Position Paper Assilea

Consultation on the renewed sustainable finance strategy - FISMA *European Survey*

Rome, July 15th, 2020

Preamble

Assilea, the Italian Leasing association, supports the Commission's activity to lead the transition process toward a "green" economy and in the integration of climate and environmental risks into investment decisions through the Renewed sustainable finance strategy. We answer the consultation survey with the aims:

- to highlight the leasing features that make this industry an enabling tool in the sustainable finance framework,
- to identify the solutions offered by leasing to support green activities,
- to contribute to the conscious involvement of leasing stakeholders in the sustainable finance system.

Leasing companies accepted European policy for achieving climate objectives structuring dedicated products. At the same time, the Green Deal recognizes leasing to play a key role in facilitating the required change in behaviour of consumers and producers to obtain the circularity and sharing of products.

An investigation carried out on the national territory shows that, currently, the leasing companies consider sustainability a very important element assessing the riskiness of the customer. This highlights the efforts that leasing is making to be aligned with a sustainable finance framework.

The leasing customers sectors are the same priority sectors for European strategies: as mobility, construction, electromedical, agri-food, energy, etc., therefore leasing can be considered a partner for the transition.

The information purpose of the consultation allows FISMA to make experts and citizens aware of the financial system trends. In this context, Assilea proposes to identify a suitable role of leasing to support strategic activities for SDGs. This promoted role is aligned with the achievement of the objectives of FISMA:

- strengthening the foundations for sustainable investments by creating an enabling framework, with appropriate tools and structures,
- creating more opportunities for citizens, financial institutions and businesses to have positive impacts on sustainability,
- having the financial institutions and the financial system as a whole manage climate and environmental risks, while ensuring that social risks are duly taken into account.

Corresponding author contacts / Co-authors contacts

Federica **Sist** +39 3402489955 federica.sist@assilea.it ; leasing.sostenibile@assilea.it	Andrea **Albensi -** Director +39 346 0882211 andrea.albensi@assilea.it	Chiara **Palermo** +39 346 1210293 chiara.palermo@assilea.it leasing.sostenibile@assilea.it	Beatrice **Tibuzzi** +39 333 3584086 beatrice.tibuzzi@assilea.it leasing.sostenibile@assilea.it

About you

*
Language of my contribution

English

*
I am giving my contribution as

Business association

*
First name

Federica

*
Surname

Sist

*
Email (this won't be published)

federica.sist@assilea.it

*
Organisation name

255 character(s) maximum

Assilea. Italian Leasing Association.

38 / 255

*
Organisation size

- ○ Micro (1 to 9 employees)
- ◉ Small (10 to 49 employees)
- ○ Medium (50 to 249 employees)
- ○ Large (250 or more)

Transparency register number

255 character(s) maximum

Check if your organisation is on the transparency register. It's a voluntary database for organisations seeking to influence EU decision-making.

0 / 255

*
Country of origin

Please add your country of origin, or that of your organisation.

Italy

*

*
Field of activity or sector (if applicable):

at least 1 choice(s)

- [ ] Accounting
- [ ] Auditing
- [x] Banking
- [ ] Credit rating agencies
- [ ] Insurance
- [ ] Pension provision
- [ ] Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)
- [ ] Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
- [ ] Social entrepreneurship
- [x] Other
- [ ] Not applicable

*
Please specify your activity field(s) or sector(s):

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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.
- ○ Don't know / no opinion / not relevant

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
- ○ No
- ○ Don't know / no opinion / not relevant

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:

	1 (strongly disagree)	2 (disagree)	3 (neutral)	4 (agree)	5 (strongly agree)	Don't know / No opinion
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	○	○	◉	○	○	○
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	○	○	◉	○	○	○

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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?

Everything is linked with transition:

- the effective use of taxonomy in every assess of possible green loan,
- the actual reduction of risks avoiding the transfer of risks in loan issuer and
- a sustainable capital allocation for worthy citizen, SMEs, financial institutions and companies.

After 10 years may be the adjective "green" is no more necessary, as it is desirable most brown activity will not survive.

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?

Citizen, SMEs, financial institutions and companies need training to be able to use taxonomy and regulation needs to be less wide.

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?

Commission initiatives need to be based on studies to make the environmental decisions transparent in a level playing field through the Member State legislative frameworks.

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?

- ○ 1 - Not important at all
- ○ 2 - Rather not important
- ○ 3 - Neutral
- ○ 4 - Rather important
- ◉ 5 - Very important
- ○ Don't know / no opinion / not relevant

Question 9.1 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?

A low political risk allows the developing of a good strategic plan in the long period.

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
- ◉ Don’t know / no opinion / not relevant

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?

New exchange systems between the Commission and the Member States are required and a more responsibility of Member states. Another issue is about the avoiding linking the results of sustainability to top management remuneration, when they have a high turn-over or reducing the “short term” turn-over of management.

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.

We believe the actions must take in account risk mitigation and the time lease companies need to change the approach assessing projects and activities. Guidelines are welcome more than other regulation.

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1. Strengthening the foundations for sustainable finance

1.1 Company reporting and transparency

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?

- (x) Yes
- ( ) No
- ( ) Don't know / no opinion / not relevant

Question 14.1 If yes, please explain how it should be structured and what type of ESG information should feature therein:

ESGs are useful for financial institutions to evaluate risks in a more rigorous way and for citizen to use it as a benchmark or a way to communicate data on their own efforts.

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?

- (x) Yes
- ( ) No
- ( ) Don't know / no opinion / not relevant

Question 15.1 If yes, once the EU Taxonomy is established (end-2020 for climate change mitigation and adaptation), 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)?

- ( ) 1 - Not likely at all
- ( ) 2 - Not likely
- ( ) 3 - Neutral
- (x) 4 - Likely
- ( ) 5 - Very likely
- ( ) Don't know / no opinion / not relevant

Question 15.2 If necessary, please specify

Lease companies might contribute to the achieving of the sustainable goals, even if they are beginning now to develop green product; the weight of leasing business in sectors that could potentially be among those included in the sustainable finance taxonomy is about 22% of the total new business; of course we have to consider that a 12% market share is related to "transitional" sectors, like building, manufacturing, agriculture and energy, which are not directly CO2 low emission sectors, but that could enable the transition to "green" when they respect the technical screening criteria fixed by the TEG. These figures could actually be underestimated referring to the agricultural sector, as we see a high volume of leasing of agriculture equipment while for a high percentage of these contracts we don't have the information about the sector and therefore are not included in the above mentioned 22%. Similar considerations can be done for the waste treatment sector, where leasing saw a very important increase in 2019, such as for the agriculture one.

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?

- (x) Yes
- ( ) No
- ( ) Don't know / no opinion / not relevant

Question 16.1 What is in your view the most important area(s)?

- [x] Impairment and depreciation rules
- [x] Provision rules
- [ ] Contingent liabilities
- [ ] Other

Please explain why you think amending the impairment and depreciation rules and provision rules is important:

Both Impairment/depreciation and provision rules are areas that may hamper the adequate and timely recognition and consistent measurement of climate and environmental risks, that are not easily measurable for their own nature.

1.3 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?

- ( ) 1 - Not concerned at all
- (x) 2 - Rather not concerned
- ( ) 3 - Neutral
- ( ) 4 - Rather concerned
- ( ) 5 - Very concerned
- ( ) Don't know / no opinion / not relevant

Question 18. How would you rate the comparability, quality and reliability of ESG data from sustainability providers currently available in the market?

- ( ) 1 - Very poor
- (x) 2 - Poor
- ( ) 3 - Neutral
- ( ) 4 - Good
- ( ) 5 - Very good
- ( ) Don't know / no opinion / not relevant

Question 18.1 If necessary, please explain your answer to question 18:

The comparability will be reached when a useful database and the adoption of taxonomy will be effective and the methodologies of Credit rating agencies will be clear.

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

- ○ 1 - Very poor
- ○ 2 - Poor
- ◉ 3 - Neutral
- ○ 4 - Good
- ○ 5 - Very good
- ○ Don't know / no opinion / not relevant

Question 19.1 If necessary, please explain the reasons for your answer to the question:

If the comparability, quality and reliability of ESG data is not high enough, then ESG research is low.

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?

	1 (very poor quality and relevance)	2 (poor quality and relevance)	3 (neutral)	4 (good quality) and relevance)	5 (very good) and relevance)	Don't know / No opinion
Individual	○	○	○	◉	○	○
Aggregated	○	◉	○	○	○	○

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

- ◉ Yes
- ○ No
- ○ Don't know / no opinion / not relevant

Question 21.1 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?

What: Collection of data about actions disclosed and percentage of green areas on brown activities for finance, in order to create a set of indexes monitoring the effective increase of green activity. Why: to permit the assess of financial stability also looking at sustainable point of view.

Other standards and labels

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
- ○ Don't know / no opinion / not relevant

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

- ◉ Yes
- ○ No
- ○ Don't know / no opinion / not relevant

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?

- ○ 1 - Strongly disagree
- ○ 2 - Disagree
- ○ 3 - Neutral
- ◉ 4 - Agree
- ○ 5 - Strongly agree
- ○ Don't know / no opinion / not relevant

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?

- ○ 1 - Strongly disagree
- ○ 2 - Disagree
- ○ 3 - Neutral
- ◉ 4 - Agree
- ○ 5 - Strongly agree
- ○ Don't know / no opinion / not relevant

Question 32. Several initiatives are currently ongoing in relation to energy-efficient mortgages and green loans more broadly. Should the EU develop standards or labels for these types of products?

- ◉ Yes
- ○ No
- ○ Don't know / no opinion / not relevant

Question 32.1 If yes, please select all that apply in the following list:

- [x] 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

Question 33. The Climate Benchmarks Regulation 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
- ( ) Don't know / no opinion / not relevant

Question 33.1 If yes, please explain what the key elements of such a benchmark should be:

An ESG benchmark to address financial institutions in necessary targets and to make who requires loans more conscious for disclosure and measure of results.

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
- ( ) Don't know / no opinion / not relevant

Question 34.1 If yes, what should they cover thematically and for what types of financial products?

Standards and labels allow financial institutions to catch the flows toward sustainable activities for better reporting and thus investors are well informed, another label should be created for lease tools.

1.6 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 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, EBA report, EIOPA report) 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

Question 38.1 Please specify what other recommendation(s) have the highest potential to effectively tackle short-termism:

This kind of issues should be also addressed in the banking CRD with a discount of capital requirements for loans in the sustainable sectors and not only in the EBA Guidelines on loan origination and monitoring.

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
- ○ Don't know / no opinion / not relevant

Question 39.1 If yes, please explain what action(s).

Specifics discount factors in capital requirements should be introduced to foster investment and financing in the sector.

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
- ○ Don't know / no opinion / not relevant

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
- ○ Don't know / no opinion / not relevant

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
- ◉ Don't know / no opinion / not relevant

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
- ◉ Don't know / no opinion / not relevant

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
- ○ Don't know / no opinion / not relevant

Question 44.1 If yes, please explain.

That would give more visibility of the ESG achievements and support the new investments in the sector.

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
- ◉ Don't know / no opinion / not relevant

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 diligence** (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.
- (x) 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.
- ( ) Don't know / no opinion / not relevant

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?

- (x) Yes
- ( ) No
- ( ) Don't know / no opinion / not relevant

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

- (x) Yes
- ( ) No
- ( ) Don't know / no opinion / not relevant

Question 48.1 If yes, please select your preferred option:

- ( ) All companies, including SMEs
- (x) 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

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2. Increasing opportunities for citizens, financial institutions and corporates to enhance sustainability

2.1 Mobilising retail investors and citizens

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?

- (x) Yes
- ( ) No
- ( ) Don't know / no opinion / not relevant

Question 49.1 If necessary, please provide an explanation of your answer.

An adequate training is required at first not only a detailed guidance.

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
- (x) Don't know / no opinion / not relevant

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?

- ( ) 1 - Strongly disagree
- ( ) 2 - Disagree
- ( ) 3 - Neutral
- (x) 4 - Agree
- ( ) 5 - Strongly agree
- ( ) Don't know / no opinion / not relevant

Question 51.1 If you agree, please choose what particular action should be prioritised:

	1 (strongly disagree)	2 (disagree)	3 (neutral)	4 (agree)	5 (strongly agree)
Integrate sustainable finance literacy in the training requirements of finance professionals.	○	○	◉	○	○
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]	○	○	○	○	◉
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.	○	○	○	○	◉
Directly, through targeted campaigns.	○	○	○	○	◉
As part of a wider effort to raise the financial literacy of EU citizens.	○	○	○	○	◉
As part of a wider effort to raise the knowledge citizens have of their rights as consumers, investors, and active members of their communities.	○	○	○	○	◉
Promote the inclusion of sustainability and sustainable finance in the curricula of students, in particular future finance professionals.	○	○	○	○	◉

2.2 Better understanding the impact of sustainable finance on sustainability factors

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

- ○ 1 - Not important at all
- ○ 2 - Rather not important
- ○ 3 - Neutral
- ○ 4 - Rather important
- ◉ 5 - Very important
- ○ Don't know / no opinion / not relevant

Question 52.1 For scores of 4 to 5, what actions should the EU take in your view?

Green financial products created with technical attention allow citizens and firms to identify and measure their own sustainable activities through financial flows.

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
- ○ Don't know / no opinion / not relevant

Question 53.1 If no, please explain what you would consider to be the most impactful products/instruments to reallocate capital in this way:

Every instrument has specific advantages and purposes suitable differently in each project and activity, for transition it may be appropriate the label with specific structure, leasing as an asset finance instrument has the advantage to allow a major control of the destination of the investment.

2.3 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?

- ○ 1 - Not important at all
- ○ 2 - Rather not important
- ◉ 3 - Neutral
- ○ 4 - Rather important
- ○ 5 - Very important
- ○ Don't know / no opinion / not relevant

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
- ◉ Don't know / no opinion / not relevant

Question 56. Do you see the need for a dedicated regulatory and prudential framework for 'green securitisation'?

- ◉ Yes
- ○ No
- ○ Don't know / no opinion / not relevant

Question 56.1 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?

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It's not necessary a framework ad hoc, if 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, may it could be necessary a specification in the general framework for large banks. For the other intermediaries it's appropriate to simplify complex benefits.

2.4 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 on Digital Financing of the Sustainable Development Goals (SDGs), 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
- ◉ Don't know / no opinion / not relevant

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 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

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
- ◉ Don't know / no opinion / not relevant

Question 58.1 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

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?

- (x) Yes
- ( ) No
- ( ) Don't know / no opinion / not relevant

Question 59.1 If yes, please detail, in particular if you see a role for EU intervention, including financial support.

Not always, in some cases it might be useful, especially if there is also an aid for digitalization.

2 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 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).

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:

Double costs for missing harmonization of different frameworks and requirements between EU level and country level. The lack of a level play field for enterprise (size, sectors, …). Lack of any actual costs/benefits analysis during the regulation process (Regulation impact analyses are recommended).

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

- (x) Yes
- ( ) No
- ( ) Don't know / no opinion / not relevant

Question 61.1 If necessary, please provide details:

Harmonization is the way to avoid any obstacle. Of course, national laws might overcome the social and physical barriers that ESG encounter in a specific country due to its geographical features and social organisation.

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

The offer of “green” financial tools (as green lease) and a reporting section on these topics. More legal responsibility in pursuing ESG goals. European subsidies/incentives/facilitations for SMEs and investors involved in ESG goals.
Green lease can support:
- effort of a new investment in a green asset
- circular economy refinancing used assets or being part of the second life of an asset
- investment in green sector with an asset as a guarantee of the credit risk.

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 into investable (bankable) opportunities?

R&I program receives grants, anyway, lease tools contribute to sustain R&I for sustainable programs.

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

- (selected) Yes
- No
- Don’t know / no opinion / not relevant

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

	Yes	No	Don't know / No opinion
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)?	●	○	○
Better identifying areas in R&I where public intervention is critical to crowd in private funding?	●	○	○
Ensuring alignment and synergies between Horizon Europe and other EU programmes/funds?	●	○	○
Conducting more research to address the high risks associated with sustainable R&I investment (e.g. policy frameworks and market conditions)?	●	○	○
Identifying and coordinating R&I efforts taking place at EU, national and international levels to maximise value and avoid duplication?	●	○	○
Facilitating sharing of information and experience regarding successful low-carbon business models, research gaps and innovative solutions?	●	○	○
Increasing the capacity of EU entrepreneurs and SMEs to innovate and take risks?	●	○	○

Question 65.1 If necessary, please explain your answer.

A comprehensive approach is needed in order to create a legal, financial, digital, information, production system pursuing ESG.

2.5 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?

- ○ 1 - Not functioning well at all
- ○ 2 - Not functioning so well
- ◉ 3 - Neutral
- ○ 4 - Functioning rather well
- ○ 5 - Functioning very well
- ○ Don't know / no opinion / not relevant

Question 66.1 Please specify your answer.

Yes, EU financial system is facing market barriers and inefficiencies that prevent the uptake of sustainable investments, anyway a barrier could emerge from an excess of regulation, different regulations not coherent between them and not by a unique source.

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

- ○ 1 - Not effective at all
- ○ 2 - Rather not effective
- ○ 3 - Neutral
- ○ 4 - Rather effective
- ◉ 5 - Very effective
- ○ Don't know / no opinion / not relevant

Question 67.1 Since you see a strong need for public incentives, which specific incentive(s) would support the issuance of which sustainable financial assets, in your view?

Please rate the effectiveness of each type of asset for each type of incentive:

a) Revenue-neutral subsidies for issuers:

	1 (not effective at all)	2 (not effective)	3 (neutral)	4 (effective)	5 (very effective)	Don't know / No opinion
Bonds	○	○	○	○	○	○
Loans	○	○	◉	○	○	○
Equity	○	○	○	○	○	○
Other	○	○	◉	○	○	○

b) De-risking mechanisms such as guarantees and blended financing instruments at EU-level:

	1 (not effective at all)	2 (not effective)	3 (neutral)	4 (effective)	5 (very effective)	Don't know / No opinion
Bonds	○	○	○	○	○	○
Loans	○	○	○	◉	○	○
Equity	○	○	○	○	○	○
Other	○	○	○	◉	○	○

c) Technical assistance:

	1 (not effective at all)	2 (not effective)	3 (neutral)	4 (effective)	5 (very effective)	Don't know / No opinion
Bonds	○	○	○	○	○	○
Loans	○	○	○	◉	○	○
Equity	○	○	○	○	○	○
Other	○	◉	○	○	○	○

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d) **Any other public sector incentives:**

	1 (not effective at all)	2 (not effective)	3 (neutral)	4 (effective)	5 (very effective)	Don't know / No opinion
Bonds	○	○	○	○	○	○
Loans	○	○	○	◉	○	○
Equity	○	○	○	○	○	○
Other	○	○	○	◉	○	○

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.

Leasing might be the right financial instrument for SMEs allowing to finance the investment in green assets or enabling companies to the transition to green activities; it might also be an important financial instrument in the circular economy, financing the second life of an asset or facilitating with the "vendor" leasing the resale/reuse of the asset.

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

○ 1 - Not effective at all
○ 2 - Rather not effective
○ 3 - Neutral
◉ 4 - Rather effective
○ 5 - Very effective
○ Don't know / no opinion / not relevant

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?

- Revenue-neutral public sector incentives
- Adjusted prudential treatment
- 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).

There is not only one answer, it depends on the kind of investment destination:

- co-financing may work better in the first stage of the circle in circular economy support, for a start-up facilitate the sustainability of other business, R&I programs, to adapt phases of the supply chain to climate change
- public guarantee for enterprises is developing relevant investment in climate change or to low carbon emission or with a TQM and environmental requirements compliance in an economic crisis context or for enterprises in temporary financial distress;
- adjusted prudential treatment may be functional when a loan or a lease is required to support a sustainable supply chains or a supply chain is becoming sustainable or to obtain liquidity while for example high investment in R&I are developed.

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?

- (x) Yes
- ( ) No
- ( ) Don't know / no opinion / not relevant

Question 69.1 If yes, what would be your main three suggestions for actions the EU should prioritise to address this issue?

Introducing EU incentives in green investments, in investment enabling the transition towards green, other incentives graduated according to the ESGs pursued and calculated on the basis on the eventual brown activity of the SMEs and/or the specific sector.

2.6 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 Deal Investment Plan and the Climate Law, 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 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?

- (x) Yes
- ( ) Yes, but only partially
- ( ) No
- ( ) Don't know / no opinion / not relevant

Question 70.1 Please explain which public authority could use it, how and for what purposes:

The state can and must provide the bonus system for entities that invest in green infrastructure and green public vehicles.

Question 71. In particular, is the EU Taxonomy, as currently set out in the report 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
- (x) No
- ( ) Don't know / no opinion / not relevant

Question 71.1 If no or yes, but only partially, please explain why and how those reasons could be best addressed.

A specific regulation is necessary to enable the implementation for public sector, because it is necessary to take into account a public debt.

Question 72. In particular, should the EU Taxonomy 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
- ○ Don't know / no opinion / not relevant

Question 72.1 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, suitable for the following purposes?

- [x] In the context of some EU spending programmes
- [ ] In the context of EU state aid rules
- [ ] Other

Please explain what role you see for a social, climate and environmental taxonomy in the context of some EU spending programmes:

In this context the only one problem could be the trouble in applying for spending programmes by SMEs.

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
- ○ Don't know / no opinion / not relevant

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2.9 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 on Sustainable Finance (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)?

- ○ 1 - Highly insufficient
- ○ 2 - Rather insufficient
- ◉ 3 - Neutral
- ○ 4 - Rather sufficient
- ○ 5 - Fully sufficient
- ○ Don't know / no opinion / not relevant

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.

After Covid-19 the globalisation will change in the short time, anyway the partnerships with emerging markets may be supported with funds; digitalization could be a facilitator.
Other opportunities come from circular economy and cross boarder lease with organizational guarantee.

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
- [x] Other

Question 78.1 Please specify what other main barrier(s) private investors face when financing sustainable projects and activities in emerging markets and developing economies:

The barriers depend on dimensions and sectors, in emerging markets and lease offers opportunities to ensure investments with the asset in the sustainable development if financial education and digital inclusion will shorten financial distance.

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?

Incentives could come from EU finance sustainable projects and activities through funds in supporting SDGs and Paris agreement.

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
- ○ These tools need to be adapted to local specificities in emerging markets and/or developing economies
- ○ Don't know / no opinion / not relevant

Cross border lease to support circular economy, with a second life of an asset abroad.

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
- ○ Don't know / no opinion / not relevant

3. Reducing and managing climate and environmental risks

3.1 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
- ( ) Don't know / no opinion / not relevant

Question 82.1 If yes, what would be the purpose of such a brown taxonomy?

- [ ] 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
- [x] Other

Question 82.2 Please specify what would be the other purpose(s) of such a brown taxonomy:

If the taxonomy is useful for database where risks are identified and assessed in severity.

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
- (•) Don't know / no opinion / not relevant

3.2 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 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.**

- [x] Physical risks
- [x] Transition risks
- [x] Second-order effects
- [ ] Other

Please specify, if necessary:

The kind of production, such us fossil fuels, will inevitably reduce over the time. In order to cope with this transition, the workers and enterprises cannot be left alone, but accompanied by appropriate welfare instrument and public aid.

Second-order effects, especially in real estate leasing.

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:

The identification between brown and green products used in sustainability business or activities or for sustainable products may be useful to measure green flows of capital, necessary for reporting and management of climate and environment related risks.

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?

- ○ 1 - Highly insufficient
- ○ 2 - Rather insufficient
- ◉ 3 - Neutral
- ○ 4 - Rather sufficient
- ○ 5 - Fully sufficient
- ○ Don't know / no opinion / not relevant

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
- ○ Don't know / no opinion / not relevant

Question 88.1 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?

If ESGs are good the organization or citizen should be less risky. Anyway, the need could arise from the alert on sector or area of activity, if the enterprise or citizen are in safe or not in risky areas.

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, option 1. or option 2. or both options
- ○ No
- ◉ Don't know / no opinion / not relevant

Why banks shouldn't finance the transition and manage climate-related and environmental risks?

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
- ○ Don't know / no opinion / not relevant

Question 90.1 If yes, please specify which measures would be relevant.

Banks may obtain more funds if their ESGs improve through EBC specific green refinancing operation.

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3.3 Credit rating agencies

Regulation 1060/2009 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 disclosure requirements, 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 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?

- ○ 1 - Not transparent at all
- ○ 2 - Rather not transparent
- ○ 3 - Neutral
- ○ 4 - Rather transparent
- ◉ 5 - Very transparent
- ○ Don't know / no opinion / not relevant

Question 95.1 If necessary, please explain the reasons for your answer.

Methodology used by CRAs must be available and clear.

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

- ○ 1 - Not effective at all
- ○ 2 - Rather not effective
- ○ 3 - Neutral
- ○ 4 - Rather effective
- ◉ 5 - Very effective
- ○ Don't know / no opinion / not relevant

Question 96.1 If necessary, please explain the reasons for your answer.

ESG factors have different weight for every sector and it is necessary to create ESG clusters and an index for each, lease companies can assess better what they are interesting instead of a unique score to summarize the results and efforts in different ESG issues.

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

- ◉ Yes
- ○ No
- ○ Don't know / no opinion / not relevant

Question 97.1 If yes, please specify what kind of action you consider would address the identified problems. In particular should the EU consider regulatory intervention?

May be, it is better if EU tests on the effectiveness of a private service offered by CRAs.

3.5 Improving resilience to adverse climate and environmental impacts

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?

- (x) Yes
- ( ) No
- ( ) Don't know / no opinion / not relevant

Question 99.1 If yes, for which of the following type of data should the European Commission take action to enhance its availability, usability and comparability across the EU?

- [x] Loss data
- [x] Physical risk data

Please specify why you think the European Commission should take action to enhance the availability, usability and comparability of climate-related loss data across the EU?

Especially for credit institutions, loss data are useful to make the risks model more effective.]

Especially for credit institutions, physical risks data are useful to make the risks model more effective.

Financial management of physical risk

According to a report 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 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 Environment Concern 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
- ○ Don't know / no opinion / not relevant

Question 100.1 If yes, please indicate the degree to which you believe the following actions could be helpful:

	1 (not at all helpful)	2 (rather not helpful)	3 (neutral)	4 (rather helpful)	5 (very helpful)	N.A.
Financial support to the development of more accurate climate physical risk models	○	◉	○	○	○	○
Raise awareness about climate physical risk.	○	○	○	○	◉	○
Promote ex-ante "build back better" requirements to improve future resilience of the affected regions and or/sectors after a natural catastrophe.	○	○	◉	○	○	○
Facilitate public-private partnerships to expand affordable and comprehensive related insurance coverage.	○	○	◉	○	○	○
Reform EU post disaster financial support.	○	○	◉	○	○	○
Support the development of alternative financial products (e.g. catastrophe bonds) offering protection/hedging against financial losses stemming from climate- or environment-related events.	○	○	◉	○	○	○
Advise Member States on their national natural disaster insurance and post disaster compensation and reconstruction frameworks.	○	○	◉	○	○	○
Regulate by setting minimum performance features for national climate-related disaster financial management schemes.	○	○	◉	○	○	○
Create a European climate-related disaster risk transfer mechanism.	○	○	○	◉	○	○
Other	○	○	○	○	○	○

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
- ( ) Don't know / no opinion / not relevant

Question 101.1 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?

For instance, [EIOPA in its opinion on sustainability on Solvency II] 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".

- (●) Yes
- ( ) No
- ( ) Don't know / no opinion / not relevant

Question 101.2 If yes, please explain which actions and the expected impact (high, medium, low):

The insurance cost of climate-related risks should give fiscal advantages to enterprises.

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
- ( ) Don't know / no opinion / not relevant

Question 102.1 what action should the EU take?
Please list a maximum of 3 actions:

Through a technical certification of the potential long-term environmental and climate risks on the project, economic activity, or other assets, with insurance to restrain risks.