Yes/No/Do not know.
* If yes, is there any category of assets that could warrant a more risk-sensitive treatment? Are there any other prudential measures that could help promoting in a prudentially sound way the role of the EU banking sector in funding the transition to a more sustainable economy? [box max. 2000 characters]

The European Union should take a positive forward-thinking approach by introducing a Green Supporting Factor. The Green Supporting Factor would be a game-changer in the battle to decarbonise the EU economy, as it would support the re-orientation of capital into the green economy. As credit-financing offered by banks is still the dominating financing method for the economy in Europe, a SSF (Sustainable Supporting Factor) can contribute substantially to achieve the goals of the action plan, the Paris Climate Agreement and the United Nations’ Sustainble Development Goals thus offering by far the best leverage method to shift investments to sustainable economic activities. In our view it is the only provision (proposed in the action plan) that would ensure the achievement of the envisaged results of this initiative.

Furthermore, we believe it is crucial that the SSF will be implemented as positive motivation for banks to shift their financing capacity to sustainable economic activities and to facilitate fund raising for borrowing companies for their sustainable projects. The framework for a well calibrated SSF should contain provisions ensuring that:

* The RWA reduction is only viable for newly granted loans for new investments (for loan-concessions after a certain application date but throughout their whole duration) and not also for already existing loans (e.g. debt-restructuring).
* The RWA reduction is only granted for amounts dedicated to sustainable economic activities – according to the Taxonomy Regulation. The RWA relief should be higher (e.g. 25%) until a certain threshold (e.g. 10 Mio. €) is reached and substantially smaller (e.g. 15%) for exceeding amounts. This provision should ensure that the higher incentive is granted for smaller amounts thus leading to a sufficient (risk) diversification effect in the balance sheet.
* If the respective loan is granted to a SME, the SME-supporting factor already incorporated in the CRR could be utilised additionally (thus avoiding any competitive or crowding out effect between the two factors).
* The whole concept of the SSF should only rely on positive motivation for banks using incentives for a reallocation of investments and not being subject of any disincentive measure (something like a brown penalising factor).
* In addition, risk-weights would be a highly effective and targeted measure for reaching the sustainability goals without burdening the public budgets.

**Question 89:** Beyond prudential regulation, do you consider that the EU should take further action to mobilise banks to finance the transition and manage climate-related and environmental risks?

* Yes one or both, please specify which action would be relevant [BOX max. 2000 characters]
* No.
* Do not know.

**Question 90:** Beyond the possible general measures referred to in section 1.6, would more specific actions related to banks’ governance foster the integration, the measurement and mitigation of sustainability risks and impacts into banks’ activities?

* Yes/No/Do not know.
* If yes, please specify which measures would be relevant. [BOX max. 2000 characters]

*Asset managers*

Traditionally, the integration of material sustainability factors in portfolios, with respect to both their selection and management, has considered only their impact on the financial position and future earning capacity of a portfolio's holdings (i.e., the 'outside-in' or 'financial materiality' perspective). However, asset managers should take into account also the impact of a portfolio on society and the environment (i.e., the 'inside-out' or 'environmental/social materiality' perspective). This so-called “double materiality” perspective lies at the heart of the [Disclosure Regulation](https://eur-lex.europa.eu/eli/reg/2019/2088/oj), which makes it clear that a significant part of the financial services market must consider also their adverse impacts on sustainability (i.e. negative externalities).

**Question 91**: Do you see merits in adapting rules on fiduciary duties, best interests of investors/the prudent person rule, risk management and internal structures and processes in sectorial rules to directly require them to consider and integrate adverse impacts of investment decisions on sustainability (negative externalities)?

* Yes/No/Do not know.
* If yes, what solution would you propose? [BOX max. 2000 characters]

According to the Disclosure Regulation (Art 4) financial market participants and financial advisers are obligated to disclose if and how they consider principal adverse impacts of investment decisions on sustainability factors. In case they don’t consider adverse impacts, they have to provide clear reasons for not doing so.

The Disclosure Regulation will enter into force at the beginning of 2021. It remains to be seen what kind of impact this disclosure obligation will have (from an 'inside-out' or 'environmental/social materiality' perspective) on sustainability factors.

Until then we don’t see merits in adapting rules on fiduciary duties, best interests of investors/the prudent person rule, risk management and internal structures and processes in sectorial rules to directly require them to consider and integrate adverse impacts of investment decisions on sustainability.

*Pension providers*

Pension providers’ long-term liabilities make them an important source of sustainable finance. They have an inherently long-term approach, as the beneficiaries of retirement schemes expect income streams over several decades. Compared with other institutions, pension providers’ long-term investment policies also make their assets potentially more exposed to long-term risks. Thus far, the issues of sustainability reporting and ESG integration by EU pension providers have been taken up in the areas of institutions for occupational retirement provision (IORPs) (“Pillar II” - covered at EU level by the [IORP](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32016L2341) [II Directive](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32016L2341)) and private voluntary plans for personal pensions (“Pillar III” – covered at EU level by the [PEPP Regulation](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2019.198.01.0001.01.ENG)) already in 2016 and 2017, respectively. The Commission will review the IORP II Directive by January 2023 and report on its implementation and effectiveness.

However, according to a [stress test](https://www.eiopa.europa.eu/sites/default/files/financial_stability/insurance_stress_test/eiopa_2019_iorp_stress_test_report.pdf) on IORPs run by EIOPA in 2019 and assessing for the first time the integration of ESG factors in IORPs’ risk management and investment allocation, only about 30% of IORPs in the EU have a strategy in place to manage ESG- related risks to their investments. Moreover, while most IORPs claimed to have taken appropriate steps to identify ESG risks to their investments, only 19% assess the impact of ESG factors on investments’ risks and returns.[[12]](#footnote-13) Lastly, the study provided a preliminary quantitative analysis of the investment portfolio[[13]](#footnote-14) which would indicate significant exposures of the IORPs in the sample to business sectors prone to high greenhouse gas emissions.

In 2017, the Commission established a High-level group of experts on pensions to provide policy advice on matters related to supplementary pensions. In its [report](https://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupMeetingDoc&docid=38547), the group recommended that the EU, its Member States and the social partners further clarify how pension providers can take into account the impact of ESG factors on investment decisions and develop cost-effective tools and methodologies to assess the vulnerability of EU pension providers to long-term environmental and social sustainability risks. The group also pointed out that, in the case of IORPs which are collective schemes, it might be challenging to make investment decisions reconciling possibly diverging views of individual members and beneficiaries on ESG investment. Moreover, in 2019, EIOPA issued an [opinion](https://www.eiopa.europa.eu/content/opinion-supervision-management-environmental-social-and-governance-risks-faced-iorps) on the supervision of the management of ESG risks faced by IORPs.

**Question 92:** Should the EU explore options to improve ESG integration and reporting beyond what is currently required by the regulatory framework for pension providers?

* Yes/No/Do not know.
* If yes, please specify what actions would be relevant in your view. [BOX max. 2000 characters]

**Question 93:** More generally, how can pension providers contribute to the achievement of the EU’s climate and environmental goals in a more proactive way, also in the interest of their own sustained long-term performance? How can the EU facilitate the participation of pension providers to such transition?

* [BOX max. 2000 characters]

**Question 94:** In view of the planned review of the IORP II Directive in 2023, should the EU further improve the integration of members’ and beneficiaries’ ESG preferences in the investment strategies and the management and governance of IORPs?

* Yes/No/Do not know.
* If yes, how could this be achieved, taking into account that IORPs are collective schemes whose members may have different views on ESG integration? [BOX max. 2000 characters]

## Credit rating agencies

[Regulation 1060/2009](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2009.302.01.0001.01.ENG) requires credit rating agencies (CRAs) to take into account all factors that are ‘material’ for the probability of default of the issuer or financial instrument when issuing or changing a credit rating or rating outlook. This covers also ESG factors. According to [ESMA’s advice on credit rating sustainability issues and](https://www.esma.europa.eu/press-news/esma-news/esma-advises-credit-rating-sustainability-issues-and-sets-disclosure) [disclosure requirements,](https://www.esma.europa.eu/press-news/esma-news/esma-advises-credit-rating-sustainability-issues-and-sets-disclosure) the extent to which ESG factors are being considered can vary significantly across asset classes, based on each CRA’s methodology.

Following the 2018 Action Plan on Financing Sustainable Growth, and in response to concerns about the extent to which ESG factors were considered by CRAs, ESMA adopted guidelines on disclosure requirements for credit ratings and rating outlooks.

[ESMA’s Guidelines](https://www.esma.europa.eu/sites/default/files/library/esma33-9-320_final_report_guidelines_on_disclosure_requirements_applicable_to_credit_rating_agencies.pdf) on these disclosure requirements will become applicable as of April 2020. Pursuant to the guidelines, CRAs should report in which cases ESG factors are key drivers behind the change to the credit rating or rating outlook. Consequently, the current landscape will change in the coming months. The Commission services intend to report on the progress regarding disclosure of ESG considerations by CRAs in 2021.

**Question 95:** How would you assess the transparency of the integration of ESG factors into credit ratings by CRAs?

* Please express your view by using a scale of 1 (not transparent at all) to 5 (very transparent).
* If necessary, please explain the reasons for your answer. [BOX max. 2000 characters]

**Question 96:** How would you assess the effectiveness of the integration of ESG factors into credit ratings by CRAs?

* Please express your view by using a scale of 1 (very ineffective) to 5 (very effective).
* If necessary, please explain the reasons for your answer. [BOX max. 2000 characters]

**Question 97:** Beyond the guidelines, in your opinion, should the EU take further actions in this area?

* Yes/No/Do not know.
* If yes, please specify what kind of action you consider would address the identified problems. In particular should the EU consider regulatory intervention? [BOX max. 2000 characters]

## Natural capital accounting or “environmental footprint”

Internal tools, such as the practice of natural capital accounting, can help inform companies’ decision-making based on the impact of their activities on sustainability factors. **Natural capital accounting or “environmental footprinting”** has the potential to feed into business performance management and decision-making by explicitly mapping out impacts (i.e. the company’s environmental footprint across its value chain) and dependencies on natural capital resources and by placing a monetary value on them. In order to ensure appropriate management of environmental risks and mitigation opportunities, and reduce related transaction costs, the Commission will support businesses and other stakeholders in developing standardised **natural capital accounting** practices within the EU and internationally.

**Question 98:** Are there any specific existing initiatives (e.g. private, public or other) you suggest the Commission should consider when supporting more businesses and other stakeholders in implementing standardised natural capital accounting/environmental footprinting practices within the EU and internationally?

* Yes/No/Do not know.
* If yes, please list a maximum of three relevant initiatives. [BOX max. 2000 characters].

## Improving resilience to adverse climate and environmental impacts[[14]](#footnote-15)

*Climate-related loss and physical risk data*

Investors and asset owners, be they businesses, citizens or public authorities, can better navigate and manage the increased adverse impacts of a changing climate when given access to decision- relevant data. Although many non-life insurance undertakings have built up significant knowledge, most other financial institutions and economic actors have a limited understanding of (increasing) climate-related physical risks.

A wider-spread and more precise understanding of current losses arising from climate- and weather-related events is hence crucial to assess macro-economic impacts, which determine investment environments. It could also be helpful to better calibrate and customise climate- related physical risk models needed to inform investment decisions going forward, to unlock public and private adaptation and resilience investments and to enhance the resilience of the EU’s economy and society to the unavoidable impacts of climate change.

**Question 99**: In your opinion, should the European Commission take action to enhance the availability, usability and comparability of climate-related loss and physical risk data across the EU?

* Yes/No/Do not know.
* If yes, please select all that apply:
* Loss data, please explain why [BOX max. 2000 characters]
* Physical risk data, please explain why [BOX max. 2000 characters]

*Financial management of physical risk*

According to a [report](https://www.eea.europa.eu/data-and-maps/indicators/direct-losses-from-weather-disasters-3/assessment-2) by the European Environmental Agency, during the period of 1980-2017, 65% of direct economic losses from climate disasters were not covered by insurance in EU and EFTA countries, with wide discrepancies between Member States, hazards and types of policyholders. The availability and affordability of natural catastrophe financial risk management tools differs widely across the EU, also due to different choices and cultural preferences with regards to ex-ante and ex-post financial management in case of disasters. While the financial industry (and in particular the insurance sector) can play a leading role in managing the financial risk arising from adverse climate impacts by absorbing losses and promoting resilience, EIOPA has [warned](https://www.eiopa.europa.eu/content/discussion-paper-protection-gap-natural-catastrophes) that insurability is likely to become an increasing concern. Measures to maintain and broaden risk transfer mechanisms might hence require (potentially temporary) public policy solutions.

Furthermore, the ongoing COVID-19 outbreak is highlighting the growing risk arising from pandemics in particular, which will become more frequent with the reduction of biodiversity and wildlife habitat. [UNEP’s Frontiers 2016 Report on Emerging Issues of](http://wedocs.unep.org/handle/20.500.11822/7664) [Environment Concern](http://wedocs.unep.org/handle/20.500.11822/7664) shows that such diseases can threaten economic development.

In this context, social and catastrophe bonds could play a crucial role: the former to orient use of proceeds towards the health system (e.g. IFFIM first vaccine bond issued in 2006), and the latter to broaden the financing options that are available to insurers when it comes to catastrophe reinsurance. Such instruments would help mobilise the broadest possible range of private finance alongside public budgets to contribute to the resilience of the EU’s health and economic systems, via prevention and reinsurance.

**Question 100:** Is there a role for the EU to promote more equal access to climate-related financial risk management mechanisms for businesses and citizens across the EU?

* Yes/No/Do not know.
* If yes, please indicate the degree to which you believe the following actions could be helpful, using a scale of 1 (not helpful at all) to 5 (very helpful) and substantiate your reasoning:
* Financial support to the development of more accurate climate physical risk models. [BOX max. 2000 characters]
* Raise awareness about climate physical risk. [BOX max. 2000 characters].
* Promote ex-ante “build back better” requirements to improve future resilience of the affected regions and or/sectors after a natural catastrophe. [BOX max. 2000 characters].
* Facilitate public-private partnerships to expand affordable and comprehensive insurance coverage. [BOX max. 2000 characters].
* Reform EU post-disaster financial support. [BOX max. 2000 characters].
* Support the development of alternative financial products (e.g. catastrophe bonds) offering protection/hedging against financial losses stemming from climate- or environment-related events. [BOX max. 2000 characters]
* Advise Member States on their national natural disaster insurance and post disaster compensation and reconstruction frameworks. [BOX max. 2000 characters].
* Regulate by setting minimum performance features for national climate-related disaster financial management schemes. [BOX max. 2000 characters].
* Create a European climate-related disaster risk transfer mechanism. [BOX max. 2000 characters].
* Other, please specify. [BOX max. 2000 characters].

**Question 101:** Specifically with regards to the insurability of climate-related risks, do you see a role for the EU in this area?

* Yes/No/Do not know.
* If yes, which actions you would consider to be useful? In particular, is there scope for EU action to improve the offer of products and services for climate-related disaster risk reduction, enhance insurers’ potential to promote increased resilience of their policyholders beyond a mere compensatory role? [[15]](#footnote-16)
* Yes/No/Do not know.
* If yes, please explain which actions and the expected impact (high, medium, low). [BOX max. 2000 characters]
* If no, please explain. [BOX max. 2000 characters]

**Question 102:** In your view, should investors and / or credit institutions, when they provide financing, be required to carry out an assessment of the potential long-term environmental and climate risks on the project, economic activity, or other assets?

* Yes / No / Do not know.
* If yes, what action should the EU take? Please list a maximum of three actions. [BOX max. 2000 characters]

To oblige investors and credit institutions to perform such an assessment (of the potential long-term environmental and climate risks) when financing projects, economic activities or other assets, would further bureaucratize the financing processes and thereby make the access to financing more difficult. Especially in light of the current COVID-19 pandemic the proper access to financing and liquidity shouldn’t be complicated. The ability to provide liquidity shouldn’t be restricted beyond already existing regulatory barriers. Hence, we disagree with the implementation of such a mandatory assessment.

1. **ADDITIONAL INFORMATION**

Should you wish to provide additional information (e.g. a position paper, report, further quantitative evidence, other) or raise specific points not covered by the questionnaire, you can upload your additional document(s). Please be aware that such additional information will not be considered if the questionnaire is left completely empty.

1. See for instance “UNEP Frontiers 2016 Report on Emerging Issues of Environment Concern”, UNEP, 2016. [↑](#footnote-ref-2)
2. See for instance “The Nature of Risk - A Framework for Understanding Nature-Related Risk to Business,” WWF, 2019 [↑](#footnote-ref-3)
3. The six environmental objectives are climate change mitigation and adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems. [↑](#footnote-ref-4)
4. Assuming that for climate change mitigation and adaptation, it would be based on the [recommendations](https://ec.europa.eu/info/publications/sustainable-finance-teg-taxonomy_en#200903) [of the TEG](https://ec.europa.eu/info/publications/sustainable-finance-teg-taxonomy_en#200903) for the EU Taxonomy. [↑](#footnote-ref-5)
5. Assuming that for climate change mitigation and adaptation, it would be based on the recommendations of the TEG for the EU taxonomy. [↑](#footnote-ref-6)
6. See for instance the work of the EEFIG (Energy Efficiency Financial Institutions Group set by the EC and the United Nations Environment Program Finance Initiative or UNEP FI) on the financial performance of energy efficiency loans or the [energy efficient mortgages initiatives.](https://energyefficientmortgages.eu/) [↑](#footnote-ref-7)
7. The [European Central Bank also recommended on 27 March 2020](https://www.ecb.europa.eu/ecb/legal/pdf/ecb_2020_19_f_sign.pdf) that significant credit institution refrain from distributing dividend so that “they can continue to fulfil their role to fund households, small and medium businesses and corporations” during the COVID-19 economic shock. [↑](#footnote-ref-8)
8. The six environmental objectives set out in the Taxonomy Regulation are the following: (1) climate change mitigation, (2) climate change adaptation, (3) sustainable use and protection of water and marine resources, (4) transition to a circular economy, (5) pollution prevention and control, (6) protection and restoration of biodiversity and ecosystems. [↑](#footnote-ref-9)
9. More information on the ESAs’ activities on sustainable finance is available on the authorities’ websites. See in particular ESMA’s strategy ([https://www.esma.europa.eu/sites/default/files/library/esma22-105-](https://www.esma.europa.eu/sites/default/files/library/esma22-105-1052_sustainable_finance_strategy.pdf) [1052\_sustainable\_finance\_strategy.pdf](https://www.esma.europa.eu/sites/default/files/library/esma22-105-1052_sustainable_finance_strategy.pdf)), EBA Action Plan (, and EIOPA’s dedicated webpage (https://[www.eiopa.europa.eu/browse/sustainable-finance\_en)](http://www.eiopa.europa.eu/browse/sustainable-finance_en)) [↑](#footnote-ref-10)
10. See for instance the Network of Central Banks and Supervisors for Greening the Financial System (NGFS). [↑](#footnote-ref-11)
11. See for instance the Network of Central Banks and Supervisors for Greening the Financial System (NGFS). [↑](#footnote-ref-12)
12. The analysis shows that the preparedness of pension schemes to integrate sustainability factors is widely dispersed and seems correlated to how advanced national frameworks were. IORP II directive sets minimum harmonisation and was expected to be transposed in national law by January 2019 (and hence could not necessarily be expected to be implemented by end-2018 for the EIOPA survey for the 2019 stress test). [↑](#footnote-ref-13)
13. With almost 4 trillion Euros of assets under management, the EEA’s Institutions for Occupational Retirement Provision (IORPs) sector is an important actor on financial markets. [↑](#footnote-ref-14)
14. Please note that the Commission is also preparing an upgraded EU Adaptation Strategy. A dedicated public consultation will be launched soon. [↑](#footnote-ref-15)
15. For instance, EIOPA in its [opinion on sustainability on Solvency II](https://eiopa.europa.eu/Publications/Opinions/2019-09-30%20OpinionSustainabilityWithinSolvencyII.pdf) talks about “impact underwriting which includes the development of new insurance products, adjustments in the design and pricing of the products and the engagement with public authorities without disregard for actuarial risk-based principles of risk selection and pricing”. [↑](#footnote-ref-16)