Summary Report of the Stakeholder Consultation on the Renewed Sustainable Finance Strategy

8 April 2020 - 15 July 2020

This document provides a factual overview of the contributions to the Stakeholder Consultation on the Renewed Sustainable Finance Strategy (8 April 2020- 15 July 2020). The content of this document should not be regarded as an official statement of the position of the European Commission on the subject matters covered. It does not prejudge any feedback received in the context of other consultation activities.

Contents

GLOSSARY

ACRONYM	TERM
CRA	Credit Rating Agencies
EBA	European Banking Authority
EIOPA	European Insurance and Occupational Pensions Authority
ESA	European Supervisory Authorities
ESG	Environmental, Social and Governance criteria
ESMA	European Securities and Markets Authority
EU GBS	EU Green Bond Standard
IFRS	International Financial Reporting Standard
IORP	Institutions for Occupational and Retirement Provision
IPSF	International Platform on Sustainable Finance
KPI	Key Performance Indicator
NACE	Nomenclature statistique des Activités économiques dans la Communauté Européenne
NECP	National Energy and Climate Plans
NFRD	Non-Financial Reporting Directive
R&I	Research and Innovation
SDG's	Sustainable Development Goals
SFAP	Sustainable Finance Action Plan
TCFD	Task Force on Climate-related Financial Disclosures
TEG	Technical Expert Group on Sustainable Finance
WTO	World Trade Organization

1. INTRODUCTION

On 11 December 2019, the European Commission adopted its Communication on a European Green Deal (EGD), which significantly increases the EU's climate action and environmental policy ambitions. The transition to a sustainable economy will entail significant investment efforts across all sectors and will require to manage and integrate climate and environmental risks into our financial system. In addition, the ongoing COVID-19 outbreak shows in particular the critical need to strengthen the sustainability and resilience of Europe and the ways in which the European economy functions. However, the financial system as a whole is not yet transitioning fast enough. For these reasons, the EGD announced a Renewed Sustainable Finance Strategy to help channel investment into sustainable projects and activities. The Renewed Sustainable Finance Strategy will be adopted in the first half of 2021.

In order to inform the development of the renewed strategy, DG FISMA has organised a stakeholder consultation to collect views and opinions of interested parties. The consultation was open to all citizens, public authorities and private organisations. The results of the consultation do not provide a representative view of the EU population's opinion as respondent have not been selected based on a representative sample. The online consultation[1] was open from 8 April until 15 July 2020 and consisted of 102 questions addressing subjects of interest in the area of sustainable finance. It aimed to gather targeted feedback on how to:

(i) **Strengthen the foundations for sustainable finance** by creating an enabling framework to shift the focus of financial and non-financial companies to sustainability and long-term development.
(ii) **Increase the opportunities for citizens, financial institutions and corporates to have a positive impact on sustainability**.
(iii) **Fully manage and integrate climate and environmental risks into financial institutions and the financial system as a whole**.

The consultation consisted of two parts: Section I (questions 1-5) included questions aimed at all stakeholders and Section II (questions 6-102) included questions addressed to expert stakeholders.
This report presents analysis of the responses to the online questionnaire and the submitted position papers, and consists of the following sections:

1. **Introduction** (this section).
2. **Overview of respondents:** presenting the key characteristics of the stakeholders that responded to the consultation.
3. **Overview of responses and position papers:** presenting the key messages that arise from both the questionnaire responses and the position papers.
4. **Questionnaire - Summary of responses by question:** presenting results of the analysis of survey responses.
5. **Position papers - Summary of responses by theme**: presenting results of the analysis of position papers by key themes identified.

[1] The Consultation Document and all responses received are accessible via: https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/2020-sustainable-finance-strategy-consultation-document_en.pdf.

2. OVERVIEW OF RESPONDENTS

2.1. Questionnaire respondents

A total of 648 organisations and persons provided a response to the questionnaire. The largest groups of respondents came from representatives of companies and financial institutions (business associations 23%, companies/ business organisations 26% in total) (see Figure 2-1). Other groups with a significant number of responses include EU citizens (22%), NGOs/ Civil Society (11%) and public authorities (7%). Of the public authorities, 67% were national, 20% were international and 13% regional or local (see Figure **2-2**).

Figure 2-1 Number of replies by type of respondent (n=648)

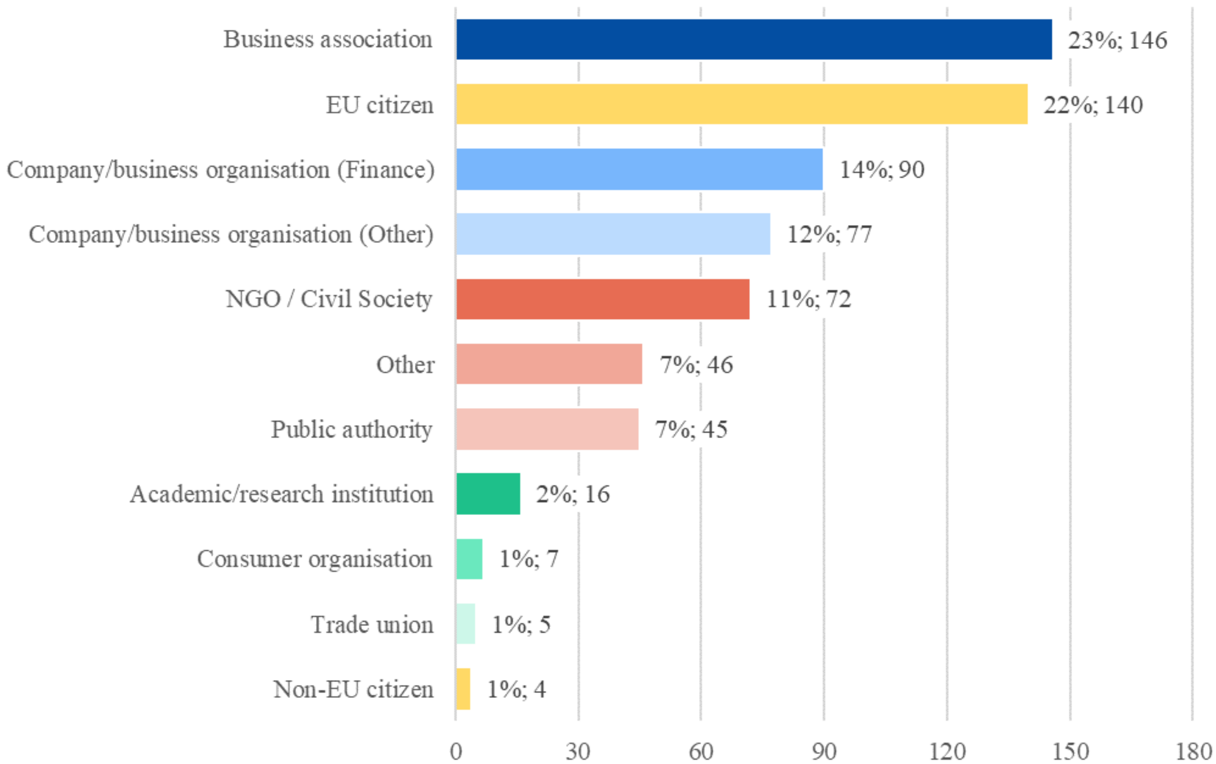
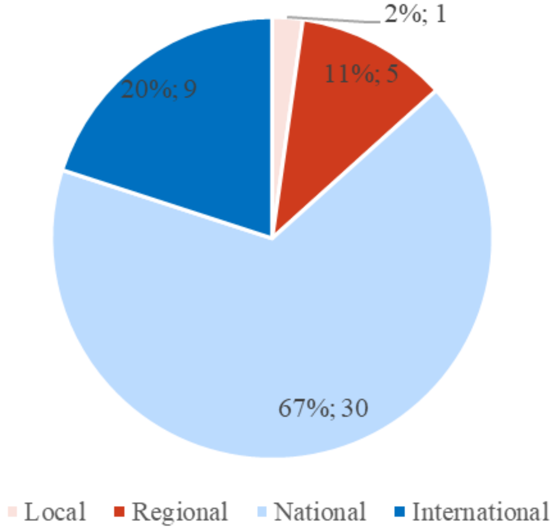
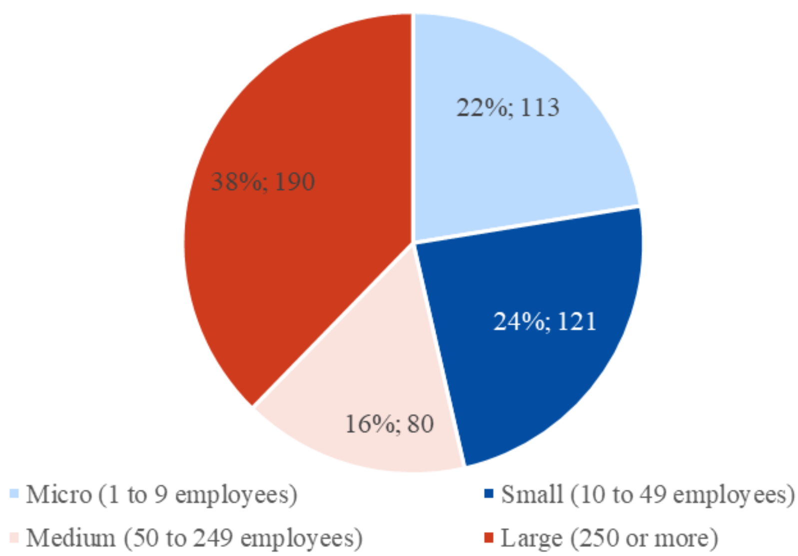


Figure 2-2 Types of public authorities completing the questionnaire (n=45)



Non-public authority stakeholders were asked to clarify the size of their organisation. A total of 504 stakeholders provided this information (Figure 2-3). Most stakeholders responding are large organisations (38%). However, a similar share of stakeholders responding are small (24%) and micro organisations (22%). The smallest share of respondents represented medium-sized organisations (16%).

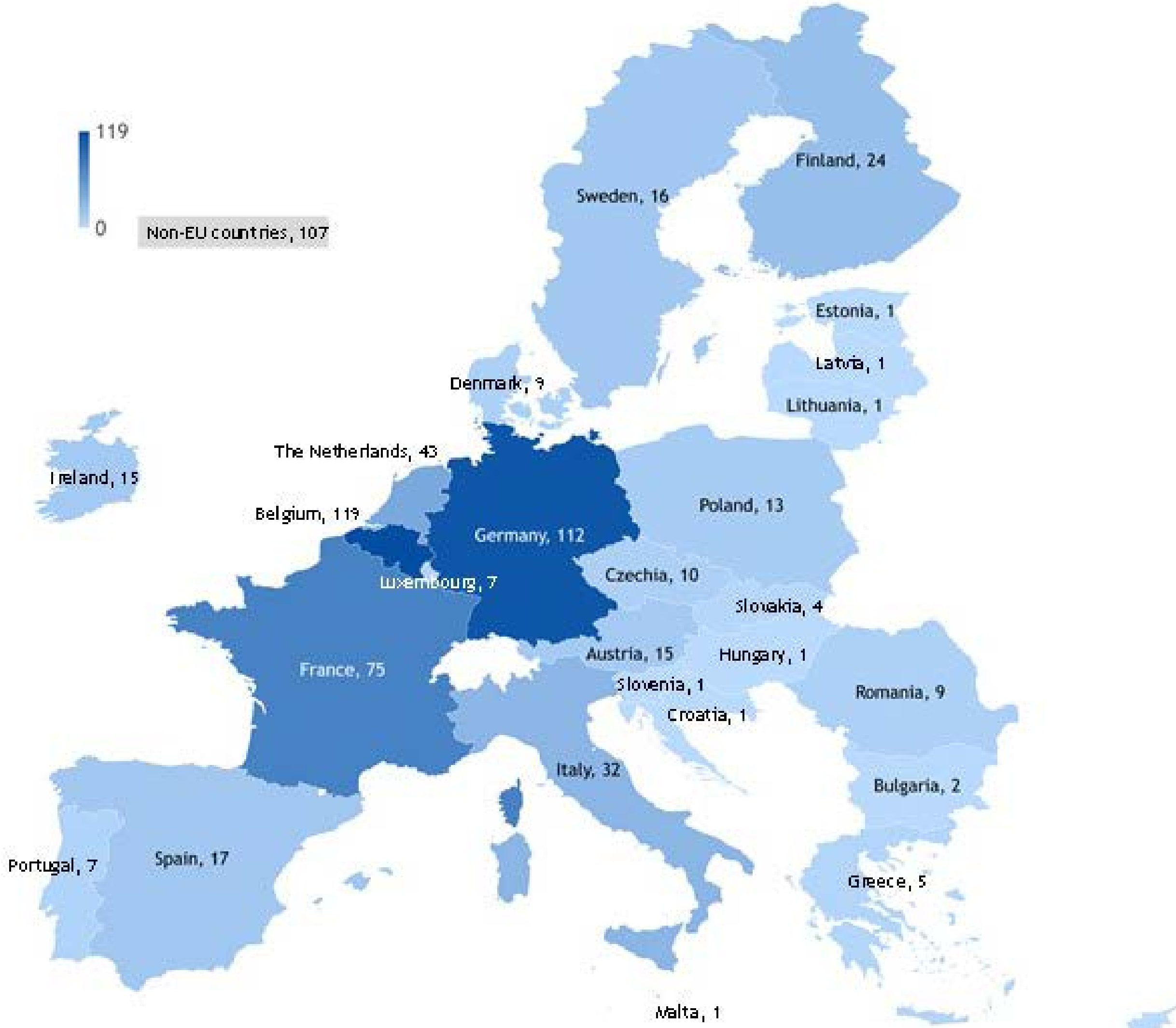
Figure 2-3 Organisation size (n=504)



The results (Figure 2.1-4) show that 648 stakeholders indicated their country of origin. There were 541 (83%) stakeholders, from 26 of the 27 EU Member States. These were mostly found within Belgium (18%), Germany (17%), and France (12%). The high response rate from Belgium is owing to the high number of EU level organisations and associations based in Brussels.

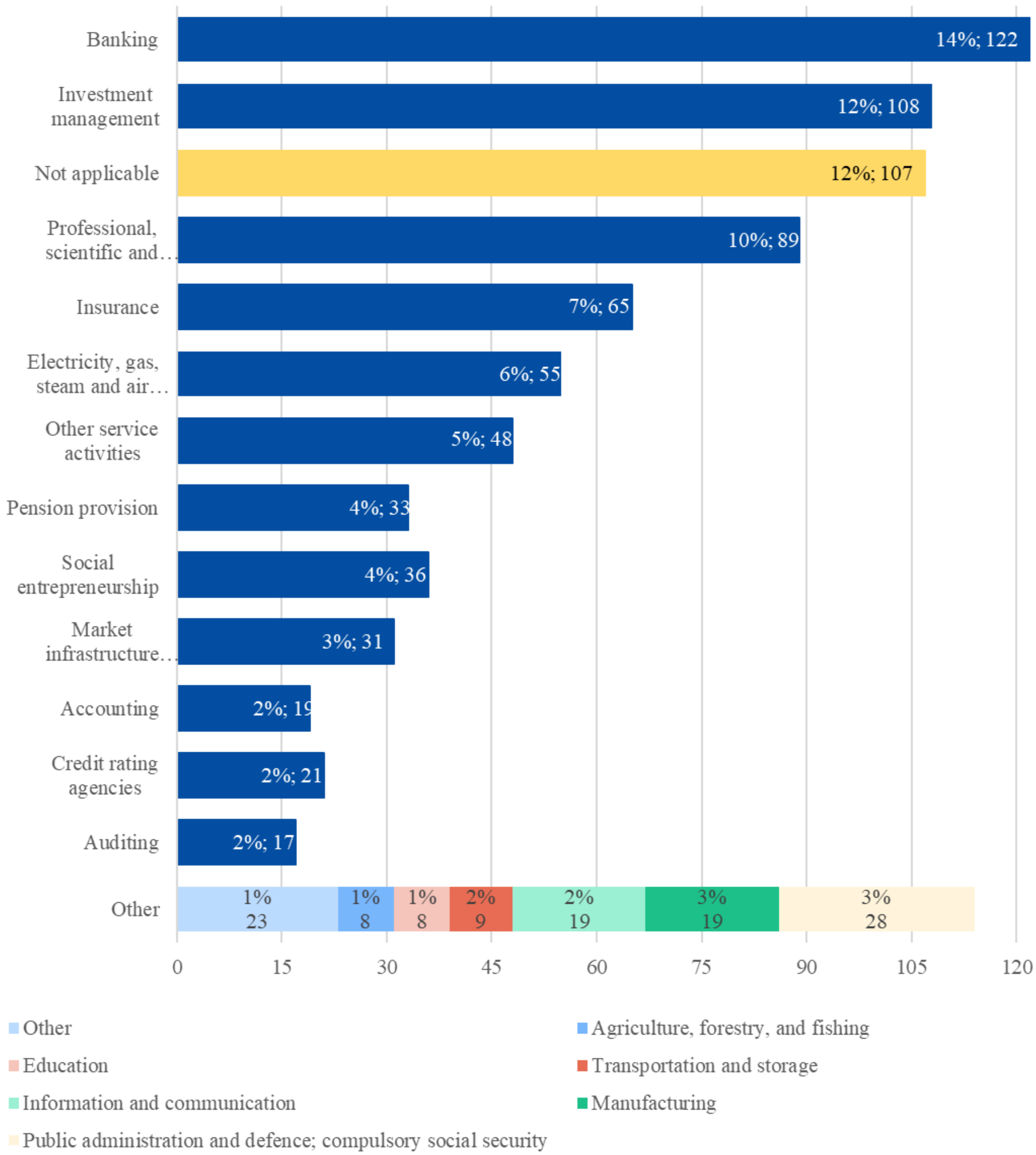
In addition, a total of 107 non-EU stakeholders (17%) provided a response to the questionnaire. The largest share of responses from non-EU countries originated from the United Kingdom (9%), and the United States of America (3%).

Figure 2-4 Country of origin (n=648)



Stakeholders were asked to indicate their sector of activity. The data below (Figure **2-**5) highlights that most stakeholders' activities related to banking (122 stakeholders, 14%), investment management (108 stakeholders, 12%) and professional, scientific and technical activities (89 stakeholders, 10%). The third-largest response group noted their sector of activity as "not applicable" (107 stakeholders, 12%), as such it was not possible to further classify them. Stakeholders were able to provide multiple options in response to this question, therefore the "total figure" (n=851) is greater than the total respondent count.

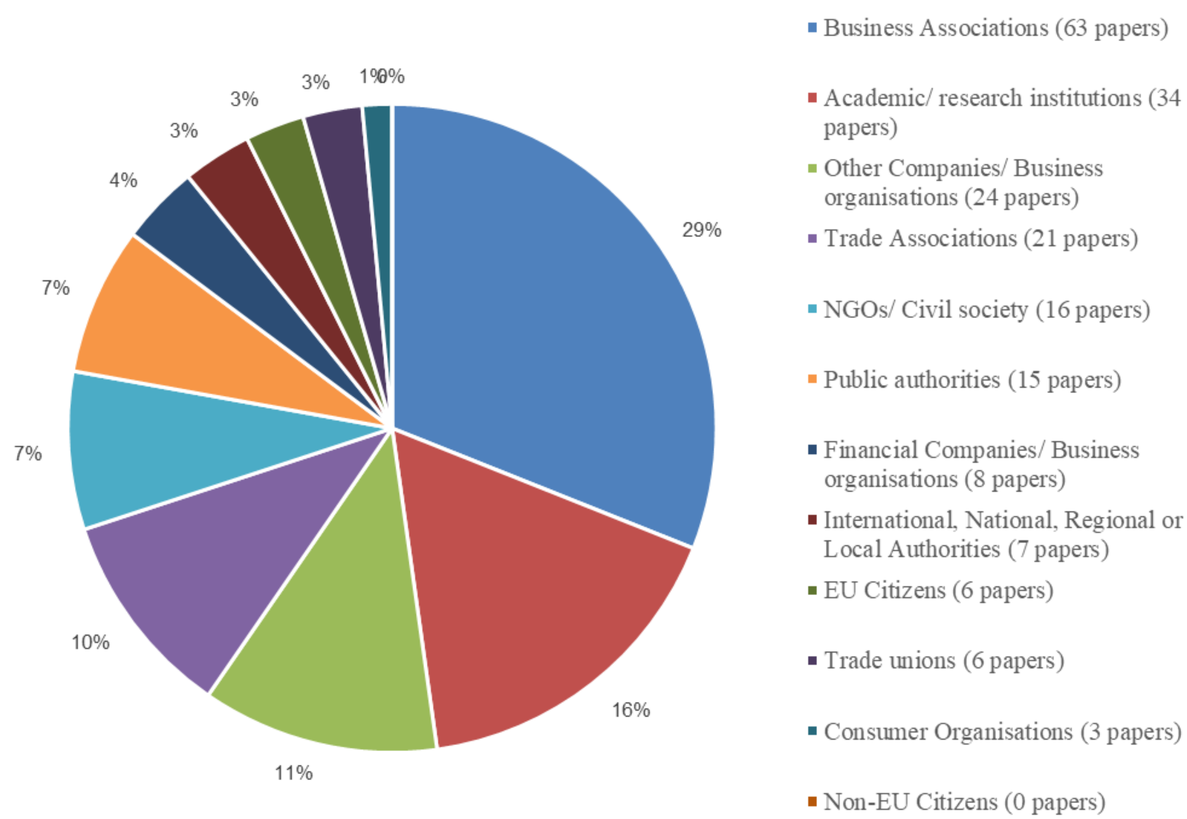
Figure 2-5 Number of replies by field of activity or sector (n=851)



2.2. Position paper respondents

A total of 203 position papers and attachments were submitted in response to the stakeholder consultation. Attachments submitted by business associations make up the largest proportion of responses (29.2%), followed by those from academic/research institutions (15.7%) and individual companies (14.8%) (see Figure 2-4 below).

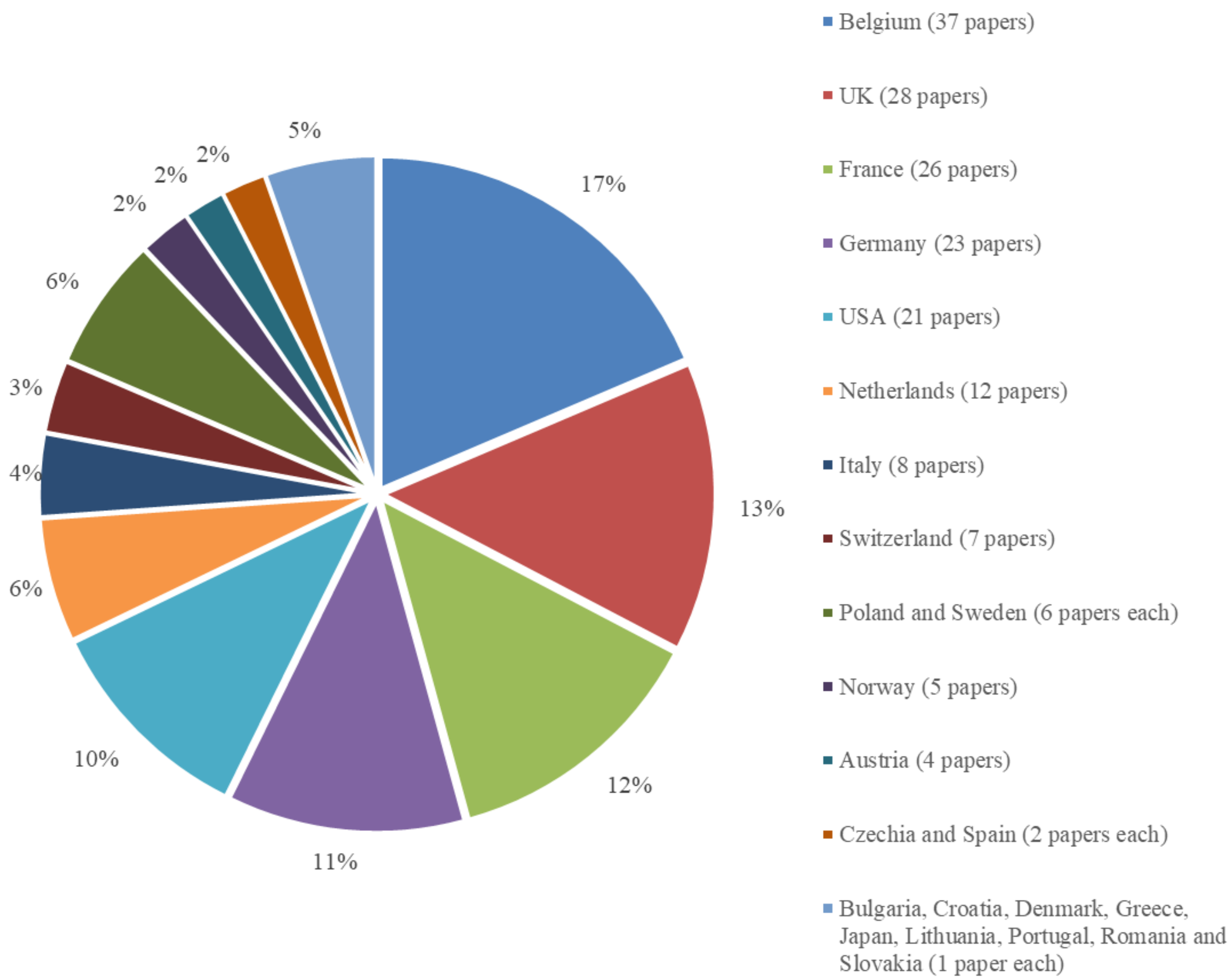
Figure 2-4 Type of stakeholders providing additional attachments



The papers were submitted from countries from both within and outside the EU.

Figure **2-5** below shows that stakeholders based in Belgium were the biggest contributors (16.9%). However, stakeholders based in Belgium were mainly representing international or EU-wide organisations. Stakeholders based in the UK were the most frequent non-EU contributors (14.1%) and the second most frequent contributors overall. Stakeholders based in France (11.7%) were the third most frequent contributors overall. For 35 papers, it was not possible to assign a country of origin.

Figure 2-5 Country from which each reviewed submitted paper originated



3. OVERVIEW OF RESPONSES AND POSITION PAPERS

This section provides an overview of stakeholders' perceptions of the objectives and direction of the EU's Renewed Sustainable Finance Strategy.

The overall feedback from the consultation on the objectives and direction of travel of the EU's Sustainable Finance strategy was generally supportive. Key opportunities highlighted by stakeholders for mainstreaming sustainability into the financial sector included:

- Providing an enabling climate and environmental long term policy framework;
- Utilising the Covid-19 recovery phase for redirection of capital;
- Intensifying international dialogue and cooperation ;
- Using innovations and new technologies, including financial system digitalization;
- Raising awareness and create new skills and knowledge.

The key challenges raised regarding the mainstreaming of sustainability in the financial sector included:

- Non-sustainable short-term profit-seeking practices and greenwashing;
- Prevention of the social and economic risks related to the transition and the management of stranded assets;
- The availability, comparability, and quality of data on environment, social and governance (ESG);
- Risk of complexity of the overall new regulatory framework;
- The visibility of the pipeline projects to investors;
- The need to incorporate consideration of biodiversity impacts within sustainable finance activities.

The key messages identified across the questionnaire responses and the position papers are summarised here under the three thematic areas:

1) Strengthening the foundations for sustainable finance;
2) Increasing opportunities for citizens, financial institutions, and corporates to enhance sustainability; and
3) Reducing and managing climate and environmental risks.

The topics summarised under these thematic areas are outlined in more detail in Section 4 and Section 5 of this report.

3.1. Strengthening the foundations for sustainable finance

Strong support for the development of a free, public environmental data space for companies: This was a sentiment that was consistent across the survey responses and position papers. Within the position papers it was highlighted that the purposes of such a database, by providing a service to all, are to reduce information asymmetry, create a level-playing field for access to information and reduce fragmentation through the harmonisation of data.

Support regarding accounting standards and rules: Of those respondents who had an opinion, most indicated that they saw further areas in existing financial accounting rules which may hamper recognition and measurement of long-term sustainability risks. Those that noted issues called for consistent and adequate recognition of climate and environmental risks in financial statements concerning valuation and impairment of assets, provisioning for climate and environmental risks and disclosures. Several respondents considered that existing IFRS can capture sustainability risks but more guidance is needed. Further issues noted included IFRS 9 *financial instruments* not allowing an appropriate classification and measurement of sustainability linked loans.

Strong support for EU action on ESG research and ratings: Of the stakeholders responding to the questionnaire, the largest share indicated that the quality, reliability, and comparability of ESG data and ratings is currently considered poor and strongly supported EU action. Asset managers and professional investors expressed more neutral view on the quality, reliability and comparability of ESG data and ratings. The main challenges to be addressed which are recognised within the position papers include a lack of standardisation of ESG reporting, data and metrics, and a lack of transparency by ESG data providers regarding methodologies and aggregated underlying data used in their analysis. Concerns were also raised about the growing level of concentration in the market for ESG ratings and data providers, as well as concerns around potential conflicts of interest.

Support for further definitions, standards and labels for sustainable financial assets and financial products:

- *EU Green Bond Standard (GBS)* – Overall, stakeholders indicated that verifiers of EU green bonds should be subject to accreditation or authorisation at an EU level. Most stakeholders perceived it would be challenging for non-European issuers to follow the EU GBS.
- *Prospectus and green bonds* – Stakeholders indicated that requiring the disclosure of information on green bonds would improve the consistency and help tackle greenwashing. Some of the position papers raised the concern that the mandatory disclosure of information may introduce complexity.
- *Other labels and standards* – Stakeholders supported the introduction of standards or labels for energy-efficient mortgages or green loans and an EU label for investment funds. There was support for the supervision of minimum standards for sustainability investment funds by the Commission or European Supervisory Authorities (ESAs), or introduction of regulated minimum standards in law, and support for an ESG benchmark. However, concerns were raised within several position papers that the introduction of further labels is premature and may introduce bias and limit product diversity.

Limited support for the development of sustainable finance-oriented exchange segments: Stakeholder views were mixed on whether the existing capital market infrastructure supports issuance and liquidity of sustainable securities. Across the questionnaire responses and the position papers, most stakeholders did not think that the EU should foster the development of sustainable finance-oriented exchange segments.

Support for measures relevant to corporate governance, long-termism and investor engagement: These measures included the ESAs recommendations on undue short-term pressures; harmonised voting frameworks across the EU to facilitate shareholder engagement and votes on ESG issues; the adoption of explicit legal provisions related to governance and risk management; and an EU framework for supply chain due diligence to harmonise national frameworks applicable to all companies, with lighter requirements for small and medium enterprises (SMEs). The largest share of responses agrees with the introduction of a set of mandatory share of variable remuneration based on non-financial performance.

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

Support for measures proposed to mobilise retail investors: Stakeholders generally responded that detailed guidance for financial advisers would be useful for when they ask questions to retail investors. There was overall support for EU action to increase citizen and professional financial literacy. There was also support within the questionnaire responses for the systematic offering of sustainable products by retail investors. However, the offering of sustainable investment products as a default option was found to be more contentious within the position papers.

Support for better measurement of the impact of sustainable finance on sustainability factors: Most questionnaire respondents indicated that they agree that it is important to improve the measurement of the impacts of financial products. This sentiment was also consistent with the position papers. Furthermore, not all financial products and instruments were seen to have the same ability to allocate capital for sustainable projects, with the most effective being viewed as bonds, private and public shares, and exchange-traded funds.

Green securitisation is viewed as an important means to better allocate capital to sustainable projects by more stakeholders than not. The questionnaire found that most stakeholders were unaware of barriers to green securitisation created by the EU securitisation market and regulatory framework, or if regulatory and prudential frameworks were necessary for green securitisation. The position papers highlighted several market and regulatory barriers, including the lack of a green premium, issues identifying green assets, and a lack of market liquidity.

Support for the use of digital tools: Within their position papers, stakeholders stressed the importance of digital tools in the context of issues such as integrated reporting and providing platforms for facilitating an ESG data space and learning platforms. Within the questionnaire responses, stakeholders suggested that public authorities should support the development of digital financial solutions and use more digital tools to involve EU citizens in co-financing local sustainable projects.

Support for EU actions regarding project pipelines: The main market and regulatory barriers preventing an increase in project pipelines were noted as being investor uncertainty (due to lack of long-term policy and clear rules); the (perceived) lower profitability and the risk/return profile of these projects and the lack of incentives; a lack of knowledge and skills with regard to sustainable projects; and a lack of common definitions and standardised metrics. Stakeholders responded that these obstacles could be addressed by facilitating the sharing of information between low-carbon business models, by ensuring harmonisation between Horizon Europe and other EU programmes, through increasing the capacity of EU SMEs to innovate and take risks, and within Member States' National Energy and Climate Plans (NECPs). Furthermore, research and innovation (R&I) was indicated by stakeholders as a useful category to be included in the EU Taxonomy.

Stakeholders mostly perceived public incentives as being effective for boosting sustainable investments, including revenue-neutral subsidies for issuers, de-risking mechanisms such as guarantees and blended financing instruments at EU-level, technical assistance, and any other public sector incentives. Stakeholders indicated the wish to have specific incentives to facilitate the access to finance for SMEs to carry out sustainable activities. Some stakeholders highlighted that the taxonomy, as proposed by the TEG on Sustainable Finance, may be challenging to implement for investors and SMEs.

Half of the stakeholders agreed that the EU Taxonomy is suitable or partially suitable for the public sector to classify and report on green expenditures and is a useful tool for green public procurement. Stakeholders further expect public issuers to make use of the future EU Green Bond Standard.

Support for actions promoting intra-EU cross-border sustainable investments: Within the questionnaire responses, stakeholders who expressed an opinion largely agreed that targeted investment promotion services would support cross-border investments. Information and legal frameworks and support in completing authorisations were the two most selected services to aid cross-border investments from the list of further measures presented in the questionnaire. Within the position papers, support was expressed for the existing promotion and facilitation measures. However, stakeholders recognised a need for these measures to fully integrate ESG considerations.

Unawareness around the impact of the EU Investment Protection Framework: Within the questionnaire responses, most stakeholders did not know or had no opinion if such a framework has an impact in cross-border sustainable investment. Of those with an opinion, the largest share indicated that investment protection has a significant impact.

Global coordination to achieve the Paris Agreement and SDGs is a key area of opportunity: The majority of stakeholders perceived that global coordination was rather insufficient. Actions suggested by stakeholders included collaborative multilateral work in existing fora (such as the International Platform on Sustainable Finance or the G20) and exchanges with the private sector as well as more coordination on green fintech, reporting standards or biodiversity. In emerging markets, the main barriers for private investors were indicated to be the lack of internationally comparable and suitable finance frameworks and excessive investment risks. Stakeholders noted that sustainable finance tools need to be adapted to local specificities in the emerging markets.

3.3. Reducing and managing climate and environmental risks

Mixed support for taxonomies of economic activities with a negative and low environmental impact: Stakeholders were split on the need for a negative impact taxonomy. For the creation of a taxonomy of economic activities with low impact, more stakeholders disagreed than agreed that it is a necessity. Within the position papers, NGOs were found to be in favour of the measures, while business associations were more likely to express a negative viewpoint.

Financial stability risk: Stakeholders raise important concerns about transition and physical risks for their industry. For the *insurance sector*, most stakeholders agree that the EU should take further action to mobilise insurance companies to finance the transition to manage climate and environmental risks and propose several options (disclosure requirements, guidance on impact investment, clarify risk management rules). Half of the stakeholders indicated the need to incorporate ESG risks into *banking* prudential regulation in a more effective and faster manner and a large share support more specific actions related to banks' governance to foster the integration, the measurement and mitigation of sustainability risks and impacts into banks' activities. Half of the stakeholders identified the existence of merits in adapting rules for *asset managers* 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. Stakeholders agreed that the EU should explore options to integrate ESG and reporting beyond the regulatory framework for *pension providers*.

There were mixed opinions about the transparency and effectiveness of ESG factors being incorporated into credit ratings: The questionnaire responses favoured the option that the EU should act regarding Credit Rating Agencies (CRAs) beyond existing guidelines. Within the position papers, there were several suggestions put forward by stakeholders to require credit rating agencies to integrate sustainability criteria into their ratings and explain their capacity to do so, as well as systematically including climate financial risks in their ratings. Amending the EU's CRA Regulation was proposed by some stakeholders.

Stakeholders were mostly aware and provided examples of specific initiatives to support businesses and other stakeholders in implementing standardised natural capital accounting/environmental foot-printing practices within the EU and internationally.

Support for action to enhance the availability, usability, and comparability of climate related loss and physical risk data in the EU. Specifically, stakeholders indicated that there is a role for the EU in promoting equal access to climate-related financial risk mechanisms for businesses and citizens. Among the potential actions suggested, stakeholders were more in favour of financial support to the development of more accurate climate physical risk models and raising awareness about climate physical risk. Stakeholders responses were split between not knowing or agreeing that there is a role for the EU regarding insurability of climate-related risks.

4. QUESTIONNAIRE: SUMMARY OF RESPONSES BY QUESTION

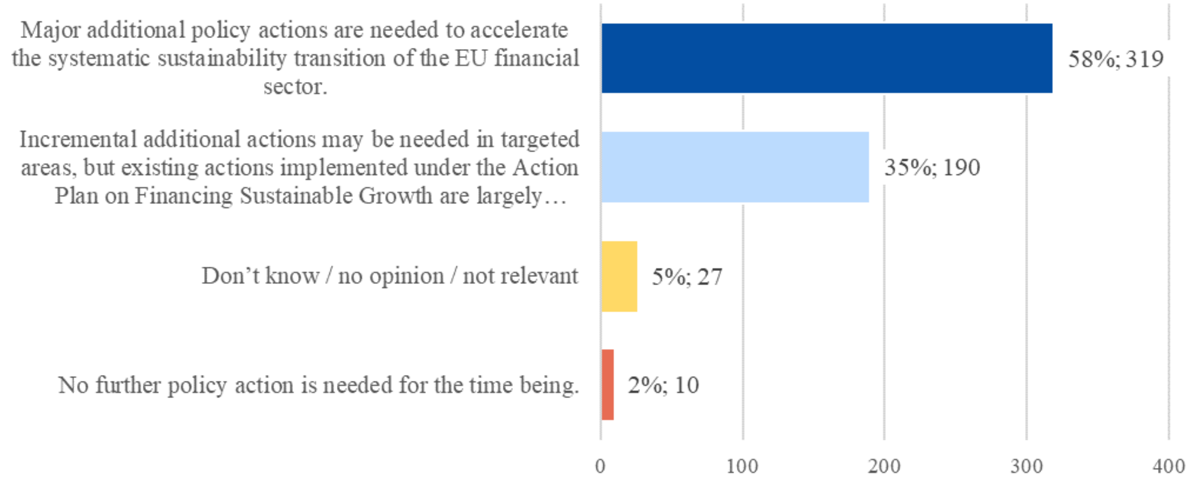
This section provides a summary of the responses to the consultation's questions. Further detail regarding how different stakeholder groups tended to respond is provided where a group's responses diverge from the overall trend.

4.1. Questions addressed to all stakeholders on how the financial sector and the economy can become more sustainable (questions 1-5)

The Section I of the questionnaire was designed for all responding stakeholders. This section incorporated Questions 1 to 5.

Question 1 asked about the level of additional policy interventions required to match the increased ambition of the European Green Deal (EGD).
Most stakeholders responded that additional policy actions are needed to accelerate a sustainable transition of the EU financial sector.

Figure 4-1 Responses to Question 1 for a **total of respondents=546**

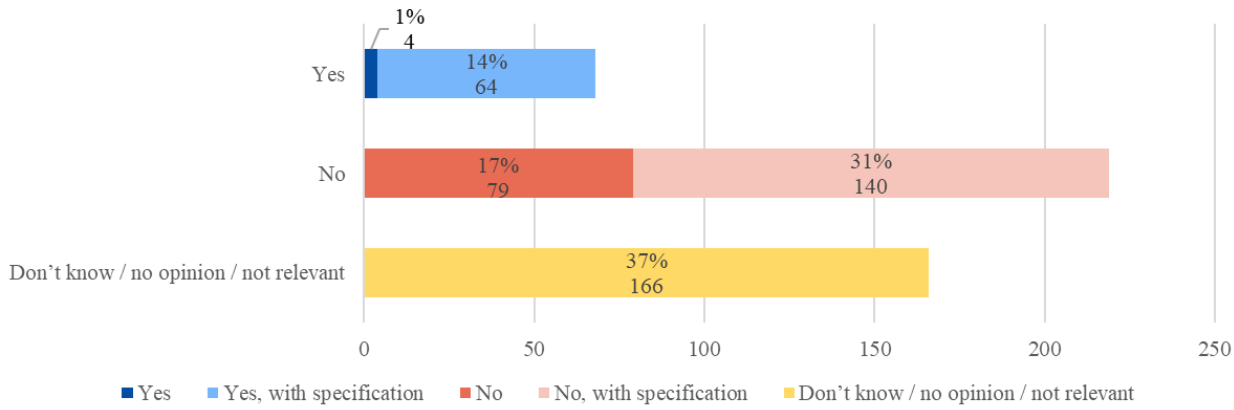


The proportion of stakeholders who stated that major additional policy actions are needed varied depending on the stakeholder groups. 79% of academic respondents (11 stakeholders), 71% of consumer organisations (5 stakeholders), 100% of environmental organisations (6 stakeholders), 86% of NGOs/ Civil Society (50 stakeholders), 80% of trade unions (4 stakeholders), 76% of "other" stakeholders (26 stakeholders) and 94% of individuals in a personal capacity (134 stakeholders) agreed that major policy actions were needed.

The stakeholder types with a majority indicating that incremental additional policy actions are needed were business associations (81 stakeholders, 71%), financial companies/ business organisations (38 stakeholders, 56%), other companies/ business organisations (33 stakeholders, 54%) and public authorities (19 stakeholders, 53%).

Question 2 asked stakeholders if they knew if some of their pension, life insurance premium or any other personal savings was invested in sustainable financial assets.
The largest share of stakeholders affirmed to not know if their pension, life insurance premium, or other personal savings was invested in sustainable assets.

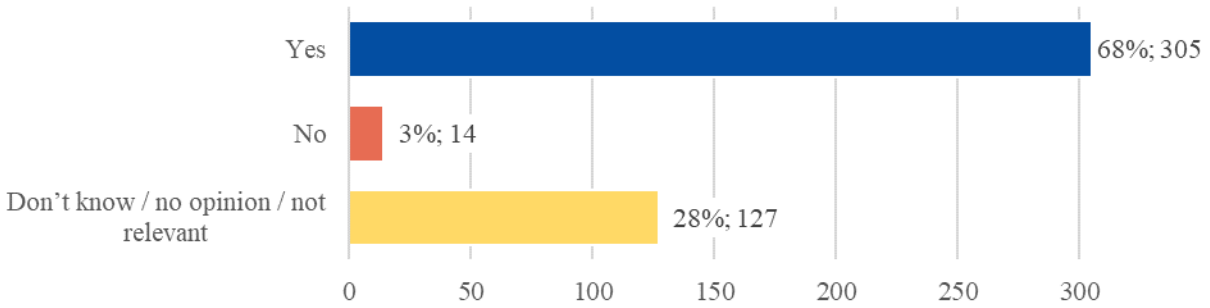
Figure 4-2 Answers to Question 2 for a **total of respondents=453**



Among those that responded "Yes", most stakeholders affirmed that they searched for the information actively or that the information was made available and adequate. Among those that responded "No", most stakeholders called for more transparent information and in general more information about the environmental/social impact and less greenwashed information, some called for a proper option to invest sustainably (wanting sustainable assets as default).

<u>Question 3</u> asked if respondents would like to be systematically offered sustainable investment products as default options by financial advisers.
Most stakeholders stated that they would like to be shown sustainable investment products by default.

Figure 4-3 Answers to Question 3 for a **total of respondents=446**

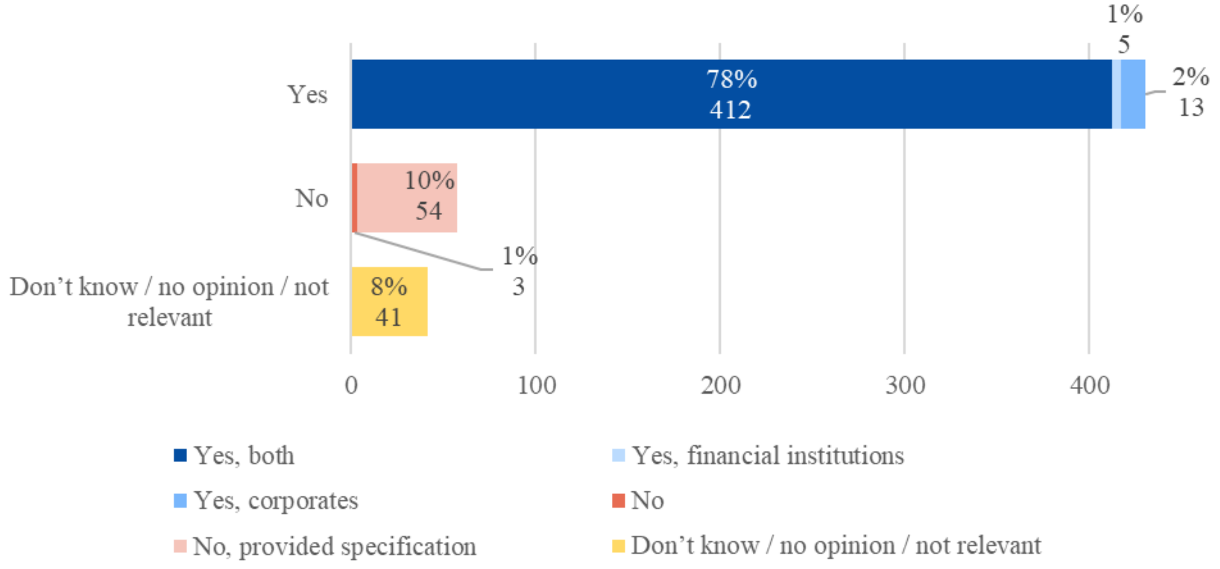


The proportion of stakeholders who supported the systematic offering of sustainable investment products as a default varied within stakeholder groups: 80% of academics (8 stakeholders), 100% of consumer organisations (7 stakeholders), 85% of NGOs/civil society (50 stakeholders) and 75% of trade unions (3 stakeholders). Financial and other companies/business organisations were more split: only 52% (52 stakeholders) agreed.

A majority of business associations (54 stakeholders, 69%) and public authorities (9 stakeholders, 53%) responded that they did not know/ had no opinion in response to this question.

<u>Question 4</u> asked stakeholders whether it would be useful if corporate and financial institutions had to communicate and explain how their business strategies and targets contribute to reaching the goals of the Paris Agreement.
A substantial majority of respondents thought that both corporate and financial institutions should provide such communications.

Figure 4-4 Answers to Question 4 for a **total of respondents=528**



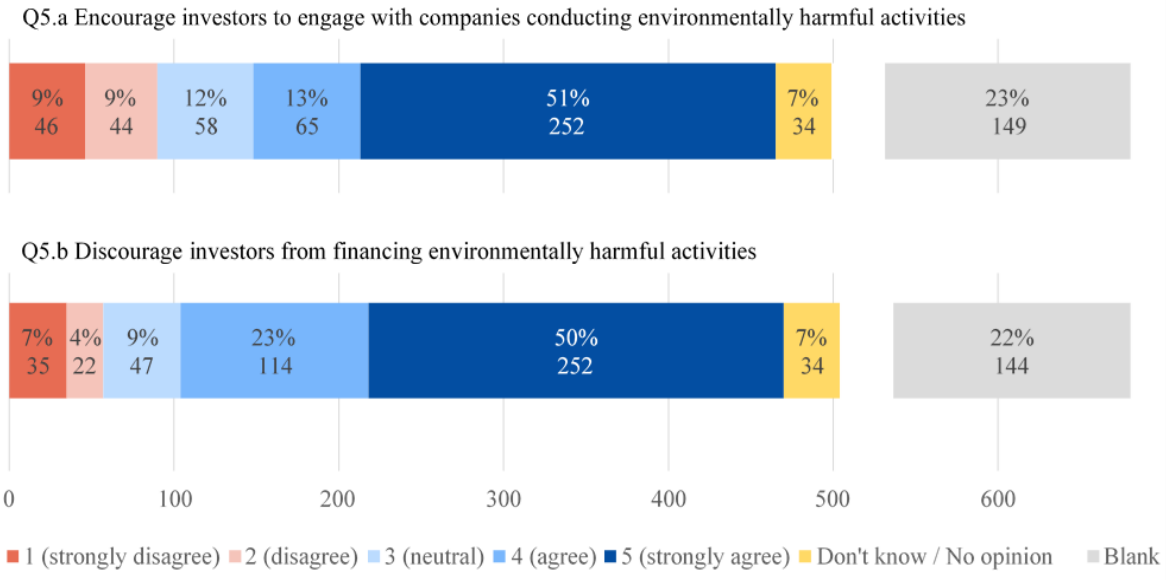
When providing a negative answer, stakeholders were given the opportunity to explain the reason of their selection (55 respondents): most of them affirmed that existing frameworks, in particular the NFRD and TCFD reporting requirements are sufficient and that voluntary reporting is preferred to new reporting rules.

<u>Question 5</u> asked stakeholders on the topic of encouraging investors to finance sustainable activities and projects, and if the EU should take further action to:

a) 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; and
b) 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.

Stakeholders could provide a ranking from 1 "strongly disagree" to 5 "strongly agree" for both options. Broadly, it is clear from the data that the respondents overall strongly agreed or agreed with the two options.

Figure 4-5 Answers to Question 5 for a **total of respondents= 504** for option a) and **=499** for option b)



Note: The method for calculating the percentages differ in this Figure between the coloured stacked bars and the grey "blank" bar. The percentages of the coloured bars indicate the share of responding stakeholders for that question (see "n" number in Figure caption). The grey bar indicates the percentage of blank responses compared to total survey respondents (n=648).

On encouraging investors to engage with companies conducting environmentally harmful activities, with the aim to encourage environmentally friendly practices, most stakeholders either strongly agreed or agreed that the EU should take further action (317 stakeholders, 64%). A small group of stakeholders either strongly disagreed (46 stakeholders, 9%) or disagreed (44 stakeholders, 9%). Those with a majority strongly agreeing included 85% of academics (11 stakeholders), 36% of financial companies/ business organisations (24 stakeholders), 26% of other companies/ business organisations (19 stakeholders), 100% of consumer organisations (7 stakeholders), 79% of NGOs/ Civil Society (50 stakeholders) and 58% of "other" stakeholders (18 stakeholders). A large share of business associations (35 stakeholders, 39%) and trade unions (3 stakeholders, 75%) agreed with this option. Business associations also had a large share that was neutral (23 stakeholders, 26%).

On discouraging investors from financing environmentally harmful activities, most stakeholders strongly agreed that investors should be discouraged from financing activities that are not in line with the environmental objectives and the EU-wide trajectory for greenhouse gas emission reductions, as part of the European Climate Law (252 stakeholders, 50%). Smaller groups of stakeholders either disagreed or strongly disagreed. Opinions on this question varied among the stakeholder groups. 75% of academics (9 stakeholders), 27% of financial companies and business organisations (15 stakeholders), 35% of other companies (17 stakeholders), 86% of consumer organisations (6 stakeholders), 81% of NGOs/civil society (50 stakeholders), 67% of trade unions (3 stakeholders) and 55% of "other" stakeholders (17 stakeholders) strongly agreed.

4.2. General questions targeted at experts (questions 6-13)

The general part of Section II asked expert stakeholders broad questions on the Renewed Sustainable Finance Strategy. This general part incorporated Questions 6 to 13.

Question 6 asked stakeholders what they saw as the three main challenges and three main opportunities for mainstreaming sustainability in the financial sector over the coming 10 years.
This question allowed for open responses from stakeholders. Among the 439 stakeholders who provided a response, **the most commonly identified opportunities** for mainstreaming sustainability were:

- Provide an enabling climate and environmental long term policy framework;
- Utilise the Covid-19 recovery phase for redirection of capital;
- Intensified international dialogue and cooperation ;
- Use innovations and new technologies, including financial system digitalization;
- Raise awareness and create new skills and knowledge.

The **most commonly identified challenges** for mainstreaming sustainability were:

- Non-sustainable short-term profit-seeking practices and greenwashing;
- Prevention of the social and economic risks related to the transition and the management of stranded assets;
- The availability, comparability, and quality of data on environment, social and governance (ESG);
- Risk of complexity of the overall new regulatory framework;
- The visibility of the pipeline projects to investors.

<u>Question 7</u> asked stakeholders if they could identify specific obstacles in current EU policies and regulations that hindered the development of sustainable finance.

This question allowed for open responses from stakeholders. Among the 382 stakeholders who submitted a response, **the most commonly identified obstacles** in current EU policies and regulations were:

- Lack of commonly agreed and standardized corporate disclosures and insufficient physical asset data (such as on building stocks);
- Challenges in the implementation of the 2018 Action Plan (short timeline, difficulties for certain actors like SMEs, perceived complexity and inconsistencies between adopted sustainable finance regulations);
- Absence of clear environmental and climate policies to transform the real economy (such as a carbon price or incentives).

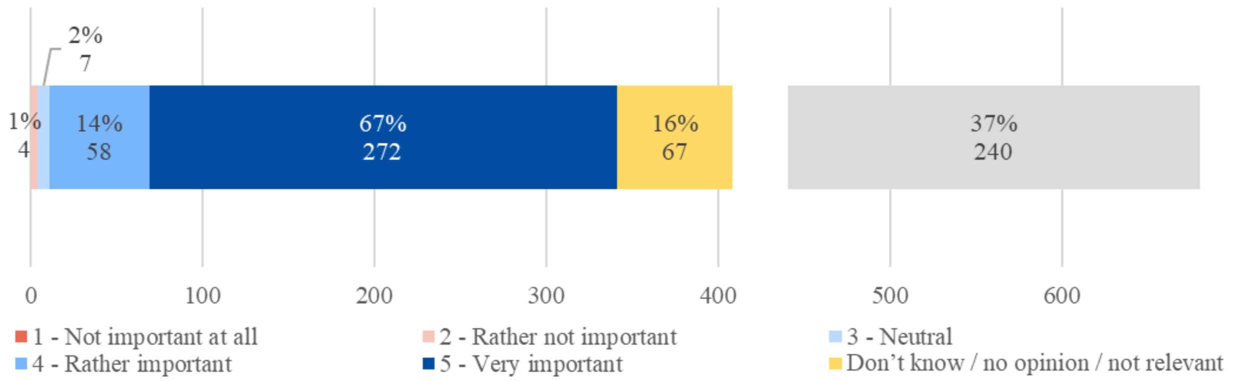
<u>Question 8</u> asked stakeholders how the EU could ensure that the financial tools developed to increase sustainable investment flows and manage climate and environmental risks had no or limited negative socio-economic impacts.

This question allowed for open responses from stakeholders. Among the 359 stakeholders who responded, most of them highlighted the possible socio-economic impacts of the transition and the need for a just and inclusive transition. Overall, they indicated that the EU should create green jobs and facilitate workers' transitions (re-skilling), but also support the implementation of fundamental changes to industry profiles within Member States. Among the financial tools that can contribute to this, stakeholders listed minimum social standards for new investments, the development of a social taxonomy, corporate transparency, identify and manage stranded assets and more broadly embedding social objectives into the EU's sustainable finance regulations.

<u>Question 9</u> asked stakeholders how important it is for corporate or financial institutions to be provided with a clear and well-communicated policy framework to support reductions in GHG emissions.

Most stakeholder types considered it very important that policy-makers create a predictable and well-communicated policy framework.

Figure 4-6 Answers to Question 9 for a **total of respondents=408**



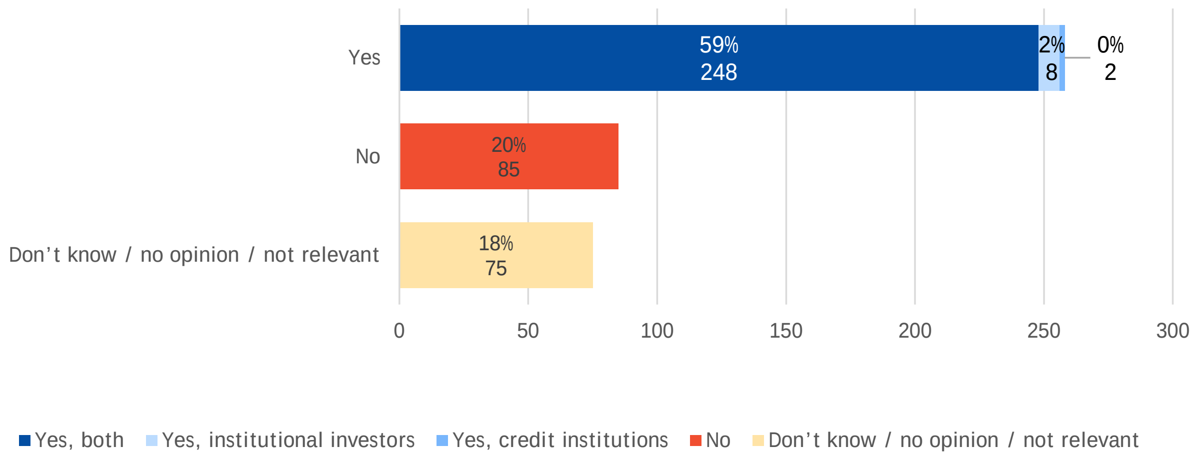
Note: The method for calculating the percentages differ in this Figure between the coloured stacked bars and the grey "blank" bar. The percentages of the coloured bars indicate the share of responding stakeholders for that question (see "n" number in Figure caption). The grey bar indicates the percentage of blank responses compared to total survey respondents (n=648).

This was true for 71% of business associations (82 stakeholders), 74% of financial companies/ business organisations (58 stakeholders), 72% of other companies/ business organisations (43 stakeholders), 50% of trade unions (1 stakeholder) and 70% of "other" stakeholders (19 stakeholders). NGOs/ Civil Society were the only stakeholder group where the majority did not know or had no opinion (24 stakeholders, 56%).

After selecting one of the above options, stakeholders were asked what mechanisms would be necessary to be put in place by policy-makers to give the right signals to corporates or financial institutions. Most of them indicated that rules and regulations that foster predictability in the medium and long term (e.g. predictable carbon pricing; emission reduction trajectory; clear transition pathways; technology-neutrality) would be a right signal, as well as consistent and harmonised regulation (to emphasize and develop synergies across regulations) and well/communicated regulations. Higher or more extensive carbon pricing (e.g. via more extensive EU ETS and more stable and predictable price signals) and financial incentives for sustainable growth (e.g. tax credits, expansion of green bond market; green supporting factor) were two other frequent options.

<u>Question 10</u> asked stakeholders if institutional investors and credit institutions should be required to estimate and disclose which temperature scenario their portfolios are financing (e.g. 2°C, 3°C, 4°C). Stakeholders were able to indicate between different choices. The majority of stakeholders responded that both institutional investors and credit institutions should disclose the temperature scenarios of their portfolios using a common EU-wide methodology.

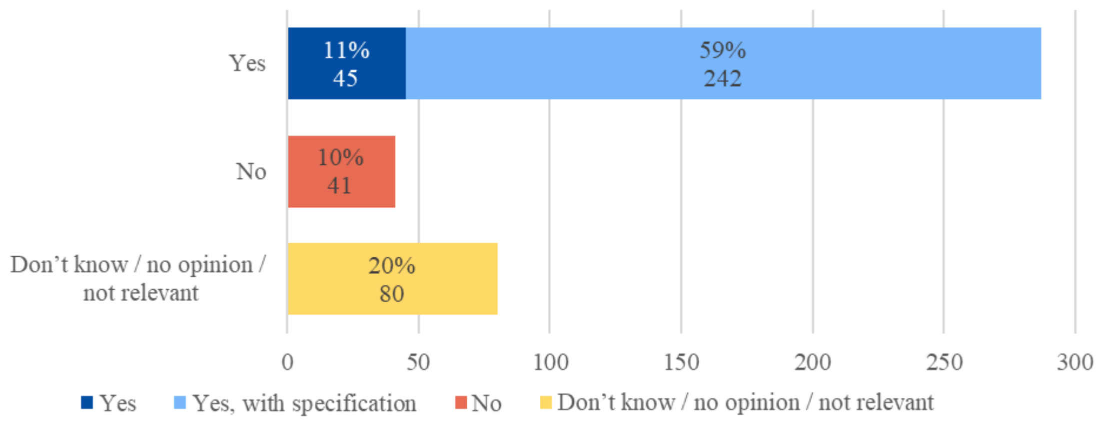
Figure 4-7 Answers to Question 10 for a **total of respondents=418**



Business associations were split between agreeing that both institutional investors and credit institutions should disclose the scenarios of their portfolios using a common EU-wide methodology (32 stakeholders, 32%) and not agreeing (36 stakeholders, 36%). A similar proportion responded that did not know/had no opinion (31, stakeholders 31%). Financial companies/ business organisations also expressed divided opinions; however, the largest share of this group agreed that both institutional investors and credit institutions should disclose the temperature scenarios using a common EU-wide methodology (35 stakeholders, 48%), with a smaller share of the group not agreeing (22 stakeholders, 30%).

<u>Question 11</u> asked stakeholders if the EU's sustainable finance agenda should better reflect the growing importance of biodiversity loss.
Most stakeholders believed the EU's finance agenda should better reflect biodiversity loss.

Figure 4-8 Answers to Question 11 for a **total of respondents=408**



If answered "Yes", stakeholders were asked to specify what actions the EU could take to promote a finance agenda to reflect biodiversity loss. Most of them indicated the development of EU reporting standards and the strengthening of corporate reporting frameworks, as well as the establishment of new methodologies for natural capital accounting as important avenues.

88% of academics (7 stakeholders), 100% of consumer organisations (6 stakeholders), 85% of NGOs/ Civil society (46 stakeholders) and 81% of "other" stakeholders (29 stakeholders) selected "Yes". Business associations had fewer stakeholders on average agreeing that the finance agenda should better reflect biodiversity loss (46 stakeholders, 48%).

<u>Question 12</u> asked stakeholders how the Commission could 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.
This question allowed for open responses from stakeholders. Among the 323 stakeholders who provided a response, most of them indicated that the EU should continue work through the Platform on Sustainable Finance, for instance including experts on social issues and human rights but also giving it a stronger and broader mandate than the current. Others underlined the need for a proper monitoring and supervision mechanism, by involving the European Parliament or a dedicated EU observatory, or by doing periodic monitoring through questionnaires on how implementation is progressing. The coordination could be improved at national level through dialogue or technical capacity building.

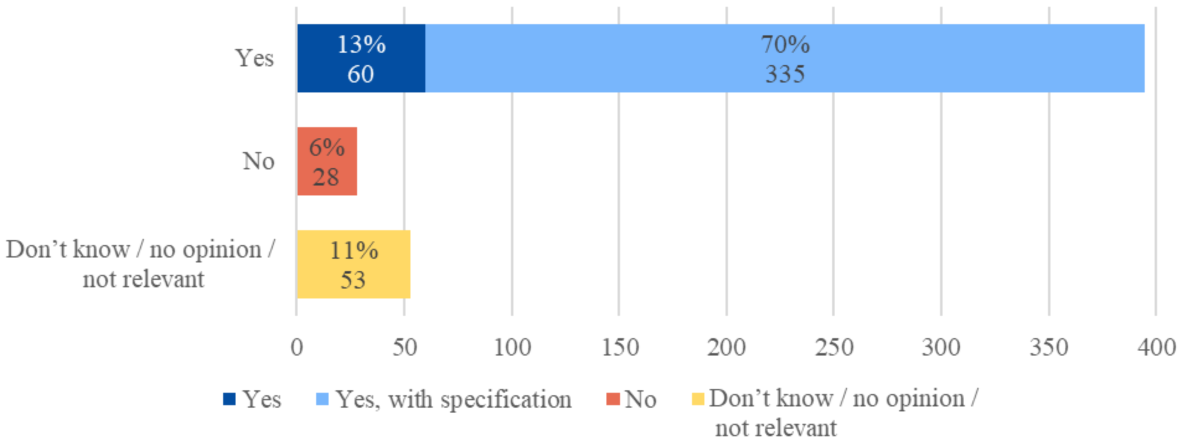
Question 13 asked stakeholders if there were further actions they would like to see at international, EU, or Member State level to enable the financing of the sustainability transition (aside from the areas for future work identified in the questions below as well as the existing actions under the 2018 Action Plan on Financing Sustainable Growth).
This question allowed for open responses from stakeholders. Among the 312 stakeholders who provided a response, most of them suggested to improve cooperation at the local and international levels as well as between public and private stakeholders, via sharing of data, best practices, innovative tools, technical expertise and research. Others highlighted the need to implement public regulatory roadmaps and long-term government policies that incentivize implementation of existing goals and targets, in line with the Paris Agreement and SDGs. Some proposed the adoption of financial incentives to foster sustainable growth, such as tax incentives, adjusted capital requirements, the green bond market, or securitisation.

4.3. Strengthening the foundations for sustainable finance (questions 14-48)

i. Company reporting and transparency

Question 14 asked stakeholders if the EU should take action to support the development of a publicly accessible environmental data space for companies' Environmental Social and corporate Governance (ESG) information, including data reported under the Non-Financial Reporting Directive (NFRD) and other relevant ESG data.
Most of the respondents to this question agreed that the EU should support this development.

Figure 4-9 Answers to Question 14 for a **total of respondents=476**



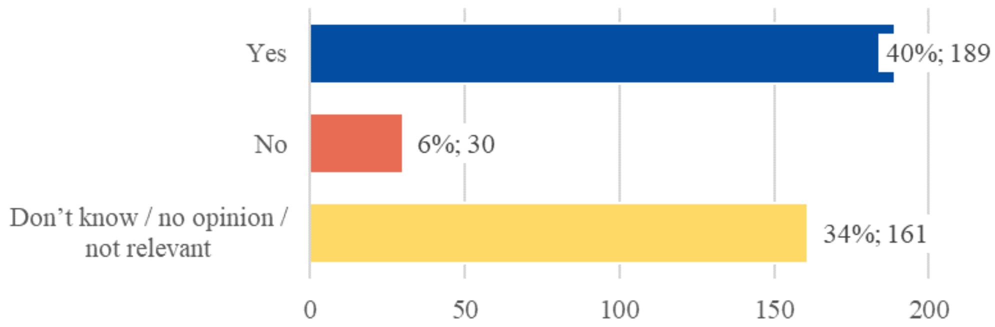
After selecting "Yes" stakeholders were able to explain how it should be structured and what type of ESG information should feature therein. Responses touched upon various topics:

- This data base would be particularly important to compensate for the lack of transparency in ESG reporting/transparency and facilitate comparability but in the same time it should avoid burdensome reporting requirements and duplication of data collection.

- Accessibility, governance and structure: the data space should be free of cost or at reasonable cost and accessible worldwide; the data should be verified; the structure should fully correspond to the structure of the requirements of the NFRD and the future EU reporting standards. Few underlined the need for data to be in a format that is machine-readable and to define certain KPIs to standardize their measurement, including TCFD disclosures.
- Data category: among the data that should be made available, stakeholders referred to all material information, carbon score, human rights, social information and governance performance (also in terms of staffing or tax information), biodiversity, or be in compliance with the SDGs.

<u>Question 15</u> asked stakeholders if their company currently carries out economic activities that could substantially contribute to the environmental objectives defined in the Taxonomy Regulation.
Most stakeholders responded that their company carries out economic activities in line with the objectives of the Taxonomy Regulation.

Figure 4-10 Answers to Question 15 for a **total of respondents=380**



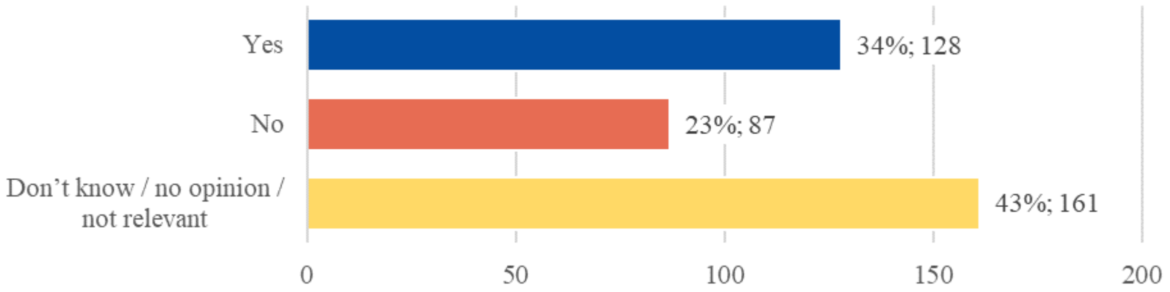
Of those that responded "Yes", the majority indicated that they would be very likely or likely to use the EU Taxonomy for business decisions.

A relatively large group of stakeholders did not know or had no opinion regarding this question (161 stakeholders, 34%). Opinions on this question varied among the stakeholder groups. 56% of business associations (54 stakeholders), 72% of financial companies/ business organisations (52 stakeholders) and 80% of other companies/ business organisations (47 stakeholders) accounted for a large proportion of stakeholders who responded that their company carries out economic activities contributing to the objectives of the EU Taxonomy Regulation.

ii. Accounting standards and rules

<u>Question 16</u> asked stakeholders if they saw 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.
Of those respondents who had an opinion, most indicated that they saw further areas in existing financial accounting rules which may hamper recognition and measurement of risks.

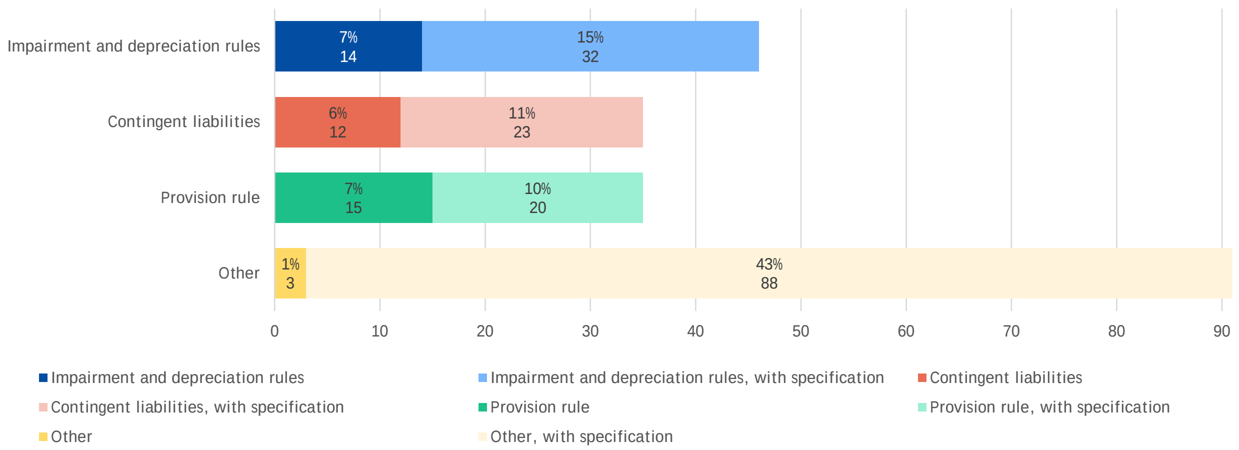
Figure 4-11 Answers to Question 16 for a **total of respondents=376**



Most stakeholder types were broadly split across the options. Business associations were evenly split across the three options, with 37% stating "No" (33 stakeholders). In comparison, 43% of financial companies/ business organisations indicated that they did see further areas in existing financial accounting rules that may hamper recognition and measurement of risks (29 stakeholders, 43%) and 57% of other companies/ business organisations had a slightly larger share not knowing (29 stakeholders). NGO/ Civil Society stakeholders were split between "Yes" and "Do not know […]". Public authorities had the largest share of one stakeholder group for selecting "No" (15 stakeholders, 44%).

After providing a response, stakeholders were asked to indicate the most important areas that may hamper the recognition and measurement of climate and environmental risks.

Figure 4-12 Answers to second part of Question 16 for a **total of respondents=207**



Stakeholders could select multiple options and provide a further specification on the reason of their choice:

- **Impairment and depreciation rules**: most respondents suggested that environmental and climate risks should be considered as part of the reporting under existing IFRS standards. Several respondents indicated that IFRS depreciation rules do not fully reflect climate risks. Other respondents mentioned that the current body of IFRS standards can cater for climate and environmental risks, but companies should disclose the (key) assumptions used for impairment and depreciation charges and align these with the Paris Climate agreement. Auditors should review this. Companies should also better align their narrative reporting on climate and environmental risks with the financial statement numbers.
- **Provisioning**: Several respondents pointed at the importance of adequate provisioning for (future) climate change impact. This also because charges for provisioning are costs that reduce companies' distributable amounts for dividend payout. Some respondents called for disclosures about how companies factor climate-related risks in to the best estimate of provisioning amounts. Few respondents pointed out that IFRS rules on provisioning for future risks are too strict to allow sufficient provisions for repairing.
- **Contingent liabilities**: most stakeholders highlighted the need for additional emphasis on significant

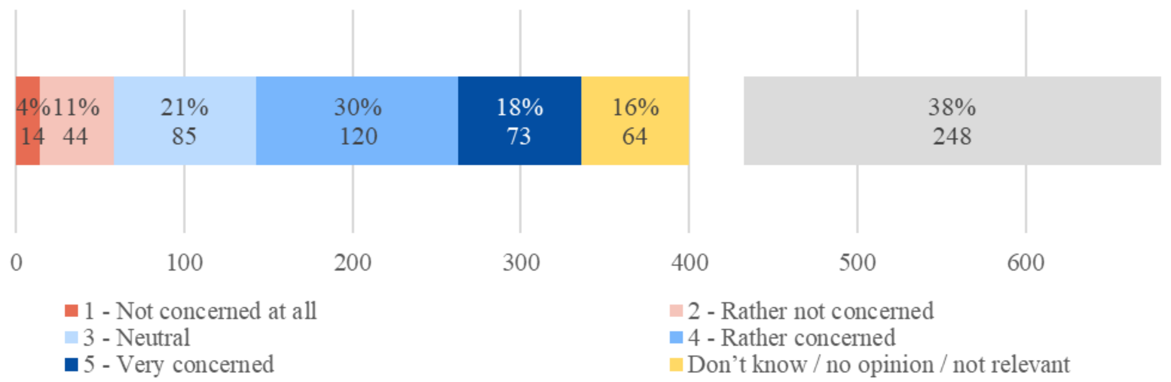
climate-related contingent liabilities and to consider the impact on biodiversity.

- **Other: most stakeholders indicated that IFRS standards do not allow for a proper reflection of sustainability risks**. Several respondents mentioned that the IFRS short-term cash flow generation focus and the long-term character of (future) sustainability risks, which are often not reflected in market prices, make it unlikely to capture all sustainability risks in financial statements. Some respondents considered that existing IFRS can adequately capture the financial implications of sustainability risks but more IASB / EFRAG guidance is needed on this. Several respondents pointed at a specific IFRS 9 accounting issue: the classification of sustainability linked (eg. green) loans that were largely non-existing when IFRS 9 was issued in 2014. Contractual links to sustainability performance targets can imply that such loans do not meet the criteria for measurement at amortised cost. Consequently, under IFRS 9 companies should (financial institutions) measure these at fair value, which does not reflect the hold to collet cash flows business model.

iii. Sustainability research and ratings

<u>Question 17</u> asked stakeholders if they have had concerns on the level of concentration in the market for ESG ratings and data.
Most of the respondents were rather concerned about the level of concentration in the market for ESG ratings and data, while a smaller share being very concerned.

Figure 4-13 Answers to Question 17 for a **total of respondents=400**



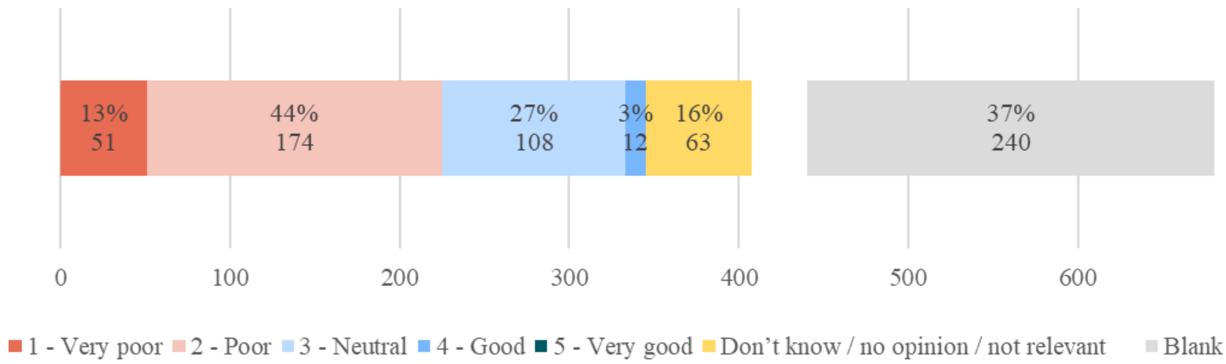
Note: The method for calculating the percentages differ in this Figure between the coloured stacked bars and the grey "blank" bar. The percentages of the coloured bars indicate the share of responding stakeholders for that question (see "n" number in Figure caption). The grey bar indicates the percentage of blank responses compared to total survey respondents (n=648).

Overall, 45% of NGOs/ Civil Society responded that they were very concerned (20 stakeholders), and business associations had a higher share indicating a neutral opinion (36 stakeholders, 34%).

After selecting one of the rankings above, stakeholders were asked to specify why they provided their selection. A large share of them considered that the market is immature and observed an increase in market concentration for rating agencies to non-EU actors, there is a concern on how the market operates and competes. The market is currently considered as lacking transparency, providing insufficiently comparable and reliable data. The market raise some concerns around the accountability, independence and risk of conflicts of interest of the providers. Some stakeholders suggest to proactively identify and manage conflicts of interest and strive to increase the availability of high-quality ESG data.

<u>Question 18</u> asked stakeholders how they would rate the comparability, quality, and reliability of ESG data from sustainability providers currently available in the market.
Most stakeholders indicated that they considered the comparability, quality, and reliability of ESG data poor or very poor.

Figure 4-14 Answers to Question 18 for a **total of respondents=408**



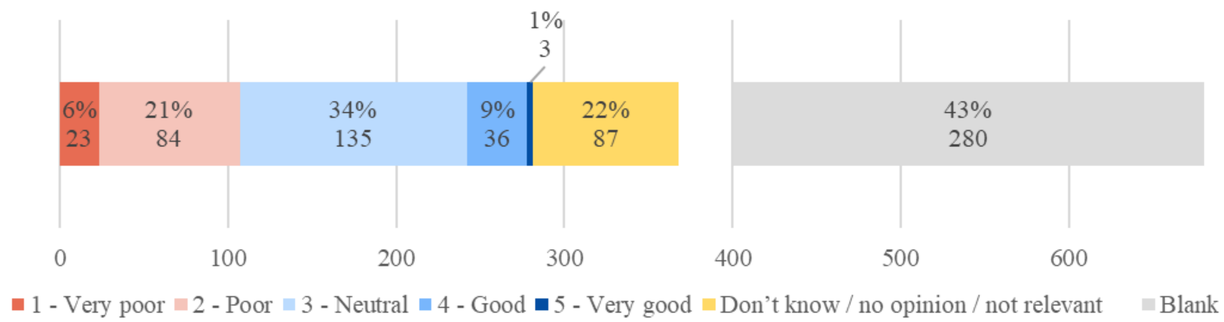
Note: The method for calculating the percentages differ in this Figure between the coloured stacked bars and the grey "blank" bar. The percentages of the coloured bars indicate the share of responding stakeholders for that question (see "n" number in Figure caption). The grey bar indicates the percentage of blank responses compared to total survey respondents (n=648).

Academics (7 stakeholders, 70%), a trade union stakeholder (1 stakeholder, 50%), and public authorities (16 stakeholders, 55%) had the largest shares by stakeholder type considering the comparability quality and reliability of ESG data poor. The majority of financial companies/ business organisations considered the ESG data poor (34 stakeholders, 46%), while the largest proportion of companies/business organisations indicated a "neutral" opinion (23 stakeholders, 41%).

After selecting one of the rankings above, stakeholders were asked to specify why they provided their selection in an open response. Most of them affirmed that there are not uniform standards or methods for ESG reporting and that ESG data is highly qualitative, posing difficulties for comparability in reporting. Others consider that increased competition will promote market-led improvements in quality of ratings and data. Some stakeholders expressed their support for a single access point (e.g. the EU should lead a public and integrated ESG database with digitised, standardised, verified and comparable data). Finally, some highlighted the need for ESG rating agencies to be truly independent in providing qualitative and non-misaligned ratings.

<u>Question 19</u> asked stakeholders how they would rate the quality and relevance of ESG research material currently available in the market.
Most stakeholders expressed their neutrality regarding the quality and relevance of the ESG research material currently available. However, a remarkable share of respondents considered the quality and relevance of ESG research material poor or very poor.

Figure 4-15 Answers to Question 19 for a **total of respondents=368**



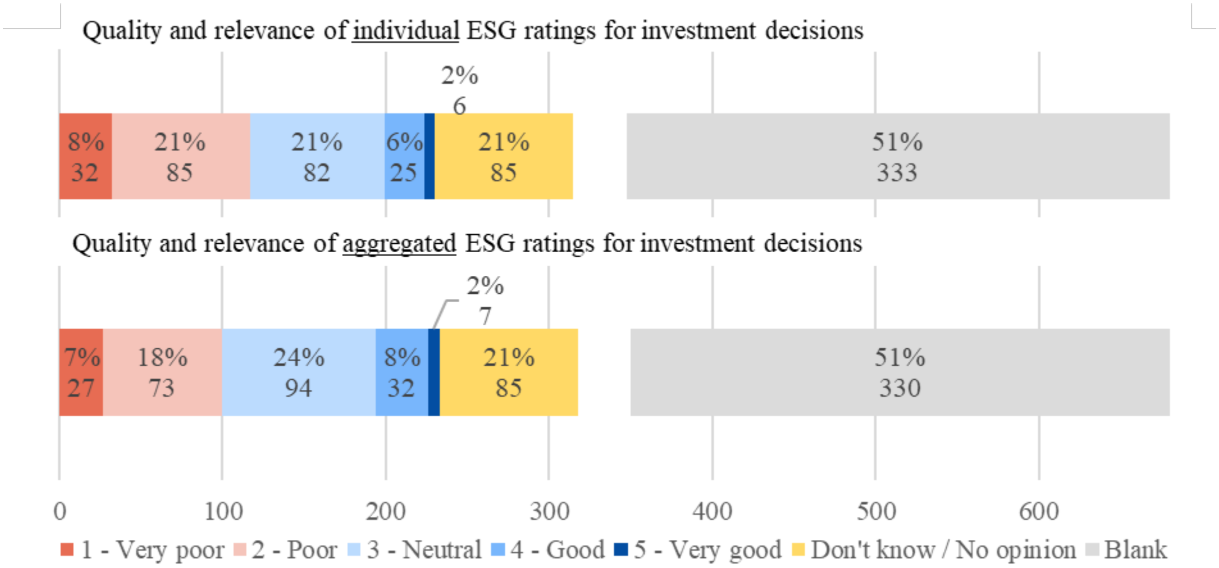
Note: The method for calculating the percentages differ in this Figure between the coloured stacked bars and the grey "blank" bar. The percentages of the coloured bars indicate the share of responding stakeholders for that question (see "n" number in Figure caption). The grey bar indicates the percentage of blank responses compared to total survey respondents (n=648).

NGOs/ Civil Society had a high share of respondents considering the quality and relevance of ESG research material poor (19 stakeholders, 43%). 43% of business associations (40 stakeholders), 55% of financial companies/ business organisations (39 stakeholders) and 42% of other companies/ business organisations (20 stakeholders) accounted for a large proportion of the neutral responses.

After selecting one of the rankings above, stakeholders were asked to specify why they provided their selection in an open response. Most of them highlighted that that the ESG research is still developing, which explains the variety of methods and differences in quality, scope, and focus. Others underlined the need to provide disaggregated raw and sector-specific data in open-source. Some affirmed that ESG data is highly qualitative presenting challenges for drawing comparisons and addressing greenwashing. Few noted the absence of clear criteria in the EU legislation concerning transparency and due diligence.

<u>Question 20</u> asked stakeholders how they would assess the quality and relevance of ESG ratings for their investment decisions, both individual and aggregated ESG factors.
For both individual and aggregated factors, the number of stakeholders that considered the quality and relevance of ESG ratings poor or very poor was higher than the number that indicated that the ratings are good or very good.

Figure 4-16 Answers to Question 20 for a **total of respondents=318** for **individual** ESG factors and **=315** for **aggregated** ESG factors.



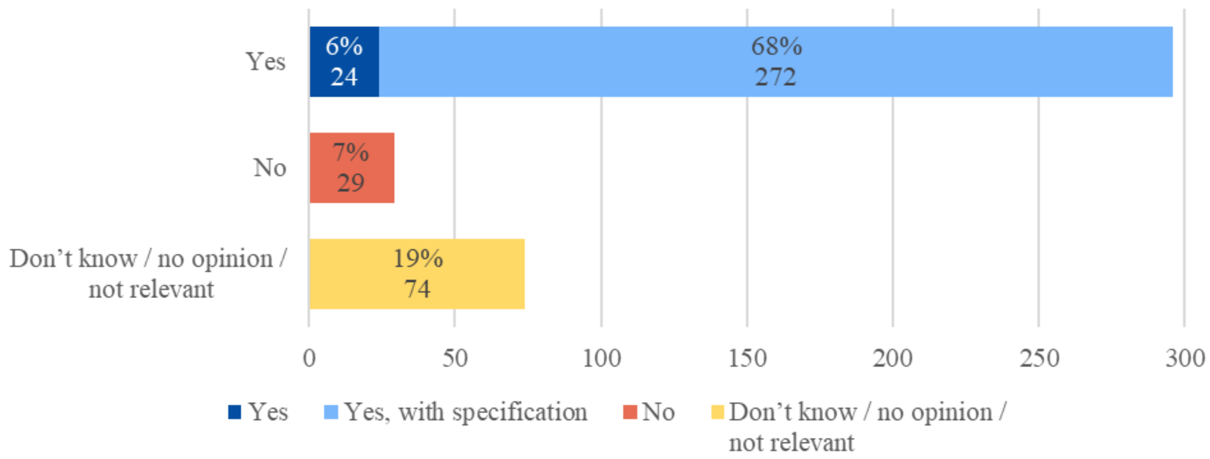
Note: The method for calculating the percentages differ in this Figure between the coloured stacked bars and the grey "blank" bar. The percentages of the coloured bars indicate the share of responding stakeholders for that question (see "n" number in Figure caption). The grey bar indicates the percentage of blank responses compared to total survey respondents (n=648).

Stakeholder types had similar views regarding both individual and aggregated factors. 45% and 50% respectively of NGO/ civil society stakeholders considered the quality and relevance of ESG ratings poor for both individual (19 stakeholders) and aggregated factors (21 stakeholders). Business associations were mostly neutral across both individual (24 stakeholders, 30%) and aggregated (25 stakeholders, 32%) factors. Financial companies/ business organisations were also predominantly neutral regarding the ratings of both individual (38 stakeholders, 57%) and aggregated (30 stakeholders, 45%) ESG factors.

After selecting one of the rankings above, stakeholders were asked to specify why they provided their selection for individual and aggregated ESG factors. Most of them noted that there are many terms that are used interchangeable leading to confusion (e.g. the EU legislation should foster convergence towards common definitions of products), there are many different methodologies used by ESG rating providers that combined with insufficient transparency leads to the lack of comparability of final assessments. Others highlighted that the quality of ESG data varies and could be improved. Some underlined the need to facilitate standardisation of corporate reporting to increase the availability of high-quality data (e.g. review corporate disclosure regime to provide better, granular information at the company level). Few noted that ESG ratings have a limited impact on investment decisions and a relatively low correlation.

<u>Question 21</u> asked stakeholders if the EU should take action at all in the areas discussed in this section on sustainability research and ratings.
Most stakeholders responded that the EU should take action in the areas of sustainability research and ratings.

Figure 4-17 Answers to Question 21 for a **total of respondents=399**



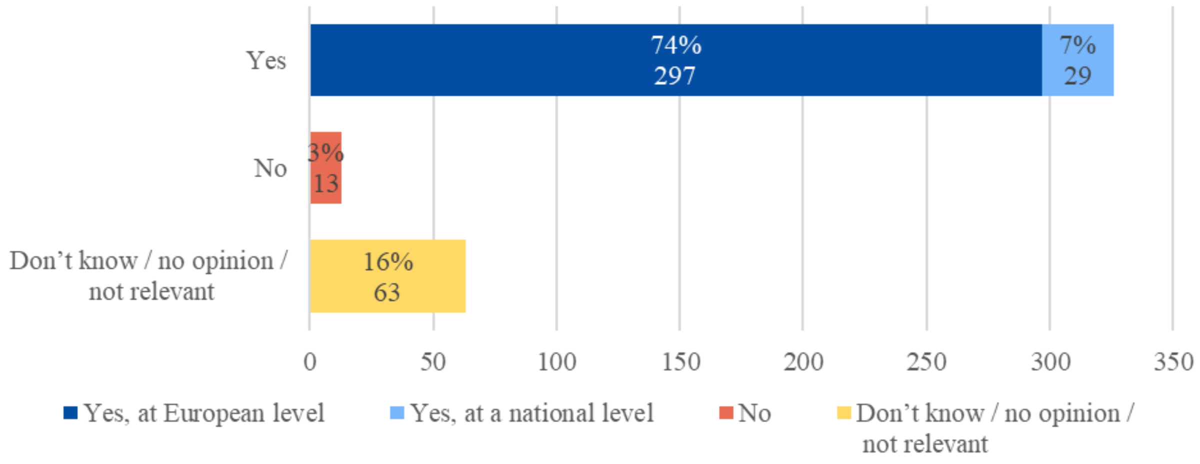
After selecting "Yes", stakeholders were asked to explain why and what kind of action they considered would address the identified problem. Most of them affirmed that the EU should promote/facilitate minimum transparency and quality standards for ESG research and ratings. Others highlighted the need to increase the availability of high quality data, e.g. measures designed to improve corporate disclosure through the proposed revision of the EU's Non-Financial Reporting Directive will help ensure that ESG data and research providers have access to a higher quality baseline of information for their analysis. Some noted that the EU should proactively identify and manage conflicts of interest by supporting the implementation of good practices, promote the self-regulation of actors, or ensure that disclosure regulation does not favour any single actor and thus distort the market.

iv. Definitions, standards and labels for sustainable financial assets and financial products.

Within this part, questions were asked on three sub-topics: the **EU Green Bond Standard (GBS), Prospectus and Green Bonds, and Other Labels and Standards**.

<u>Question 22</u> asked stakeholders if they agreed that verifiers of EU Green Bonds should be subject to some form of accreditation or authorisation and supervision, as recommended by the TEG.
A large majority of stakeholders agreed that EU Green Bond (green bonds using the EU GBS) verifiers should be subject to accreditation or authorisation and supervision at a European level.

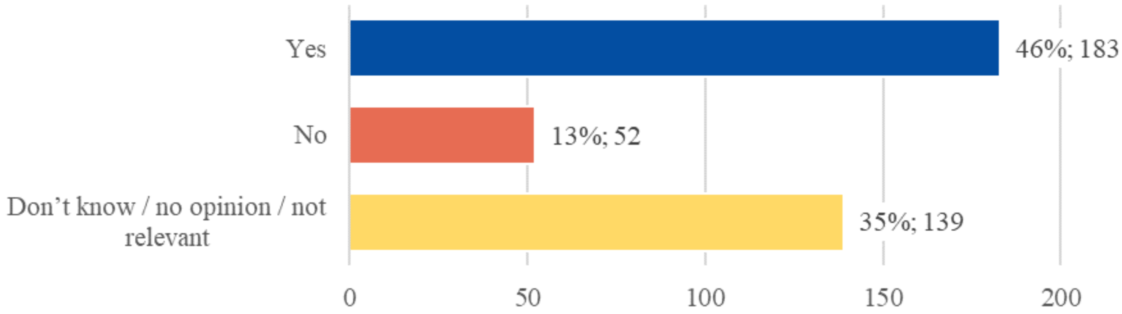
Figure 4-18 Answers to Question 22 for a **total of respondents=402**



After selecting any of the options above, stakeholders were asked to specify why they provided their selection. Most stakeholders suggested that verification and accreditation processes need to be regulated, for instance ensuring that verifiers of EU Green Bonds are subject to the same authorization and supervision regime in the EU. Others noted that accreditation should be introduced at the EU level to ensure a level playing field and standardisation, but also to provide more transparency.

<u>Question 23</u> asked stakeholders if any action the Commission takes on verifiers of EU Green Bonds should be linked to any potential future action to regulate the market for third-party service providers on sustainability data, ratings, and research.
Most stakeholders agreed with the above statement.

Figure 4-19 Answers to Question 23 for a **total of respondents=374**

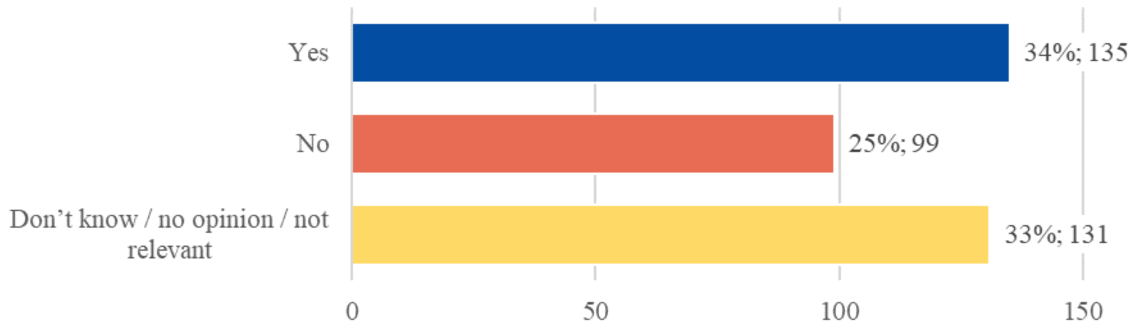


18% of business associations (16 stakeholders), 22% of financial companies/ business organisations (16 stakeholders) and 17% of other companies/business organisations (8 stakeholders) made up the majority of those that provided a "No" response. However, 47% of business associations (42 stakeholders), and 54% of NGOs/ Civil Society (26 stakeholders) indicated that they either did not know or had no opinion.

After selecting any of the options above, stakeholders were asked to specify why they provided their selection. Most stakeholders suggested the creation of an ecosystem of external verifiers of green bonds, which are registered and supervised in a centralised way by ESMA. Others underlined the need to allow for flexibility in reporting, in particular at the issuer level regarding how to provide relevant information, as well as the need to avoid greenwashing, for instance by restricting green bonds to emitters not involved in the most polluting sectors.

<u>Question 24</u> asked stakeholders if they envisaged any issues for non-European issuers to follow the proposed standard by the Technical Expert Group (TEG).
The majority envisaged issues for non-European issuers to follow the standards of the TEG.

Figure 4-20 Answers to Question 24 for a **total of respondents=365**

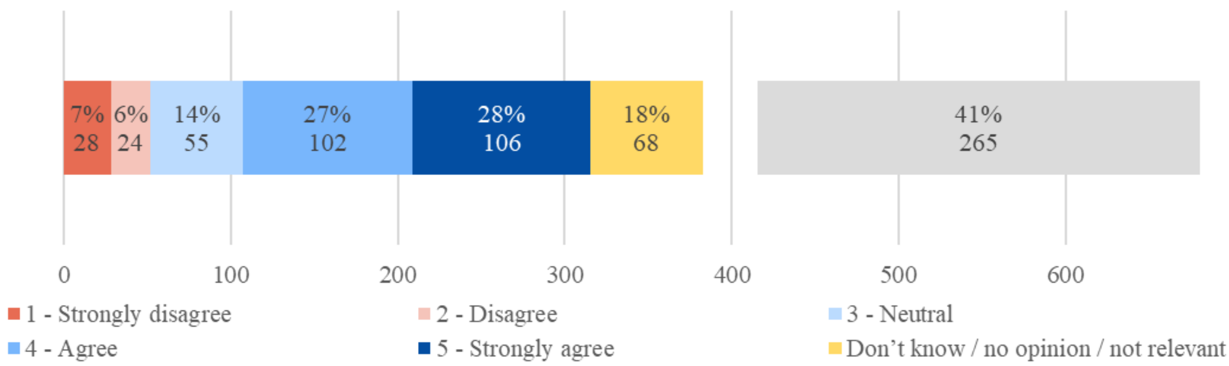


The other stakeholder types were further split among the different options, with few cases where stakeholder types generally favoured one option. 59% of financial companies/ business organisations responded that they envisaged issues (42 stakeholders).

After selecting any of the options above, stakeholders were asked to specify why they provided their selection. Most stakeholders noted the need to monitor the ESG performance once the EU Green Bond is issue and to avoid greenwashing, especially for the disclosure of an issuer. Others noted that an integrated regulation would be better than too many separate regulations, then calling for harmonisation.

<u>Question 25</u> asked stakeholders if they agreed that 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.
Most stakeholders either agreed or strongly agreed that requiring the disclosure of specific information on green bonds in the prospectus would improve the consistency and comparability of information.

Figure 4-21 Answers to Question 25 for a **total of respondents=383**



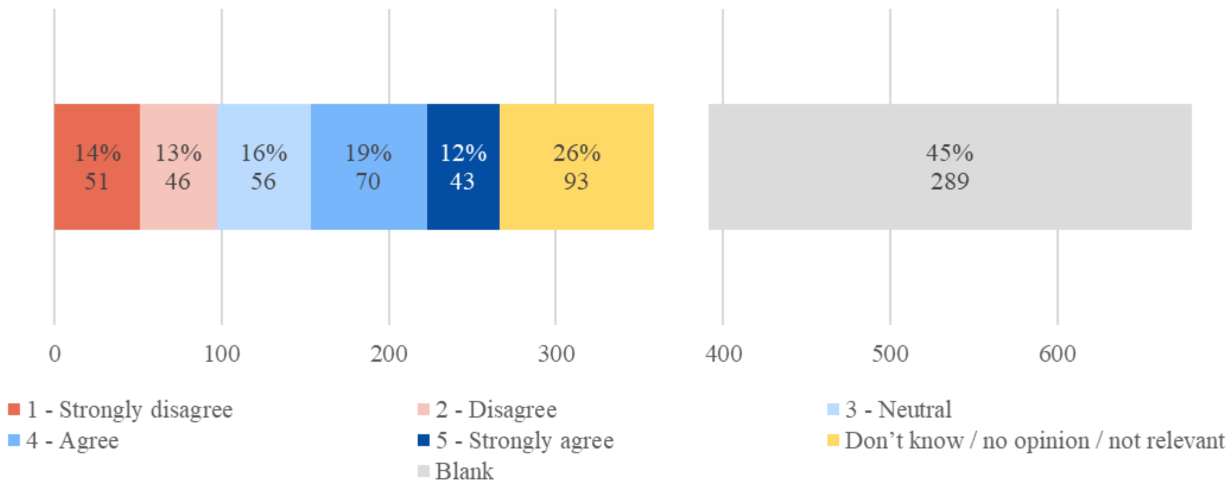
Note: The method for calculating the percentages differ in this Figure between the coloured stacked bars and the grey "blank" bar. The percentages of the coloured bars indicate the share of responding stakeholders for that question (see "n" number in Figure caption). The grey bar indicates the percentage of blank responses compared to total survey respondents (n=648).

64% of academics (7 stakeholders), 71% of consumer organisations (5 stakeholders), 58% of NGOs/ civil society stakeholders (28 stakeholders) and 80% of trade unions (4 stakeholders) strongly agreed with the statement, while the majority of public authorities responded that they agreed with the statement (15 stakeholders, 47%).

After selecting any of the options above, stakeholders were asked to specify why they provided their selection. Some stakeholders noted that having information on ESG approaches and Green Bond in the prospectus is critical to ensure proper information of clients and address greenwashing, increase the responsibility of the issuer and makes the issuances more transparent and comparable. Some propose that all bonds disclose sustainability-specific information (in particular with regard to the taxonomy) in the prospectus, to avoid that green bonds are subject to an unfair disclosure burden compared to plain vanilla bonds. On the other hand, some consider that the inclusion of further information in the prospectus is linked to the increased liability risks for issuers, makes the issuance of green bond more complex and expensive, hence discouraging green bonds issuances and reduce the overall market.

<u>Question 26</u> asked stakeholders to what extent they agreed with the following statement concerning cases where a prospectus has to be published: "Issuers that adopt the EU Green Bonds Standard (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".
Of those respondents who had an opinion, most either agreed or strongly agreed with the above statement.

Figure 4-22 Answers to Question 26 for a **total of respondents=359**



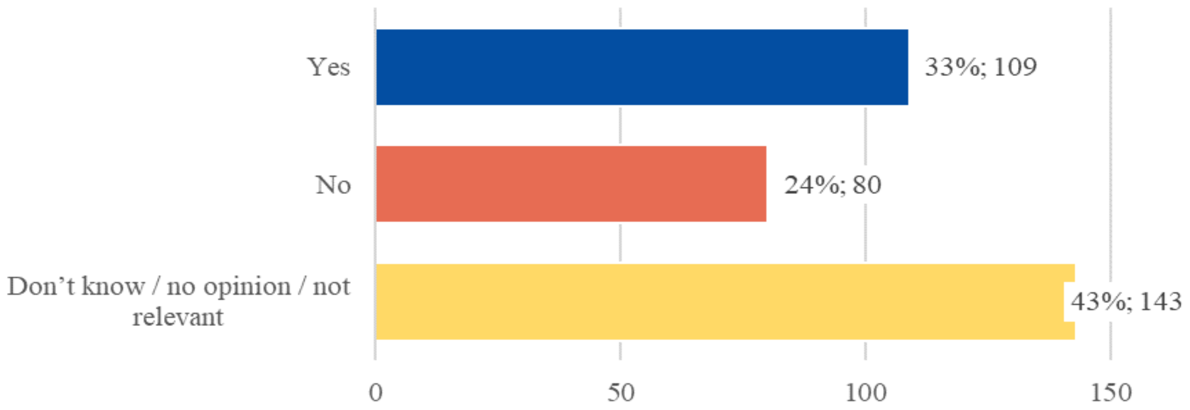
Note: The method for calculating the percentages differ in this Figure between the coloured stacked bars and the grey "blank" bar. The percentages of the coloured bars indicate the share of responding stakeholders for that question (see "n" number in Figure caption). The grey bar indicates the percentage of blank responses compared to total survey respondents (n=648).

Among the stakeholder groups with larger shares indicating that they disagreed, there are consumer organisations (3 stakeholders, 50%), "other stakeholders" (6 stakeholders, 29%), and public authorities (8 stakeholders, 27%). Financial companies/ business organisations tended to respond that they were either neutral (21 stakeholders, 30%) or agreed with the statement (19 stakeholders, 27%). The largest shares of NGOs/ Civil Society (18 stakeholders, 40%) and academics (3 stakeholders, 38%) indicated that they did not know or had no opinion.

After selecting any of the options above, stakeholders were asked to specify why they provided their selection. Some stakeholders consider that it would reduce the burden for the issuers who wish to use it, while already providing a common level of information. Others highlight that a link to the standard would not provide sufficient information to assess the specifics of the green bond framework and issuer.

<u>Question 27</u> asked stakeholders if they currently market financial products that promote environmental characteristics or have environmental objectives.
Of those respondents who had an opinion, most indicated that they do currently market financial products that promote environmental characteristics/objectives.

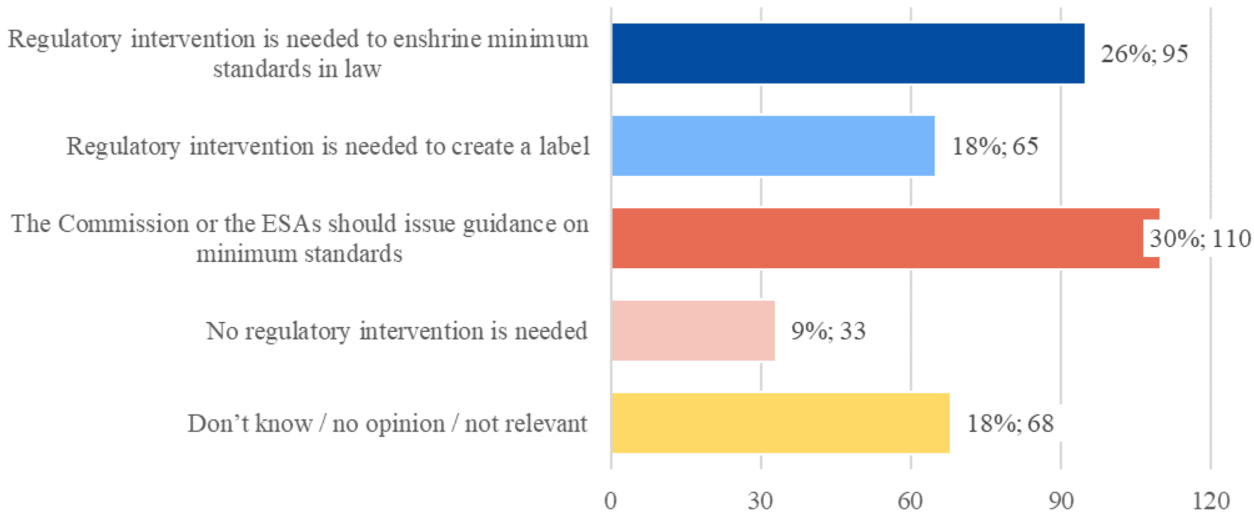
Figure 4-23 Answers to Question 27 for a **total of respondents=332**



Among the stakeholders that provided a "Yes" response, a large majority of those who responded noted that they would likely or very likely use the EU Taxonomy. Then, stakeholders were asked to specify why they provided their selection. Most stakeholders consider that the taxonomy will be useful in their sustainable investment decision but that it would not be the only non-financial indicator considered.

<u>Question 28</u> asked stakeholders what actions they would consider necessary to standardise investment funds that have broader sustainability denominations.
Stakeholders were able to select from a list of options. The majority of respondents indicated that the Commission or the ESAs should issue guidance on minimum standards.

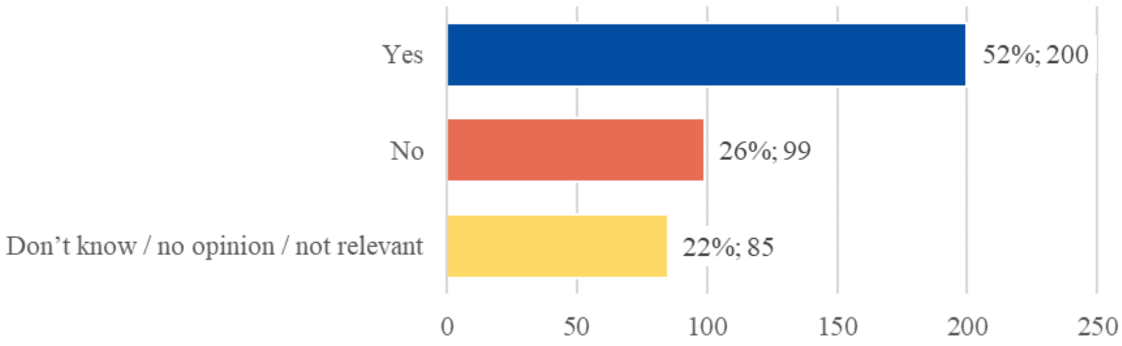
Figure 4-24 Answers to Question 28 for a **total of respondents=371**



57% of consumer organisations (4 stakeholders), 53% of NGOs/ Civil Society stakeholders (25 stakeholders) and 60% of trade unions (3 stakeholders) particularly favoured having minimum standards within the law. 39% of business associations (35 stakeholders), 47% of financial companies/ business organisations (31 stakeholders) and 43% of public authorities (13 stakeholders) had a high proportion of responses supporting the option of the Commission or the ESAs providing guidance on minimum standards.

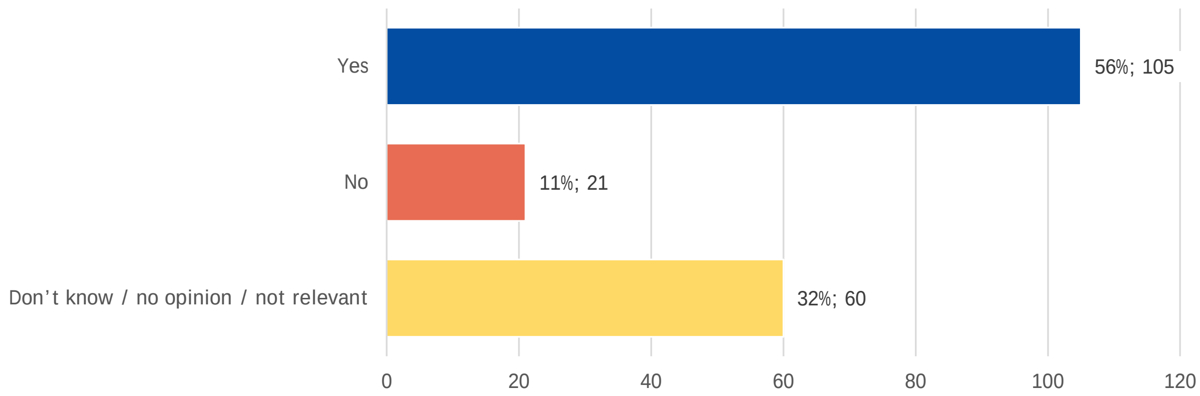
<u>Question 29</u> asked stakeholders if the EU should establish a label for investment funds.
The majority of stakeholders agreed that the EU should establish a label for investment funds.

Figure 4-25 Answers to Question 29 for a **total of respondents=384**



For most stakeholder types, a majority of their respondents agreed that the EU should establish a label for investment funds. Business associations were the only stakeholder type that was split across the three options: "Yes" (33 stakeholders, 35%), "No" (32 stakeholders, 34%), and "Do not know/ no opinion" (28 stakeholders, 30%).

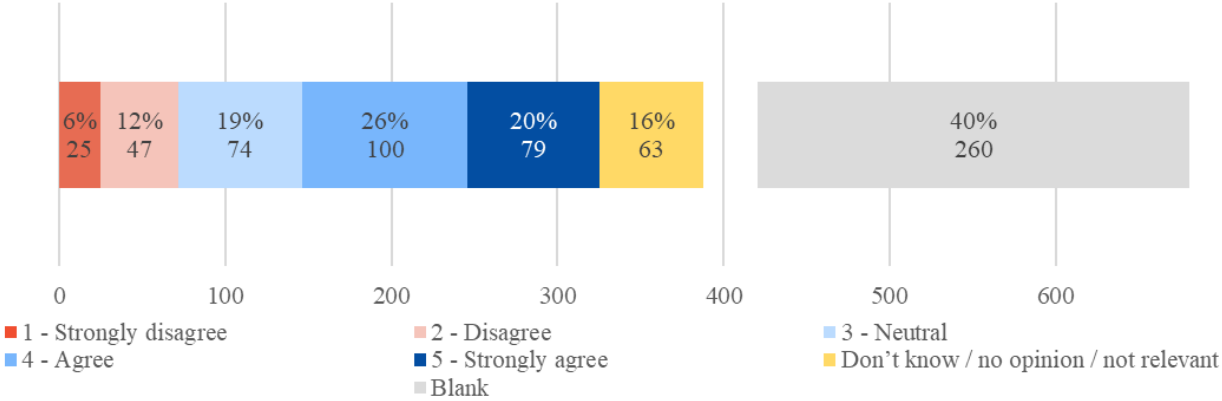
After selecting "Yes"**,** stakeholders were asked whether green funds aimed at professional investors should be included in a potential new EU Ecolabel. The majority of stakeholders selected the response "Yes".



For most stakeholder types, the majority of their respondents agreed that green funds aimed at professional investors should be in the context of the EU Ecolabel. NGO/ civil society stakeholders, however, were split across the three options. Of this stakeholder type, the largest group indicated that green funds aimed at professional investors should not be included in an EU Ecolabel (9 stakeholders, 38%).

<u>Question 30</u> asked stakeholders whether the EU should develop standards for different types of sustainability-linked bonds or loans.
Most stakeholders either agreed or strongly agreed that the EU should develop standards for different types of sustainability-linked bonds or loans.

Figure 4-26 Answers to Question 30 for a **total of respondents=388**



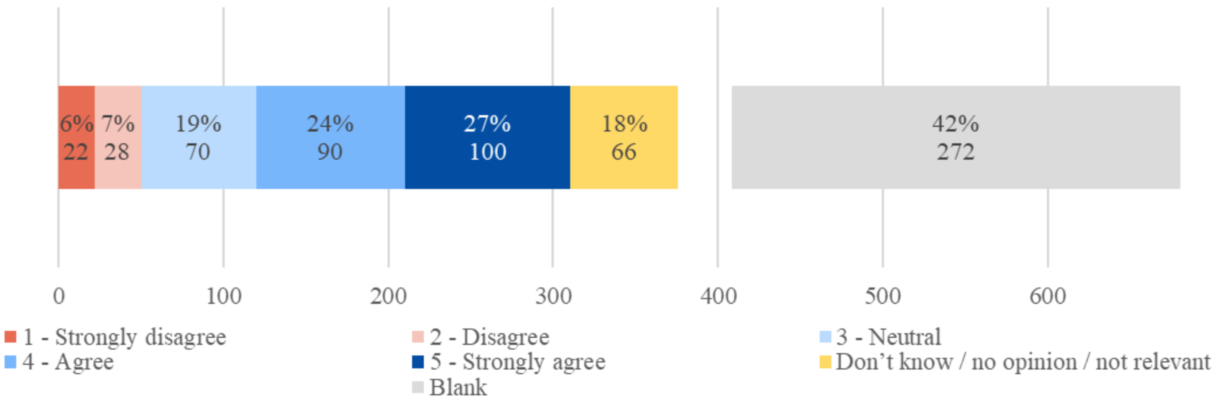
Note: The method for calculating the percentages differ in this Figure between the coloured stacked bars and the grey "blank" bar. The percentages of the coloured bars indicate the share of responding stakeholders for that question (see "n" number in Figure caption). The grey bar indicates the percentage of blank responses compared to total survey respondents (n=648).

NGO/ civil society stakeholders (21 stakeholders, 44%) and trade unions (3 stakeholders, 75%) were the stakeholder types that had the largest shares of their group strongly agreeing. Public authorities' responses were spread across the options with most stakeholders indicating that they were neutral (13 stakeholders, 39%) or agreeing (10 stakeholders, 30%).

After selecting any of the options above, stakeholders were asked to specify why they provided their selection. Most of them suggested that the EU should develop standards for sustainability-linked bonds or loans, while others considered the market still developing and not ready for a standard. Sustainability-linked bond are seen as having the potential to bring more issuers into sustainable finance, allow more financings to incorporate sustainability, and create investable assets for a greater portion of the investing community. Others noted the need for a simple and consistent labelling mechanism for the underlying asset.

<u>Question 31</u> asked stakeholders if such a potential standard for target-setting sustainability-linked bonds should make use of the EU Taxonomy as a key performance indicator.
The majority of stakeholders either agreed or strongly agreed that a potential standard for target-setting sustainability-linked bonds should make use of the EU Taxonomy as a key performance indicator.

Figure 4-27 Answers to Question 31 for a **total of respondents=376**



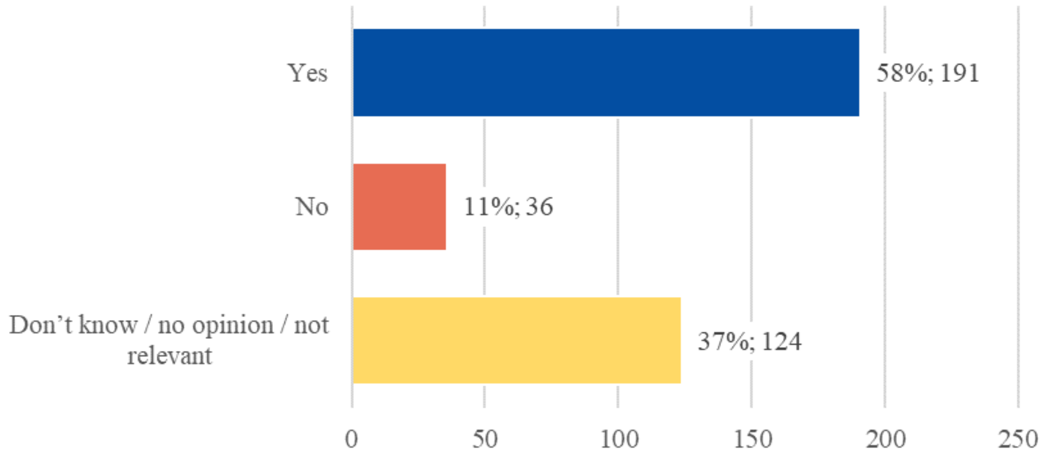
Note: The method for calculating the percentages differ in this Figure between the coloured stacked bars and the grey "blank" bar. The percentages of the coloured bars indicate the share of responding stakeholders for that question (see "n" number in Figure caption). The grey bar indicates the percentage of blank responses compared to total survey respondents (n=648).

All stakeholder types, except business associations, financial and other companies/business organisations and consumer organisations, had more than 40% of their group strongly agreeing with this question. Most business associations, financial companies/organisations and other companies/organisations provided a neutral response.

After selecting any of the options above, stakeholders were asked to specify why they provided their selection. Most of them noted that the EU should facilitate a standard in order to ensure harmonization and to avoid needless complexity, and that the EU Taxonomy should to the extent possible be used as a reference and a key performance indicator.

<u>Question 32</u> asked stakeholders if the EU should develop standards or labels for energy-efficient mortgages or energy-efficient loan products.
Most stakeholders stated that the EU should develop standards or labels for energy-efficient mortgages or loans.

Figure 4-28 Answers to Question 32 for a **total of respondents=351**

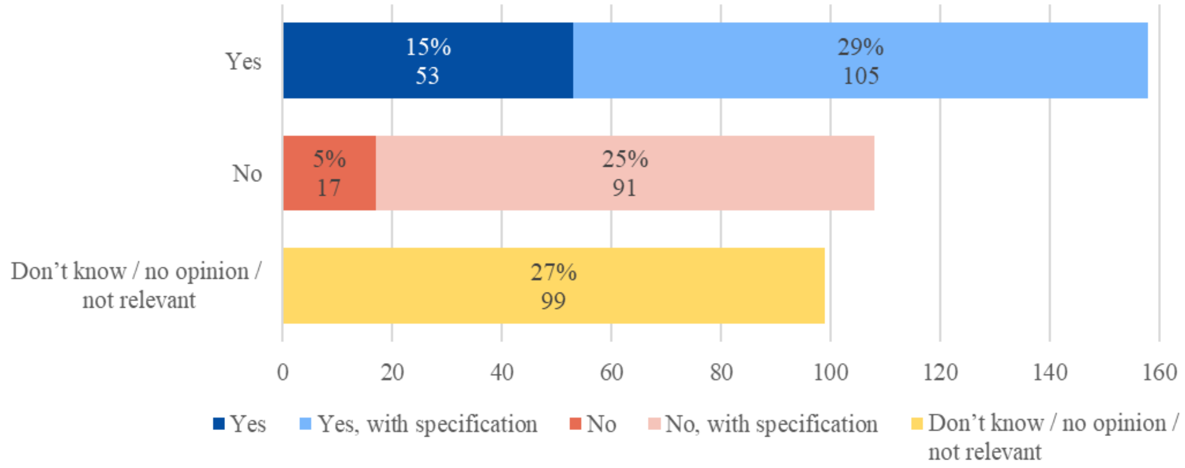


All stakeholder groups had a larger share of their stakeholders split between “Yes” and “Do not know”, with the slightly larger share responding “Yes”. Nearly all “No” responses were from 13% of business associations (11 stakeholders), 16% of financial companies/ business organisations (10 stakeholders) and 16% of other companies/ business organisations (8 stakeholders).

After selecting “Yes” stakeholders were able to select from a secondary list of options identifying different types of energy-efficiency mortgages and loans with which they could select if they agreed with them. Most stakeholders favoured a broad standard or label for sustainable mortgages and loans (including social and environmental considerations). One third of them favoured a standard label for green (environmental and climate) mortgages and loans. Just few favoured a narrow standard or label only for energy-efficient mortgages and loans for the renovation of a residential immovable property.

<u>Question 33</u> asked stakeholders if the EU should take action to create an ESG benchmark.
The majority of stakeholders agreed that the EU should create an ESG benchmark.

Figure 4-29 Answers to Question 33 for a **total of respondents=365**



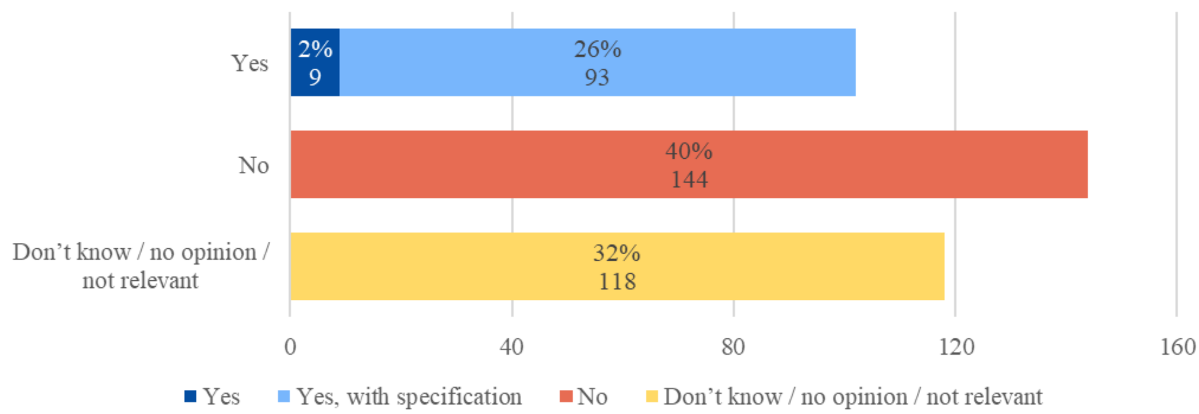
Only business associations had their largest share of responses being "No" (39 stakeholders, 44%). Financial companies/ business organisations had a similar share of stakeholders responding "No" (30 stakeholders, 44%). However, a great share of this stakeholder type responded "Yes" (32 stakeholders, 46%). Only academics (4 stakeholders, 50%) had their largest share of responses as "Do not know […]".

After selecting "Yes", stakeholders were asked to specify what key elements the benchmark should include. Most of them considered that such a benchmark would promote standardization, allow to incorporate other objectives (such as social), support comparable practices and address the risk of fragmented practices multiplication of methodologies, and of greenwashing, while providing tools to investors to steer their funds in sustainable investments. Some stakeholders noted that the regime should not be burdensome.

After selecting "No", stakeholders were asked to further specify their answer through an open response. Most of them suggested to first analyse the market and the implementation of EU Climate and Paris Aligned Benchmarks before determining the need for further regulated benchmarks. Some of them consider that such a benchmark would be too burdensome and disincentivise innovation.

<u>Question 34</u> asked stakeholders if they saw the need for any other kinds of standards or labels for sustainable finance.
Most stakeholders indicated no need for any other kinds of standards or labels for sustainable finance.

Figure 4-30 Answers to Question 34 for a **total of respondents=364**



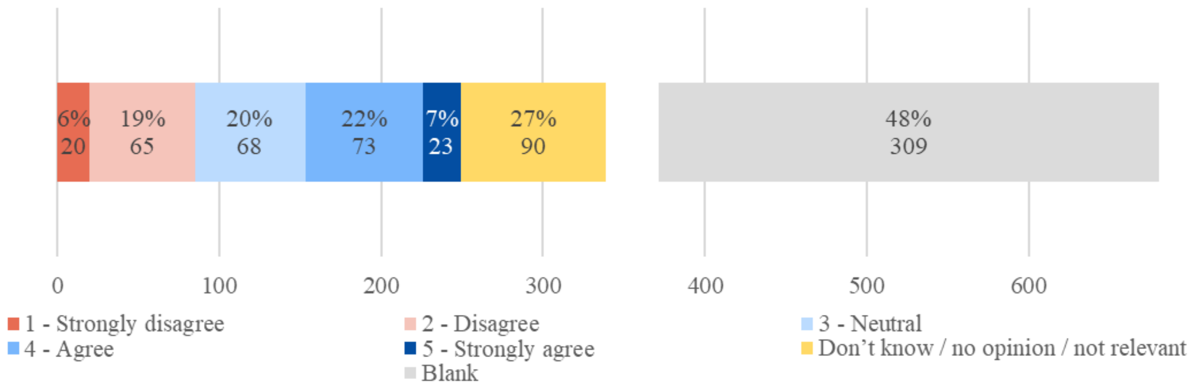
Stakeholder types were generally split across the three options. Business associations (46 stakeholders, 49%), financial companies/ business organisations (32 stakeholders, 47%) and other companies/business organisations (26 stakeholders, 53%) were the only stakeholder types with the largest share of their groups stating that there is no need for a standard or label for sustainable finance. Consumer organisations (5 stakeholders, 71%), and "other" (16 stakeholders, 57%), had a larger share of their group thinking that there is a need for such a standard or label.

After selecting "Yes", stakeholders were asked to specify what such labels and standards should thematically cover and which financial products they should cover. Most of them underlined the need for a standard for transitional bonds. Others suggested to consider a sustainable investment label for consumers, for instance the EU should develop a wide range of ESG -related pan-European labels (including ESG integration, stewardship, social, impact investing, etc.) that could lower transaction costs and could foster one market for sustainable finance across Europe. Some suggested the development of a set of minimum standards for all sustainable investment and financing.

v. Capital markets infrastructure

Question 35 asked stakeholders if they thought the existing capital market infrastructure sufficiently supports the issuance and liquidity of sustainable securities.
Most stakeholders either agreed or strongly agreed with the above statement.

Figure 4-31 Answers to Question 35 for a **total of respondents=339**



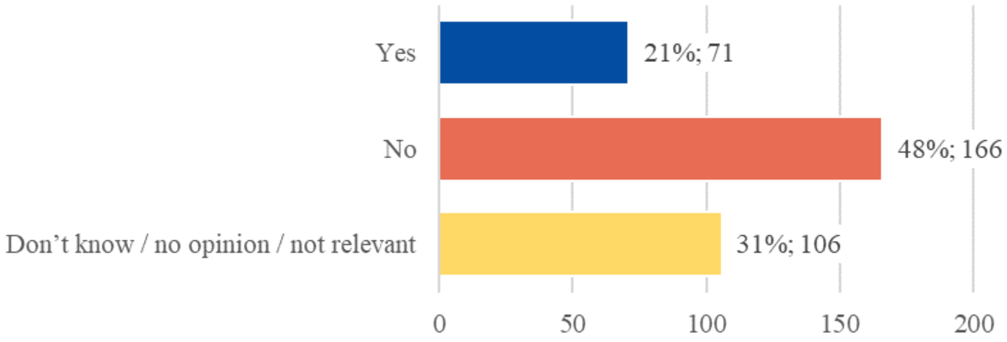
Note: The method for calculating the percentages differ in this Figure between the coloured stacked bars and the grey "blank" bar. The percentages of the coloured bars indicate the share of responding stakeholders for that question (see "n" number in Figure caption). The grey bar indicates the percentage of blank responses compared to total survey respondents (n=648).

NGOs/ Civil Society either disagreed (13 stakeholders, 33%) or did not know (15 stakeholders, 38%). Financial companies/business organisations mostly agreed (23 stakeholders, 34%) or strongly agreed (9 stakeholders, 13%). In contrast, 48% of public authorities were neutral on the issue (14 stakeholders).

After selecting "Disagree", stakeholders were asked to specify the main three problems relating to the issuance and liquidity of sustainable securities. The problems identified by the stakeholders include the lack of reliable, standardized definitions the lack of data from investee companies, the lack of liquidity in some sustainable financial instruments (in particular on the secondary market), lack of adequate pipeline of sustainable projects and activities on offer, and the lack of tools to measure impact. The lack of easily available sustainability data of SMEs create a barrier to entry into sustainable financial markets.

Question 36 asked stakeholders if the EU should 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.
Most stakeholders did not agree that the EU should foster the development of a sustainable finance-oriented exchange or trading segments.

Figure 4-32 Answers to Question 36 for a **total of respondents=343**



Most stakeholder types had the largest share of their responses disagreeing with the development of a sustainable finance exchange or trading segments. Only NGO/ Civil Society (18 stakeholders, 47%), a trade union (1 stakeholder, 100%) and consumer organisations (2 stakeholders, 50%) had a larger share of their groups' responses stating they did not know/had no opinion.

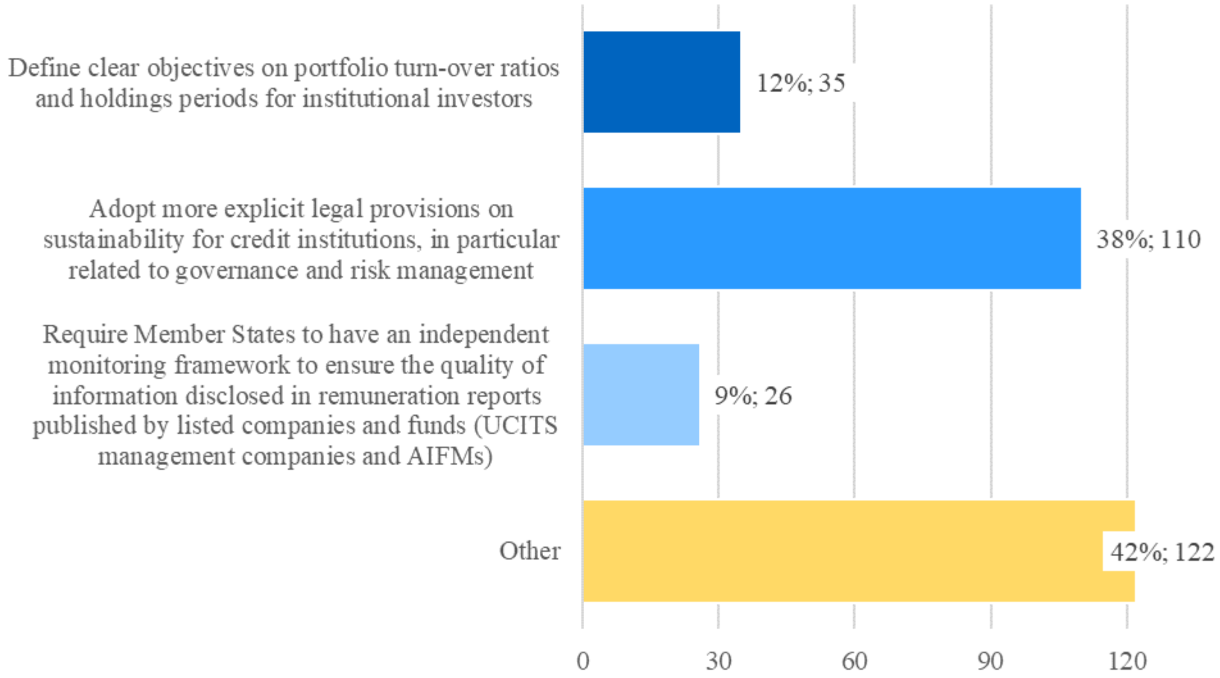
After selecting any of the options above, stakeholders were asked to specify the reason for their response. Most stakeholders suggested that the EU should not foster the development of a sustainable finance-oriented exchange or trading segments as it could, for instance, contribute to making sustainable finance remain a niche market targeted at specialised investors and companies, whereas we need sustainable investing to become the normal way of investing.

Question 37 asked stakeholders what core features a sustainable finance–oriented exchange should have in order to encourage capital flows to ESG projects and companies with strong ESG characteristics, in particular SMEs.
This question allowed for open responses from stakeholders. Among the 160 stakeholders who provided a response, most of them noted that in order to encourage capital flows to ESG projects and companies, exchanges should encourage the development of robust standards and promote transparency to increase investor confidence and provide comparable data. Some did not see any obvious need for special rules for "sustainable finance-oriented" stock exchanges or trading venues.

vi. Corporate Governance, long-termism, and investor engagement

Question 38 asked stakeholders for their opinion on which recommendation(s) made in the ESAs' reports have the highest potential to effectively tackle short-termism.
In response to this question, stakeholders could select from a list of options. Most of them selected the option "Other" giving further specification. More than a third chose the option adopting more explicit legal provisions on sustainability for credit institutions.

Figure 4-33 Answers to Question 38 for a **total of respondents=292**

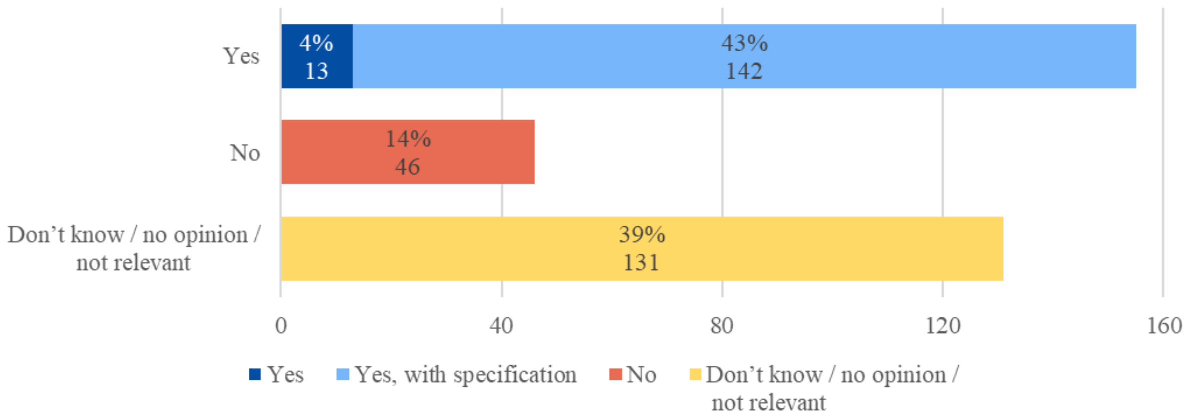


When viewing the data by stakeholder type, there is no clear stakeholder trend on the least responded options. Among those stakeholder types with a larger share indicating the adoption of more explicit legal provisions, there were consumer organisations (3 stakeholders, 75%), NGO/ Civil Society (19 stakeholders, 46%), and "other" (10 stakeholders, 48%). Academics were split between adopting more explicit legal provisions and "Other" (5 stakeholders, 50% and 4 stakeholders, 40% respectively). Public authorities were also split between those two options (10 stakeholders, 38% and 10 stakeholders, 38% respectively). Business associations (53 stakeholders, 77%) and financial companies/ business organisations (27 stakeholders, 49%) favoured the selection of "Other".

After selecting "Other", stakeholders were asked what other recommendation(s) they have that have the highest potential to effectively tackle short-termism. Some stakeholders referred to the other ESAs' proposals and in particular the importance of NFRD requirements to integrate longer term horizon. Some stakeholders consider that different investment horizons are important and have different purposes. Any regulatory intervention with regard to short termism should be very carefully balanced not to cause unintended issues.

<u>Question 39</u> asked stakeholders if they saw 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.
Most stakeholders could identify barriers in the EU regulatory framework.

Figure 4-34 Answers to Question 29 for a **total of respondents=332**

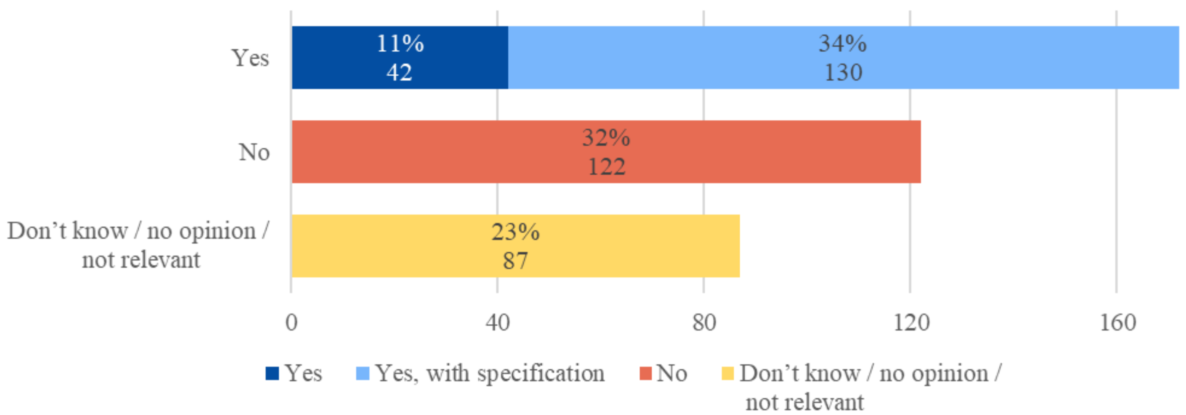


Most stakeholder types followed the general data trends. Of all stakeholders selecting that they saw barriers, academics (7 stakeholders, 70%), NGOs/ Civil Society (30 stakeholders, 71%) and trade unions (4 stakeholders, 80%) had the highest relative share by group.

After selecting "Yes", stakeholders were asked which barriers they saw and / or what action(s) could help foster long-termism in financial markets and the way corporates operate. They were asked to list a maximum of three barriers and three actions. Among the 116 responses, stakeholders referred to the ESAs reports, in particular ESMA's advice as a good basis, while others were cautious with regard to possible actions in this area.

<u>Question 40</u> asked stakeholders if there should be a mandatory share of variable remuneration linked to non-financial performance for corporates and financial institutions.
Most stakeholders agreed with the above statement.

Figure 4-35 Answers to Question 40 for a **total of respondents=381**



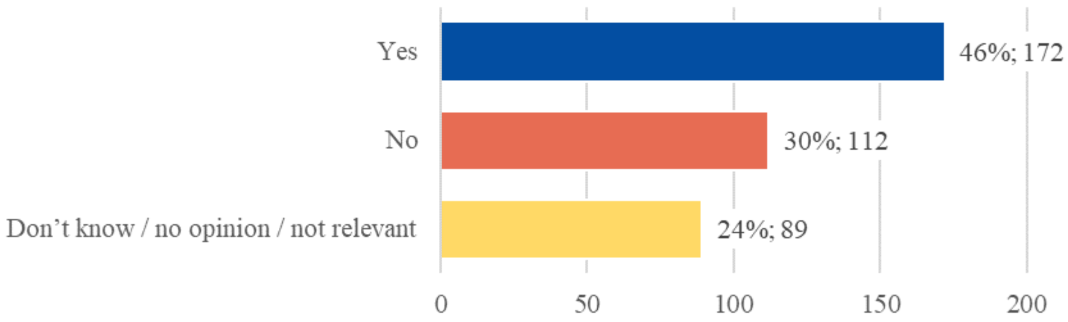
Most stakeholder groups largely agreed that there should be a mandatory share of variable remuneration. Only business associations (57 stakeholders, 59%), financial companies/ business organisations (29 stakeholders, 44%) and other companies/ business organisations (20 stakeholders, 39%) had the largest share of their stakeholder group stating that this should not be the case.

After selecting "Yes", the largest proportion of stakeholders indicated that the share of the variable remuneration linked to non-financial performance should be 50 %.

<u>Question 41</u> asked stakeholders if they thought 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.
Most stakeholders agreed with the above statement.

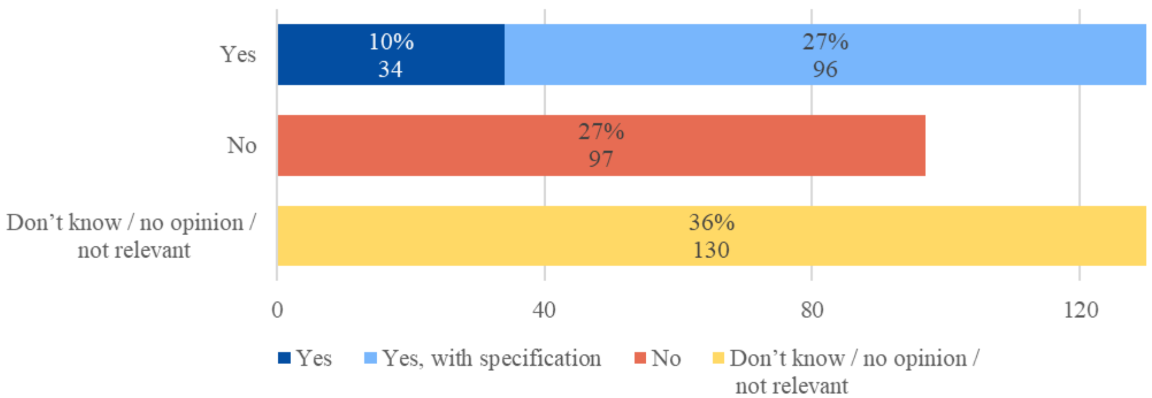
Figure 4-36 Answers to Question 41 for a **total of respondents=373**



Several stakeholder types – academics (7 stakeholders, 64%), consumer organisations (4 stakeholders, 80%), NGO/ Civil Society (37 stakeholders, 80%), trade unions (3 stakeholders, 75%), financial companies/ business organisations (29 stakeholders, 45%) and "other" stakeholders (13 stakeholders, 43%) – had the largest share of their groups responding that the EU companies should include carbon reductions in their lists of ESG factors affecting the directors' variable remuneration. However, business associations (46 stakeholders, 49%) and other companies/business organisations (22 stakeholders, 44%) largely disagreed. Public authorities had their largest share of stakeholders responding that they did not know/ had no opinion (11 stakeholders, 42%).

<u>Question 42</u> asked stakeholders if they thought that EU action would be necessary to further enhance long-term engagement between investors and their invested interests.
More than one third of stakeholders agreed that EU action would be necessary were mixed in their responses.

Figure 4-37 Answers to Question 42 for a **total of respondents=357**



Most stakeholder types were split between indicating that EU action is necessary and not knowing. Business associations had the largest share of their group stating it was not necessary (47 stakeholders, 54%).

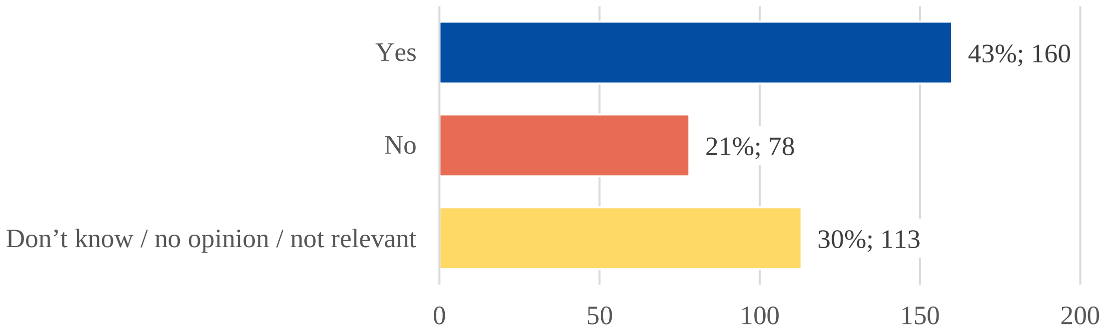
After selecting "Yes", stakeholders were asked what action should be taken. Most stakeholders noted that actions are necessary to promote long term engagement between investors and companies. Proposals included:

- More ESG integration into corporate governance, NFRD review, the definition of purpose-led companies and due diligence requirements, empowerment of long term shareholders;
- Collaborative engagement and defining long term engagement, investors' stewardship on sustainability risks; and
- Broader long term climate and environmental policies, such as carbon pricing.

<u>Question 43</u> asked stakeholders if they thought that voting frameworks across the EU should be further

harmonised at EU level to facilitate shareholder engagement and votes on ESG issues.
Most stakeholders indicated that voting frameworks should be harmonised.

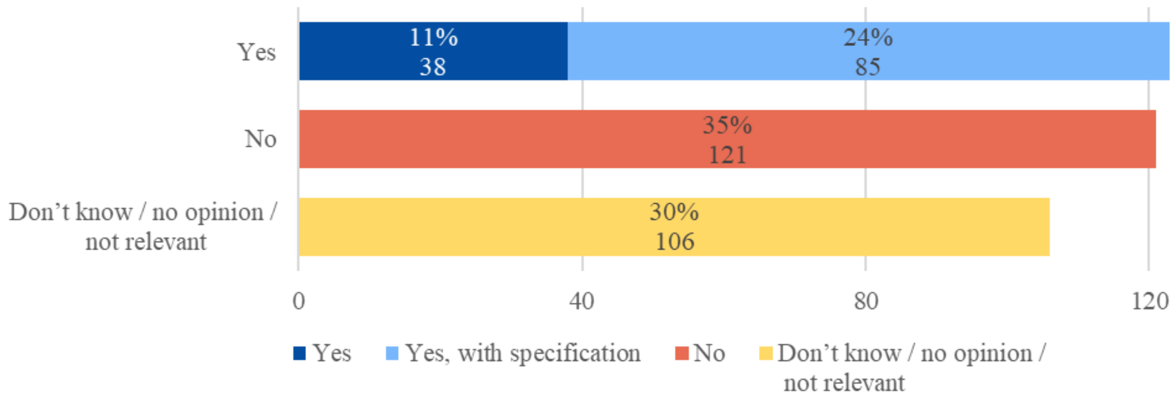
Figure 4-38 Answers to Question 43 for a **total of respondents=351**



64% of Academics (7 stakeholders), 60% of financial companies/ business organisations (41 stakeholders), 71% of consumer organisations (5 stakeholders), 64% of NGOs/ civil society stakeholders (29 stakeholders), 65% of "other" (15 stakeholders, 65%) and 39% of public authorities (9 stakeholders) responded that voting frameworks should be harmonised across the EU. Only business associations indicated this to be not necessary as their most selected option (37 stakeholders, 44% did not agree).

<u>Question 44</u> asked stakeholders if they thought that EU action is necessary to allow investors to vote on a company's environmental and social strategies or performance.
More than one third of stakeholders agreed that EU action is necessary.

Figure 4-39 Answers to Question 44 for a **total of respondents=350**

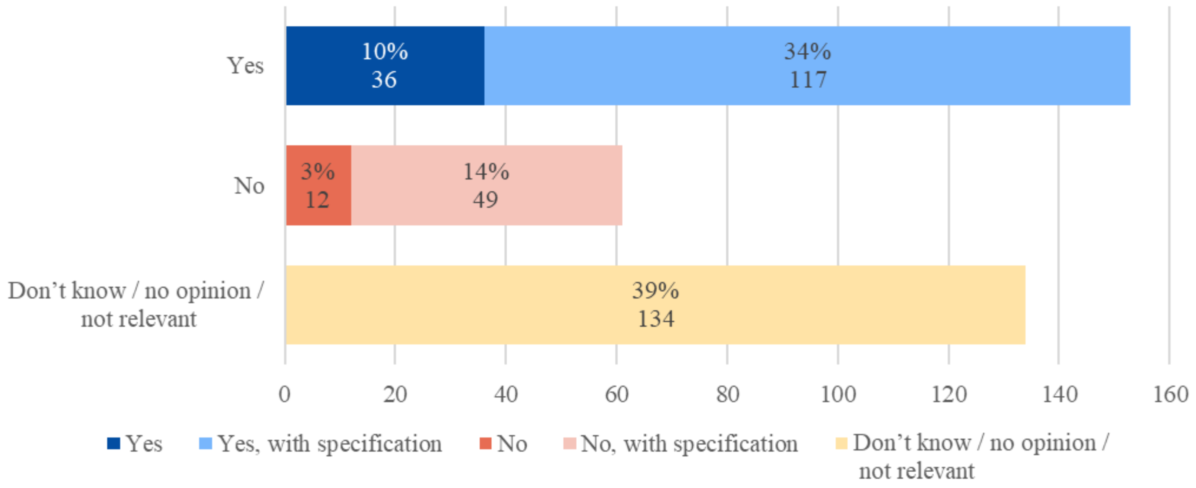


Stakeholder groups with a large share of respondents indicating that EU action is not necessary included business associations (46 stakeholders, 54%), financial companies/business organisations (27 stakeholders, 40%), other companies/business organisations (23 stakeholders, 49%), and trade unions (3 stakeholders, 75%).

After selecting "Yes", stakeholders were asked to provide an open response on what action should be taken. Most of them suggested to enable investors to vote on companies' ESG strategies and performance, especially when investors deem it material and in line with end-investors' interest. To support this, stakeholders mention several actions such as making compulsory for companies to present their environmental and social strategies, transition plans and setting standard metrics for ESG performance, further harmonise shareholders' right to facilitate investors' efforts, define purpose-led companies, to improve the transparency on companies' ESG performance and strategies through disclosure.

<u>Question 45</u> asked stakeholders if they thought that passive index investing could have an impact on the interests of long-term shareholders if it does not account for ESG factors.
Most stakeholders agreed with the above statement.

Figure 4-40 Answers to Question 45 for a **total of respondent=348**)

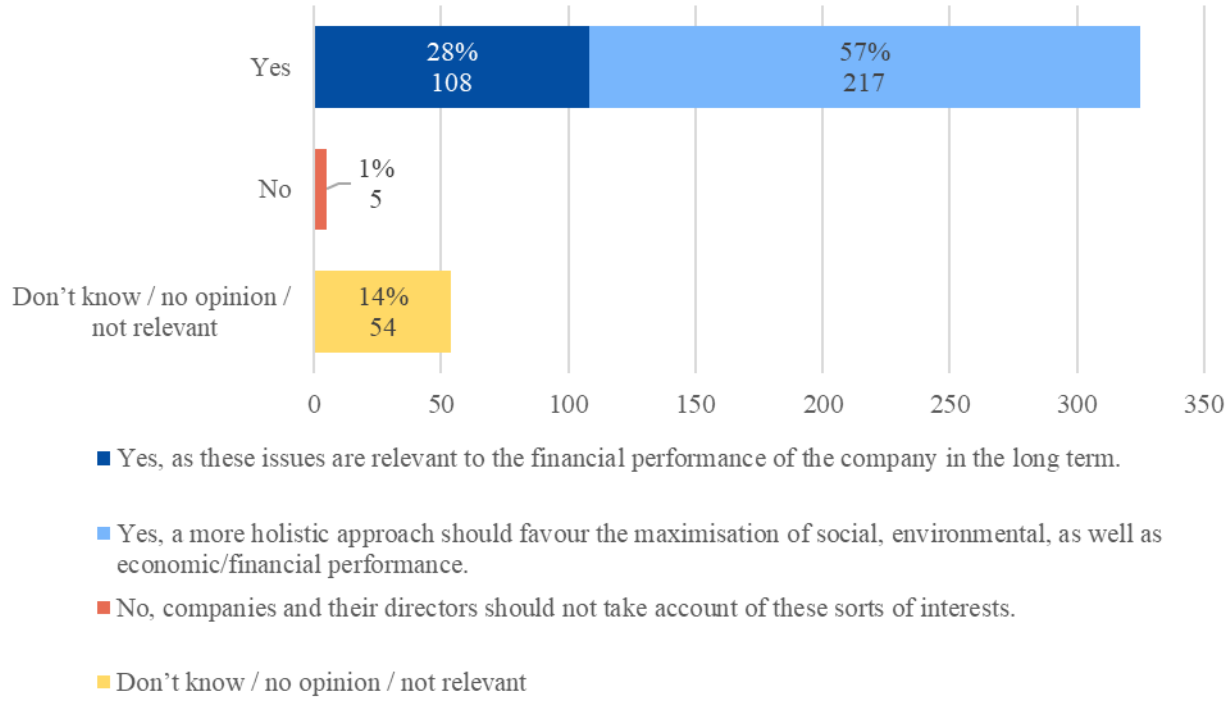


Almost all stakeholder types had the largest share of their group stating that passive index investing could have an impact on the interests of long-term stakeholders. The only outliers included consumer organisations (3 stakeholders, 75%) and public authorities (15 stakeholders, 65%) who mostly did not know or had no opinion. Business associations were split evenly between the three options: 28 stakeholders (33%) agreed, 29 stakeholders (35%) disagreed, and 27 stakeholders (32%) did not know or had no opinion.

After selecting "Yes", stakeholders were asked what they thought the impact could be and if the EU should address it and how. Most of them noted that passive investment could be a risk for long-term shareholders if ESG factors are not considered, since it does not capture longer term risks and tend to disconnect investors from the companies. Others highlighted the need to better integrate ESG factors in passive investment not only in the EU but also worldwide and to improve transparency in passive indices.

<u>Question 46</u> asked stakeholders if they thought that companies and their directors should take account of stakeholder interests in corporate decisions alongside financial interests of shareholders, beyond what is currently required by EU law.
The majority of stakeholders agreed that a more holistic approach should favour the maximisation of social environmental as well as economic/ financial performance.

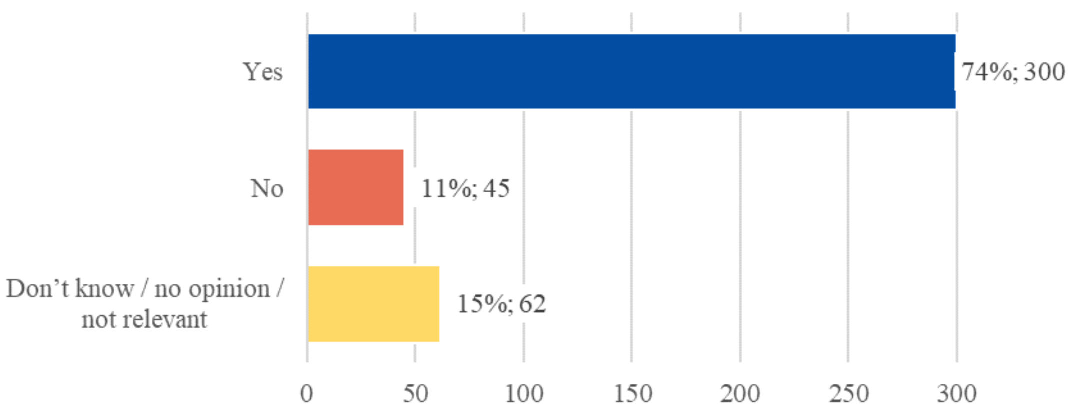
Figure 4-41 Answers to Question 46 for a **total of respondents=384**



Nearly all stakeholder types had the larger share of their group stating a more holistic approach should favour maximising also social and environmental performance. Business associations (38 stakeholders, 40%) were the only group with a majority stating the issues are relevant to financial performance in the long term. Public authorities had their stakeholder group split between the two "Yes" responses (10 stakeholders or 37% respectively).

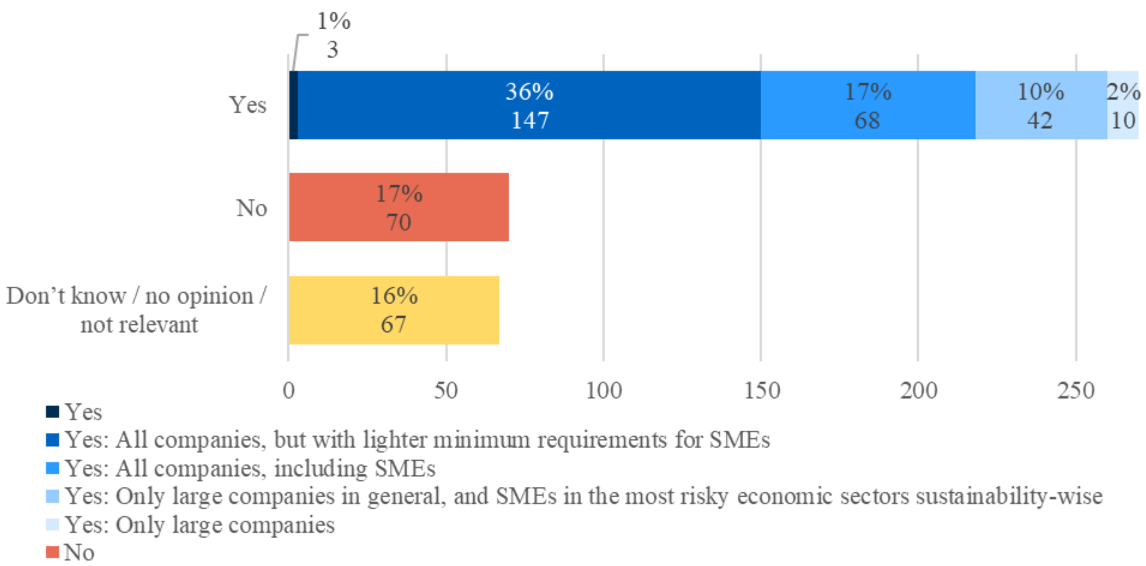
<u>Question 47</u> asked stakeholders if they thought that an EU framework for supply chain due diligence related to human rights and environmental issues should be developed to ensure a harmonised level-playing field, given the uneven development of national due diligence initiatives.
A great majority of stakeholders responded that an EU framework for supply chain due diligence should be developed.

Figure 4-42 Answers to Question 47 for a **total of respondents=407**



<u>Question 48</u> asked stakeholders if they thought that supply chain due diligence requirements should apply to all companies, including small and medium sized companies.
Two thirds of stakeholders agreed with the above statement. After selecting "Yes", stakeholders were asked to specify their response: most of them would foresee lighter minimum requirements for SMEs.

Figure 4-43 Answers to Question 48 for a **total of respondents=407**



For all stakeholder types the most frequent response was agreeing that due diligence measures should apply to all companies. From the follow-up question, it is clear that all stakeholder types, except trade unions, had the majority of their group selecting that all companies should be subjected to such measures, but with lighter requirements for SMEs. Trade unions (3 stakeholders, 100%) were the only stakeholder group with a larger share of their stakeholders responding that all companies – including SMEs – should be subjected to the same measures.

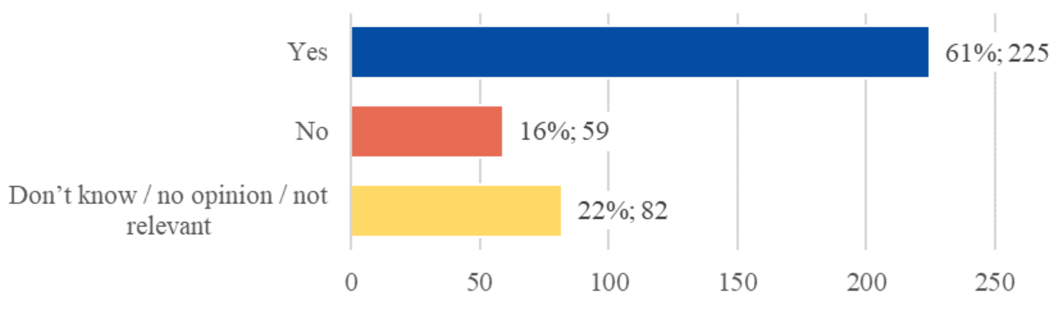
After selecting "Yes", stakeholders were able to justify their selection from the list in an open response. The three most common explanations were that the entire value chain must be concerned, that due diligence legislation should also apply to SMEs and that a harmonised EU standard should be developed.

4.4. Increasing opportunities for citizens, financial institutions, and corporates to enhance sustainability (questions 49-81)

i. Mobilising retail investors and citizens

Question 49 asked stakeholders whether detailed guidance for financial advisers would be useful when they ask questions to retail investors seeking financial advice.
The majority of stakeholders agreed that it would be useful for financial advisers to receive detailed guidance.

Figure 4-44 Answers to Question 49 for a **total of respondents=366**

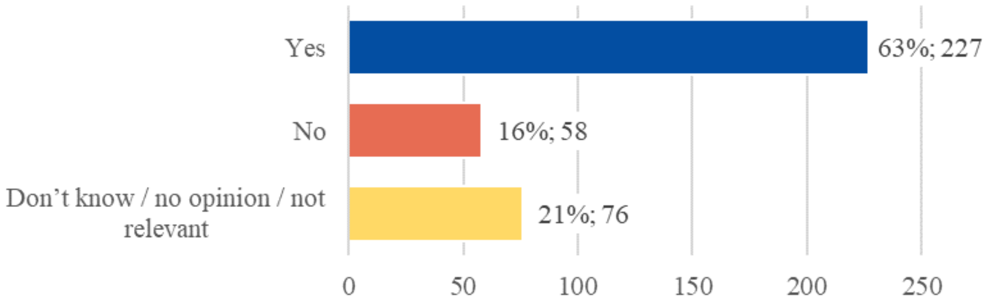


Almost all stakeholder types had the largest share of their group stating that detailed guidance would be useful. Only business associations were split between all three options, but with the largest share saying that detailed guidance would not be useful (32 stakeholders, 36%).

After providing a response, stakeholders were asked to provide an explanation for their response. Most of them underlined the need for improved education through guidance and trainings, to fill a general lack of knowledge on sustainable investment. Others noted that any further guidance should be flexible to adapt to individual preferences, be simple, with adequate level of granularity, and avoid an overly prescriptive approach (box-ticking).

<u>Question 50</u> asked stakeholders if retail investors should be systematically offered sustainable investment products, when available, at a comparable cost and if those products meet the suitability test. The majority of stakeholders agreed that retail investors should be systematically offered sustainable investment products when they are available and meet the suitability test.

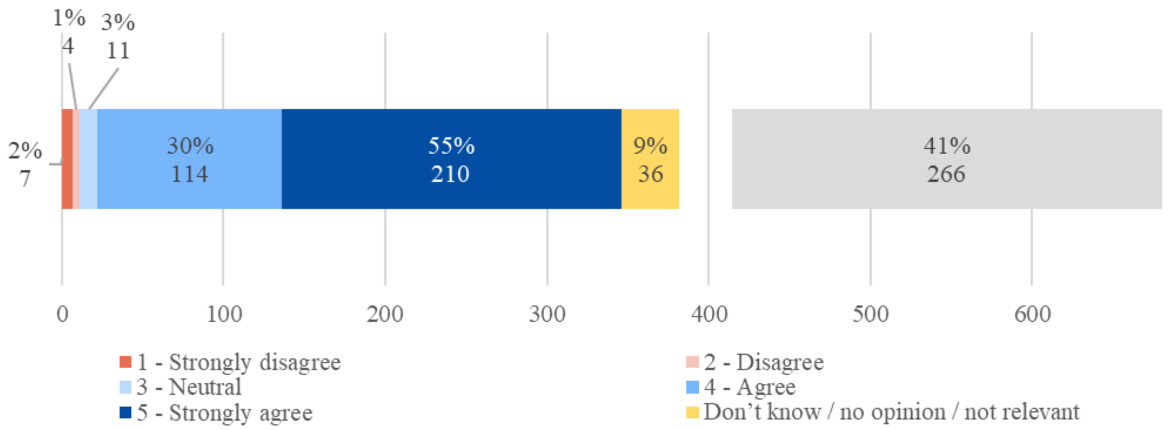
Figure 4-45 Answers to Question 50 for a **total of respondents=361**



All stakeholder types had the largest share of their groups stating that retail investors should be offered sustainable products systematically. Only business associations had a more mixed opinions across "Yes" (31 stakeholders, 36%), "No" (29 stakeholders, 33%) or "Do not know […]" (27 stakeholders, 31%).

<u>Question 51</u> asked stakeholders if the EU should support the development of financial literacy among citizens and professionals.
A substantial majority of stakeholders either strongly agreed or agreed that the EU should support financial literacy.

Figure 4-46 Answers to Question 51 for a **total of respondents=382**



Note: The method for calculating the percentages differ in this Figure between the coloured stacked bars and the grey "blank" bar. The percentages of the coloured bars indicate the share of responding stakeholders for that question (see "n" number in Figure caption). The grey bar indicates the percentage of blank responses compared to total survey respondents (n=648).

After agreeing or strongly agreeing, stakeholders were asked to prioritise actions from a given list. The most strongly agreed actions proportionally included:

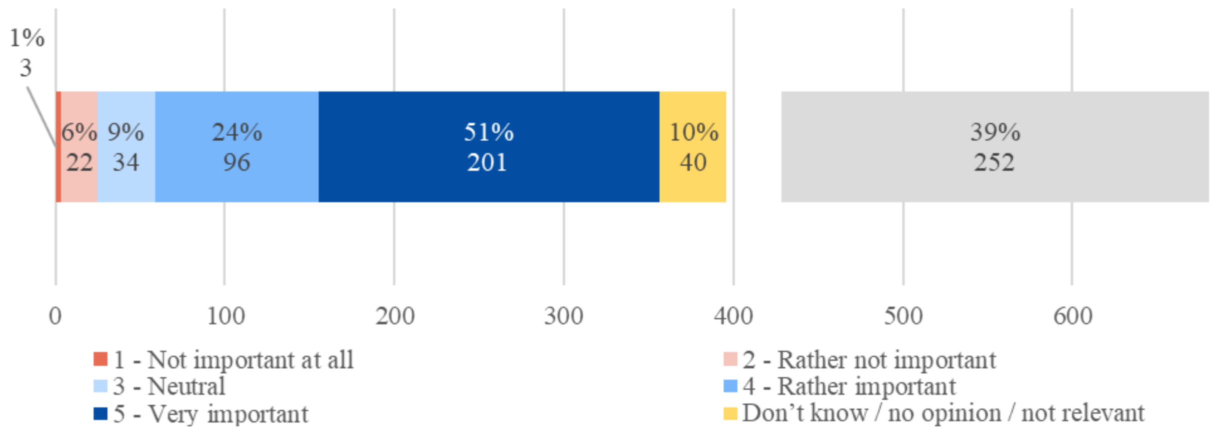
- Integrating sustainable finance literacy into training requirements for financial professionals.
- Promoting the inclusion of sustainable finance in the curricula of students, particularly those with a future in the financial sector.
- As part of a wider effort to raise the financial literacy of EU citizens.
- 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.
- As part of a wider effort to raise the knowledge citizens have of their rights as consumers, investors, and active members of their communities.

After selecting "Other", stakeholders were able to provide an open response on what other actions that should be prioritised. Most of them suggested to foster in-depth integration of environmental issues into higher education and training, including qualification requirements for financial advisers on ESG issues, while others suggest to raise awareness on sustainable finance through media and news outlets.

ii. Better understanding the impact of sustainable finance on sustainability factors

Question 52 asked stakeholders if it is important to better measure the impact of financial products on sustainability factors.
Half of stakeholders thought it was very important to better measure with sustainability factors the impact of financial products.

Figure 4-47 Answers to Question 52 for a **total of respondents=396**



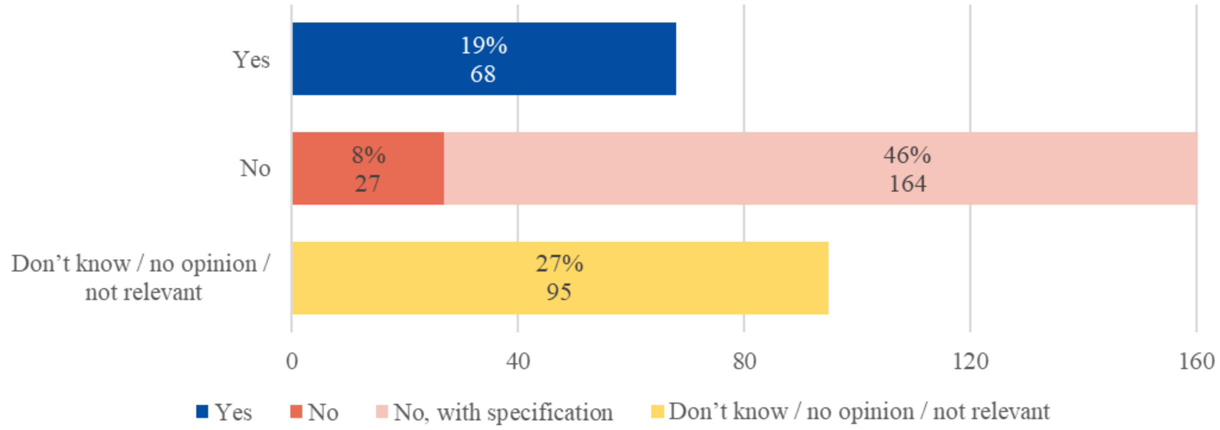
Note: The method for calculating the percentages differ in this Figure between the coloured stacked bars and the grey "blank" bar. The percentages of the coloured bars indicate the share of responding stakeholders for that question (see "n" number in Figure caption). The grey bar indicates the percentage of blank responses compared to total survey respondents (n=648).

All stakeholder types had their largest share of respondents providing responses of "very important" or "rather important". While most business associations also agreed that it is very important or rather important, this stakeholder group made up most of those who stated that it is rather unimportant (12 stakeholders, 12%), and were the only stakeholder group to have a response of "not important at all" (3 stakeholders, 3%).

After agreeing or strongly agreeing, stakeholders were able to provide an open response on what actions the EU should take on the issue. Most of them suggested to establish clear and simpler indicators, ensuring a harmonised framework and clear and measurable difference for green activities and investments. Others indicated the need to improve public and private compliance and transparency, by considering coherent disclosure requirements and including impact monitoring along the entire value chain. Some suggested to build on the EU Taxonomy Regulation, for instance to translate the EU Taxonomy into a user-friendly metrics that any investor can understand and use. Few suggested to further adjust the Sustainable Finance Disclosure Regulation, since only those funds having a sustainable investment as their objective (Article 9) should disclose the impact.

Question 53 asked stakeholders if they thought all financial products or instruments had the same ability to allocate capital to sustainable projects and activities.
The majority of stakeholders considered not all financial products and instruments equally capable of allocating capital to sustainable projects and activities.

Figure 4-48 Answers to Question 53 for a **total of respondents=354**



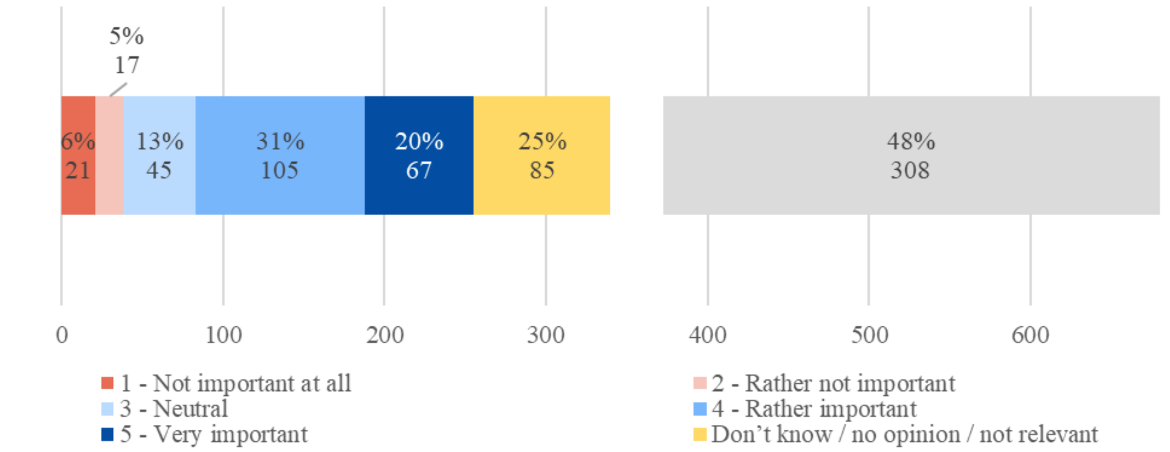
All stakeholder types had the largest share of their respondents stating that not all financial products and instruments allocate capital equally to sustainable projects and activities.

After selecting "No" stakeholders were able to provide an open response on what the most impactful products or instruments were for allocating capital towards sustainable projects and activities. The majority of them indicated bonds, followed by private and public shares.

iii. Green securitisation

Question 54 asked stakeholders how important they thought green securitisation was to increase the capital allocated to sustainable projects and activities.
Half of stakeholders indicated that green securitisation is either important or very important to increase the capital allocated to sustainable projects and activities.

Figure 4-49 Answers to Question 54 for a **total of respondents=340**



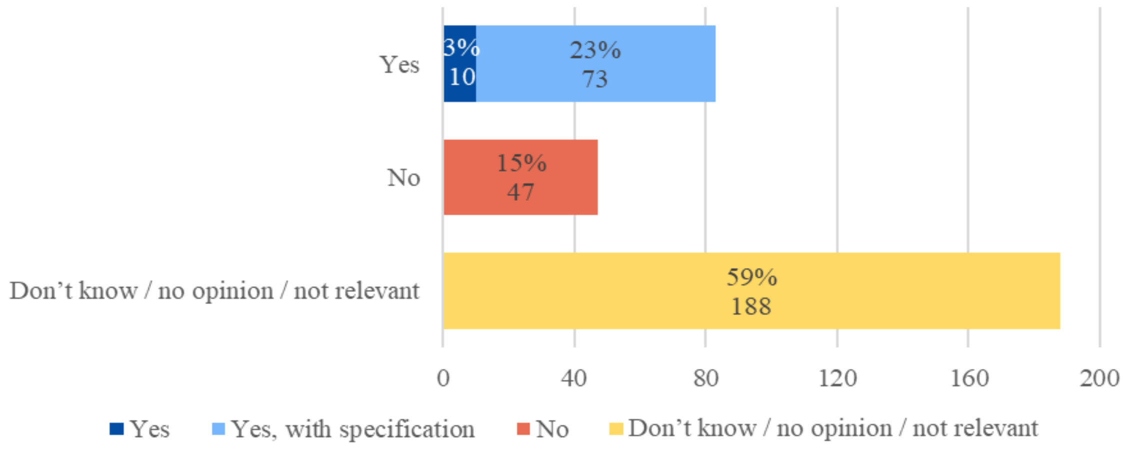
Note: The method for calculating the percentages differ in this Figure between the coloured stacked bars and the grey "blank" bar. The percentages of the coloured bars indicate the share of responding stakeholders for that question (see "n" number in Figure caption). The grey bar indicates the percentage of blank responses compared to total survey respondents (n=648).

Among the stakeholder groups, those with a larger share indicating that it is not important at all included NGOs/ Civil society (12 stakeholders, 31%), and trade unions (3 stakeholders, 75%).

After providing a response, stakeholders were able to explain why green securitisation should play a role. Most of them affirmed that it could help to allocate capital to green investments, in particular to benefit SMEs and small, medium projects, and to contribute to the development of the green loan market. Some underlined the need for measures related to green securitisation to be aligned with and build on existing sustainable finance framework such as the taxonomy.

<u>Question 55</u> asked stakeholders if the existing EU securitisation market and regulatory framework, including prudential treatment, created barriers for the securitising 'green assets' and increasing growth in their secondary market.
Of those respondents who had an opinion, most indicated that the current EU framework likely creates barriers for securitising 'green assets'.

Figure 4-50 Answers to Question 55 for a **total of respondents=318**

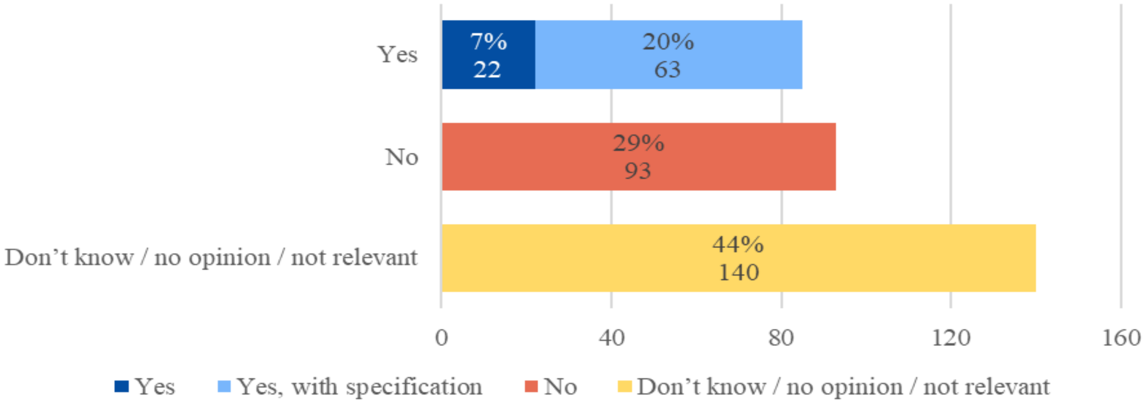


For most stakeholder types, the largest share of responses indicated that the stakeholders did not know or had no opinion. Public authorities were the only stakeholder type whose largest response was not "Do not know/ no opinion", but who agreed that the EU securitisation market and regulatory framework create barriers (11 stakeholders, 39%). The other groups that had large (but not their largest) shares agreeing were business associations (27 stakeholders, 34%) and financial companies/ business organisations (28 stakeholders, 44%).

After selecting “Yes”, stakeholders were able to indicate a maximum of 3 barriers that they saw in the EU regulatory framework. Most noted that the current frameworks are complex and need to be further simplified, as well as the prudential framework may need to be adjusted/recalibrated.

<u>Question 56</u> asked stakeholders if they saw the need for a dedicated regulatory and prudential framework for ‘green securitisation’.
Of those respondents who had an opinion, most did not see a need for dedicated EU regulatory framework.

Figure 4-51 Answers to Question 56 for a **total of respondents=318**



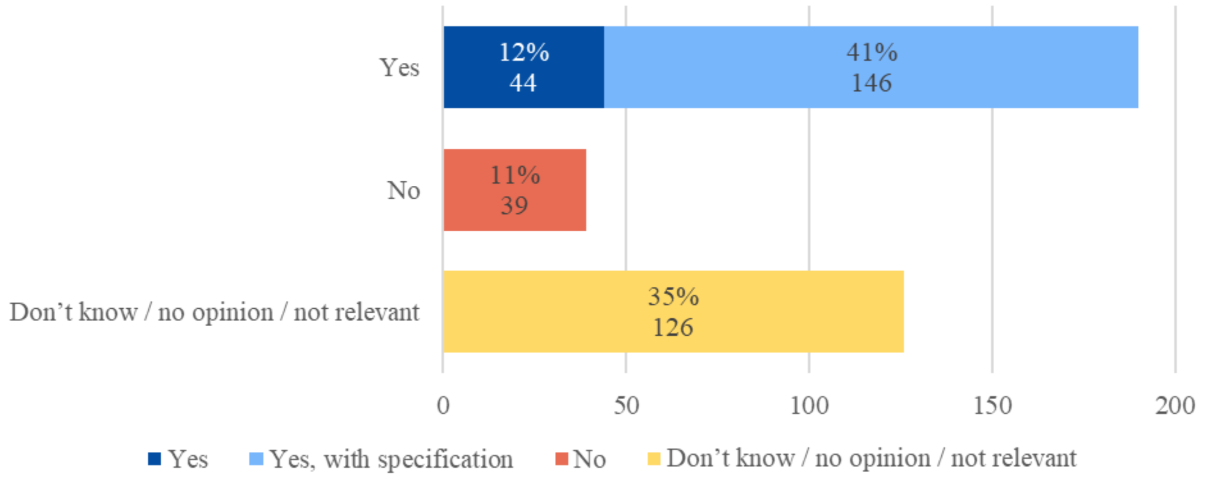
Most stakeholder types followed the general data trends, with their respondents being split across the three options, and with the largest shares often not knowing. The only stakeholder type with a significant share stating a dedicated regulatory framework is necessary was public authorities (13 stakeholders, 45%).

After selecting “Yes”, stakeholders were able to provide an open response about what regulatory and/ or prudential measures they thought were necessary for the dedicated framework. Most of them suggested additional measures that align with the existing framework, for instance a separate regulation for sustainable securitisations, considering specifics of sustainable assets such as taxonomy alignment. Others noted the need for a clear definition of green securitisation, defining a prudential treatment for green securitization that primarily relies on a risk-based analysis.

iv. Digital sustainable finance

<u>Question 57</u> asked stakeholders if EU policy action is needed to help maximise the potential of digital tools for integrating sustainability into the financial sector.
The majority of stakeholders responded that EU policy actions to maximise the use of digital tools are necessary.

Figure 4-52 Answers to Question 57 for a **total of respondents=355**

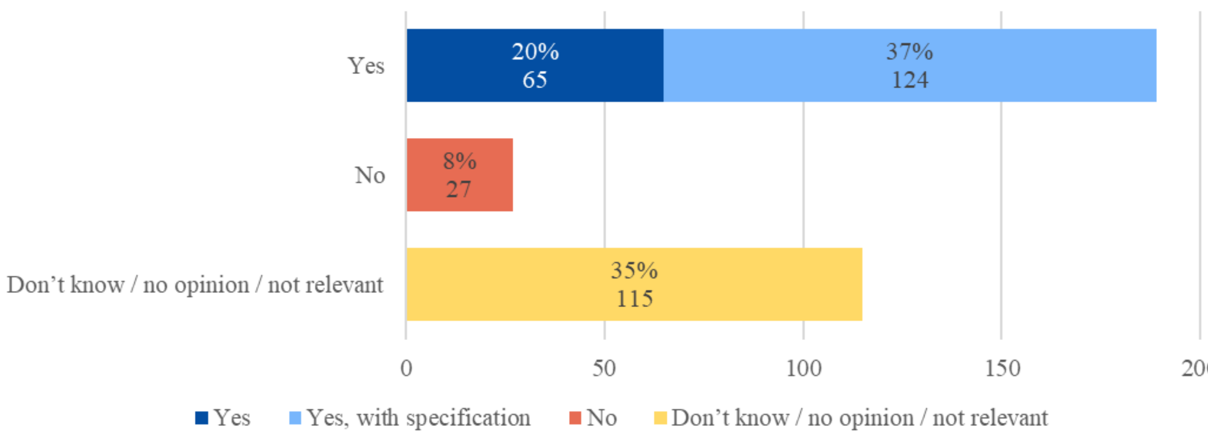


Most stakeholder types followed the trends of the general data. Among those stakeholder types that had a much larger share agreeing than the average response there were consumer organisations (4 stakeholders, 80%), a trade union stakeholder (1 stakeholder, 50%), “other” (16 stakeholders, 64%), and public authorities (21 stakeholders, 68%).

After selecting “Yes”, stakeholders were able to provide an open response about what policy actions they thought were necessary. Most of them indicated that digital tools have a role to play to ensure accessible, reliable data (e.g. centralized and open-source EU wide ESG database, free of charge). Others suggested to promote innovation, create new instruments (e.g. through research grants and award programs). Some expressed support for the implementation of measures to enhance transparency, which would assess how digitalization can support an increased transparency for companies with economic activities covered by the Taxonomy.

<u>Question 58</u> asked stakeholders if they thought the EU and Member States should support the development of digital financial solutions.
The majority of stakeholders responded that public authorities should support the development of digital financial solutions.

Figure 4-53 Answers to Question 58 for a **total of respondents=331**



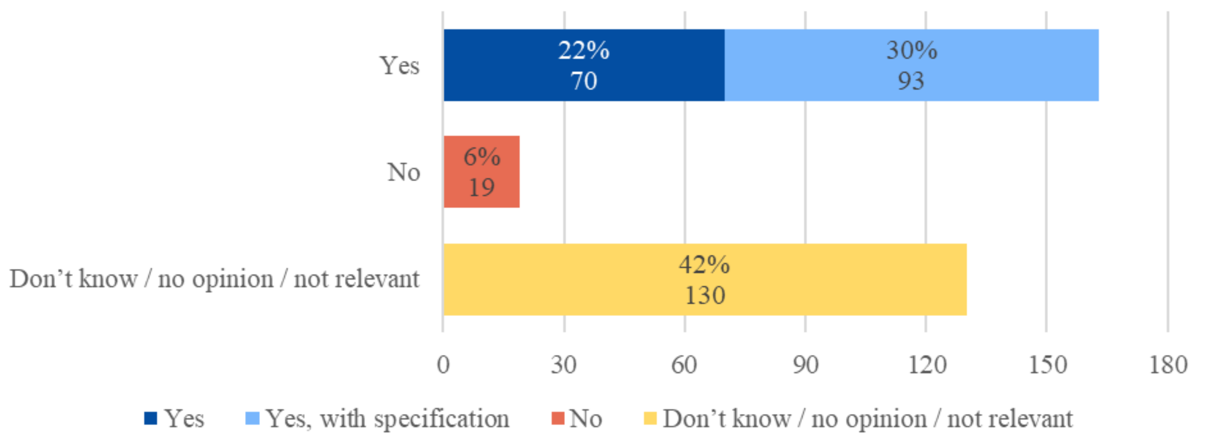
Stakeholder types overall followed the general data trends. 70 % of academics (7 stakeholders), 62% of financial companies/ business organisations (38 stakeholders), 100% of consumer organisations (5 stakeholders), a trade union stakeholder (1 stakeholder, 50%), 65% of "other" stakeholders (17 stakeholders), and 65% of public authorities (17 stakeholders) had a majority of responses agreeing that public authorities should support the development of digital financial solutions.

After selecting "Yes", stakeholders were able to provide an open response about what actions could be relevant and which public authorities would be best positioned to deliver on them.
Some stakeholders highlighted the need to ensure accessible, reliable data, for instance via a centralized ESG data portal. Some indicated to improve stakeholder's participation and engage more citizens, for instance making possible for them to buy shares in their local utility company, without having to get involved with intermediaries and complex platforms, plus the associated costs. Digital tools could also support better and clearer sustainability risk assessments and management. Few suggested to raise awareness, foster education, and qualification for citizens and entrepreneurs through digital tools.

<u>Question 59</u> asked stakeholders if the EU, Member States, or local authorities should use digital tools to involve EU citizens in co-financing local sustainable projects.
Half of stakeholders responded that public authorities should use digital tools for EU citizen involvement.

Stakeholder groups generally conformed to the overall data trends. Only the smaller groups had very large shares agreeing that public authorities should use digital innovation tools to involve citizens, such as consumer organisations (4 stakeholders, 100%), which could be due to small datasets.

Figure 4-54 Answers to Question 59 for a **total of respondents=312**



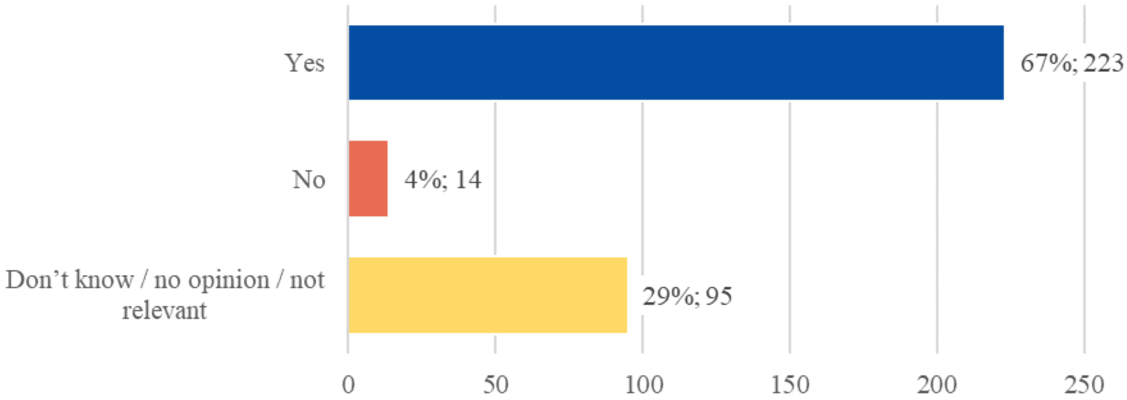
After selecting "Yes", stakeholders were able to provide an open response about whether they foresaw a role for EU interventions. Most of them suggested to promote the use of crowdfunding, for instance through web-based platforms, via official digital platforms for sustainability projects set up by the EU, member states or local entities. Others noted the need to increase funding for innovation, through support to research and development of applied digital finance, start-up and pilot projects.

v. Project pipeline

<u>Question 60</u> asked stakeholders what they consider to be the key market and key regulatory obstacles that prevent an increase in the pipeline of sustainable projects.
Among the 286 stakeholders who provided a response, it was expressed a general support for EU actions regarding project pipelines. However, the main market and regulatory barriers preventing an increase in project pipelines were noted as being investor uncertainty (due to lack of long-term policy and clear rules); the (perceived) lower profitability of these projects and the lack of incentives; a lack of knowledge and skills with regard to sustainable investment opportunities; and a lack of common definitions and standardised metrics.

<u>Question 61</u> asked stakeholders if they saw a role for Member States to address these obstacles through their NECPs (National Energy and Climate Plans).
Two thirds of stakeholders did see a role for Member States to address these obstacles via their NECPs.

Figure 4-55 Answers to Question 61 for a **total of respondents=332**



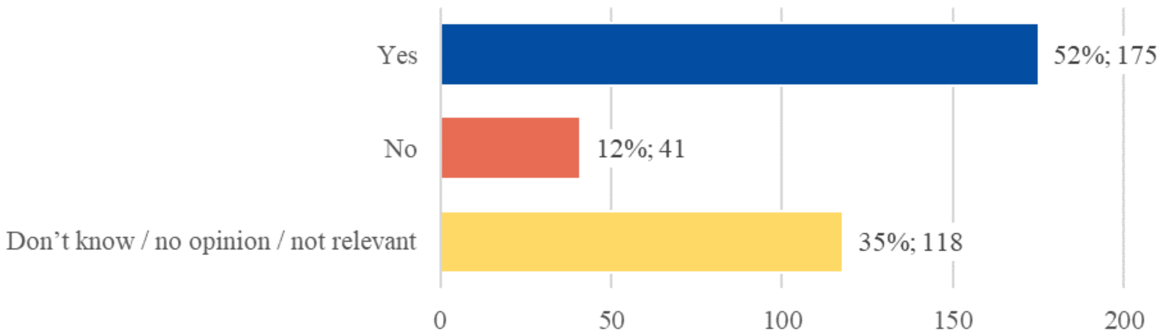
Most stakeholder types followed the overall data trends. NGOs/ Civil Society (18 stakeholders, 44%) and trade unions (1 stakeholder, 100%), however, had a much greater share of stakeholders that did not know.

<u>Question 62</u> asked stakeholders how the EU could facilitate the uptake of sustainable finance tools and frameworks by SMEs and smaller professional investors.
Stakeholders were asked to indicate a maximum of 3 actions at an EU level. A total of 189 stakeholders provided responses that covered several themes. Actions suggested by stakeholders included: raise awareness, providing education and guidance to entrepreneur; provide financial incentives for SMEs and start-ups to carry out more sustainable activities; simplify sustainable finance frameworks and tools; ensure standardised and harmonised metrics as well as improve the access to data.

<u>Question 63</u> asked stakeholders how the EU could ensure that the financial tools developed to increase sustainable investment flows turn R&I into investable (bankable) opportunities.
A total of 206 stakeholders provided open responses that covered several themes. The ideas proposed include developing incentives through blended finance instruments, public-private partnerships and the role of regional and development banks; enhance the cooperation between SMEs and start-ups, investors and public funds; or provide certainty with long-term policies and clear rules, in particular to ensure alignment with the European Green Deal.

<u>Question 64</u> asked stakeholders if they considered it useful to have a category for R&I in the EU Taxonomy.
Half of stakeholders agreed that R&I should have its own category within the EU taxonomy.

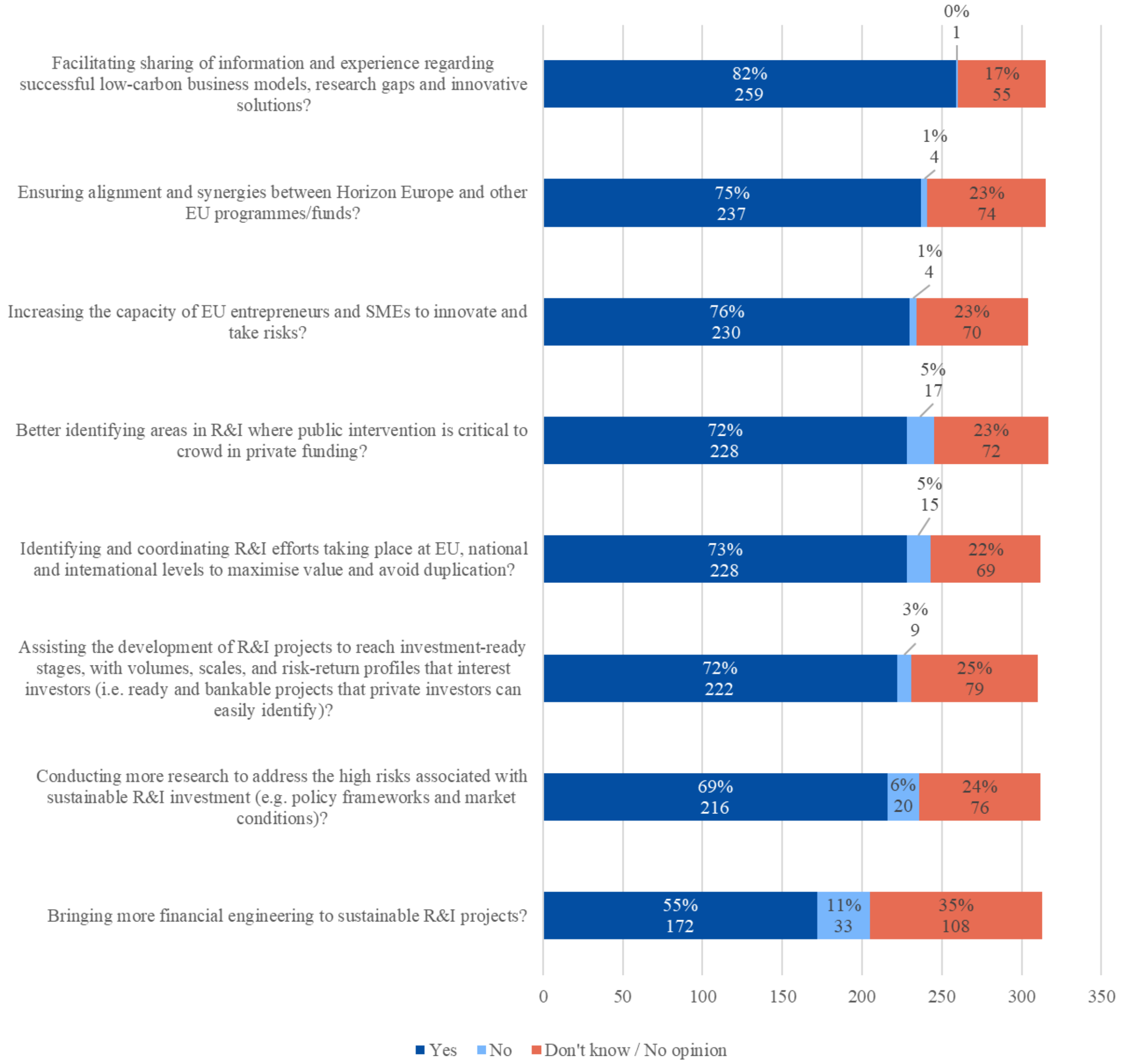
Figure 4-56 Answers to Question 64 for a **total of respondents=334**



Responses within stakeholder groups generally followed the same data trend. However, NGOs/ Civil Society (19 stakeholders, 50%) and the one trade union that responded to this question (1 stakeholder, 100%) had a higher share of their group indicating that they did not know/ had no opinion.

<u>Question 65</u> asked stakeholders what they considered the EU should take further action in, in regard to project pipelines.
Stakeholders were able to provide a response to a list of eight potential actions. The majority of stakeholders indicated that the EU should consider all eight potential options. However, the most selected action was to facilitate the sharing of information and experience regarding successful low-carbon business models, research gaps and innovative solutions.

Figure 4-57 Answers to Question 65 for a **total of respondents n=304 to n=317**



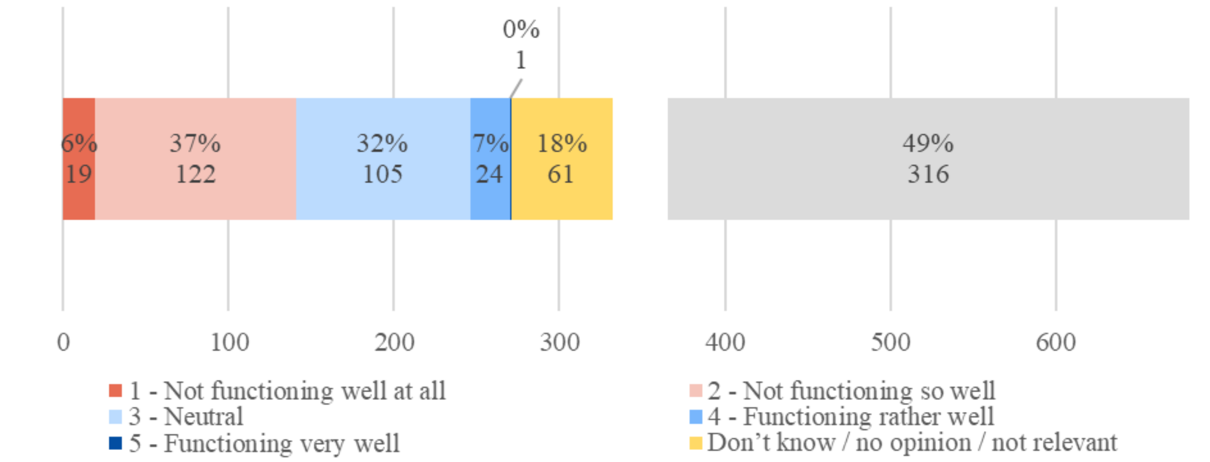
vi. Incentives to scale up sustainable investments

<u>Question 66</u> asked stakeholders if the EU financial system faces market barriers and inefficiencies that prevent the uptake of sustainable investments.

Stakeholder were asked to express their view on the current market functioning by using a scale going from not well functioning at all to functioning very well. Most stakeholders considered the EU financial system not functioning so well.

Responses within stakeholder groups generally followed the same data trend. However, for business associations (31 stakeholders, 37%) and public authorities (16 stakeholders, 59%) the largest shares of their respective groups indicated a neutral response.

Figure 4-58 Answers to Question 66 for a **total of respondents=332**



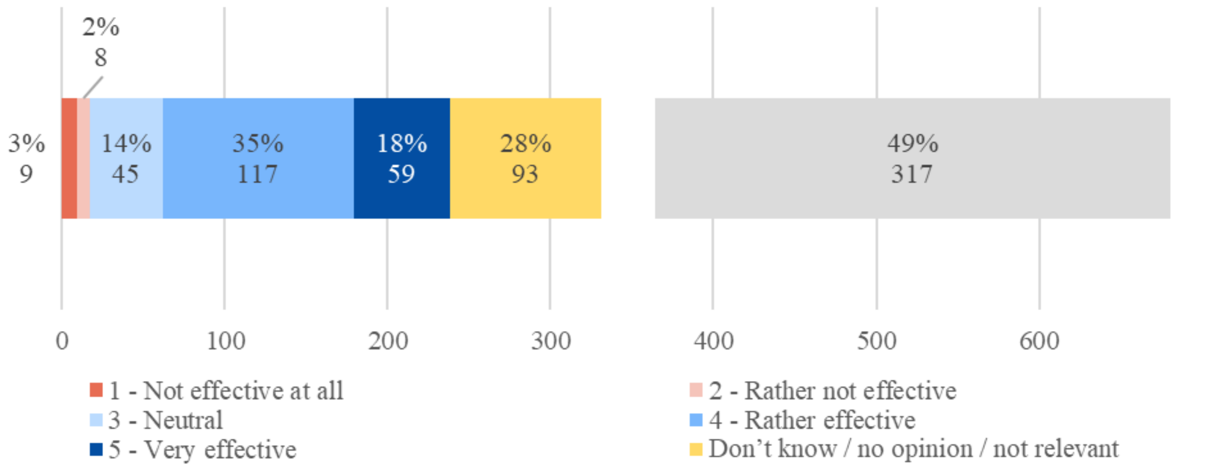
Note: The method for calculating the percentages differ in this Figure between the coloured stacked bars and the grey "blank" bar. The percentages of the coloured bars indicate the share of responding stakeholders for that question (see "n" number in Figure caption). The grey bar indicates the percentage of blank responses compared to total survey respondents (n=648).

After providing any response, stakeholders were able to provide to explain their choice. The main barriers and inefficiencies identified were a lack of comparable, reliable, high-quality data; the uncertainty and (perceived) lower profitability of these projects; a lack of common definitions of sustainable investments; or a lack of knowledge and skills with regard to sustainable investment opportunities.

Question 67 asked stakeholders to what extent potential public incentives for issuers and lenders would boost the market for sustainable investments.

Half of stakeholders indicated that potential public incentives were either rather effective or very effective.

Figure 4-59 Answers to Question 67 for a **total of respondents=331**



Note: The method for calculating the percentages differ in this Figure between the coloured stacked bars and the grey "blank" bar. The percentages of the coloured bars indicate the share of responding stakeholders for that question (see "n" number in Figure caption). The grey bar indicates the percentage of blank responses compared to total survey respondents (n=648).

Most stakeholder types followed the general data trends, with the largest shares of responses for each respective group indicating that public incentives would be rather effective. The largest share of responses from NGO/ Civil Society stakeholders indicated that they did not know (17 stakeholders, 50%).

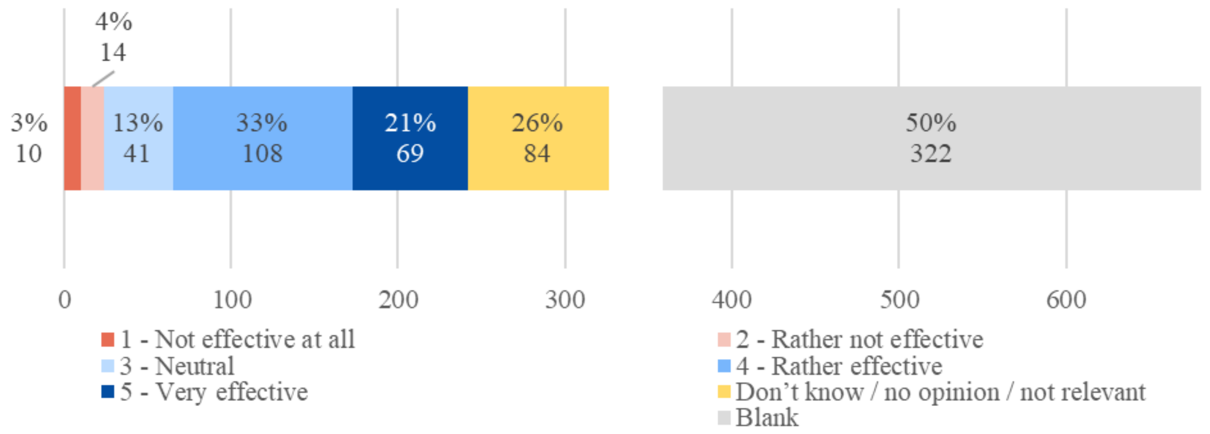
Stakeholders that selected rankings 4 and 5 (perceiving public incentives as effective) were invited to comment on which incentives support they would prefer. These incentives included:

- Revenue-neutral subsidies for issuers of bonds is considered more effective than for loans and equity.

- De-risking mechanisms such as guarantees and blended financing instruments at EU-level for loans is considered more effective than for bonds and equity.
- Technical assistance for bonds and loans is considered as equally effective, more than equity.
- For the other possible public sector incentives, loans are considered more effective than bonds and equity.

<u>Question 68</u> asked stakeholders to what extent potential financial incentives for investors (including retail investors) would help to create a viable market for sustainable investments.
Half of stakeholders responded that financial incentives for investors (including retail investors) would be either rather effective or very effective.

Figure 4-60 Answers to Question 68 for a **total of respondents=326**



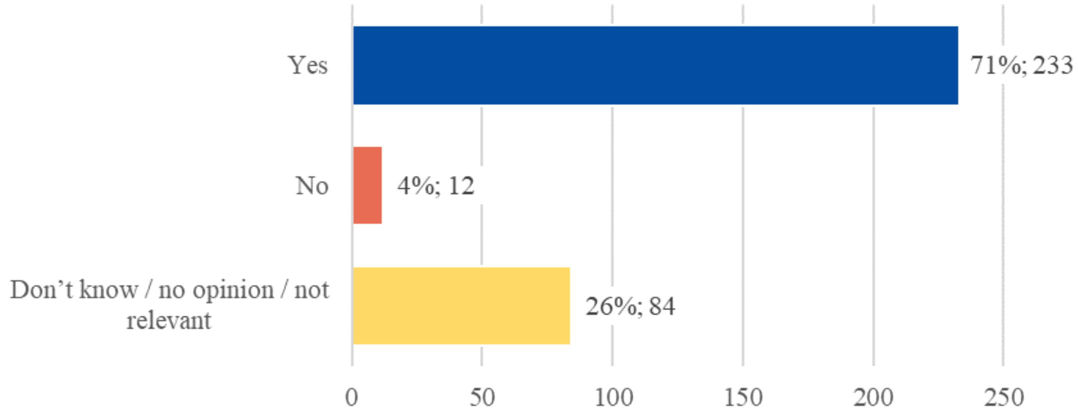
Note: The method for calculating the percentages differ in this Figure between the coloured stacked bars and the grey "blank" bar. The percentages of the coloured bars indicate the share of responding stakeholders for that question (see "n" number in Figure caption). The grey bar indicates the percentage of blank responses compared to total survey respondents (n=648).

Largely, responses by stakeholder type followed the general data trends. However, academics (4 stakeholders, 50%), consumer organisations (3 stakeholders, 60%), and public authorities (7 stakeholders, 43%) had a higher share than other groups responding that financial incentives would be rather effective. Furthermore, NGOs/ Civil Society had a higher share that responded that they did not know (16 stakeholders, 42%).

After selecting either a ranking of 4 or 5, stakeholders were asked to select from a list of possible incentives. The most supported incentive was public guarantees or co-financing, followed by adjusted prudential treatment, and revenue-neutral public sector incentives.

<u>Question 69</u> asked stakeholders if the EU should 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.
Most stakeholders indicated that financial incentives for SMEs should be put in place at an EU level.

Figure 4-61 Answers to Question 69 for a **total of respondents=329**



All stakeholder types followed the general data trends, with only a minority from each stakeholder type selecting "No" and smaller shares selecting that they do not know. Trade unions (1 stakeholder, 50%) had the largest share selecting "Do not know […]".

After selecting "Yes", stakeholders were able to provide an open response to specify the main three suggestions for EU actions that should be taken. The most common responses were:

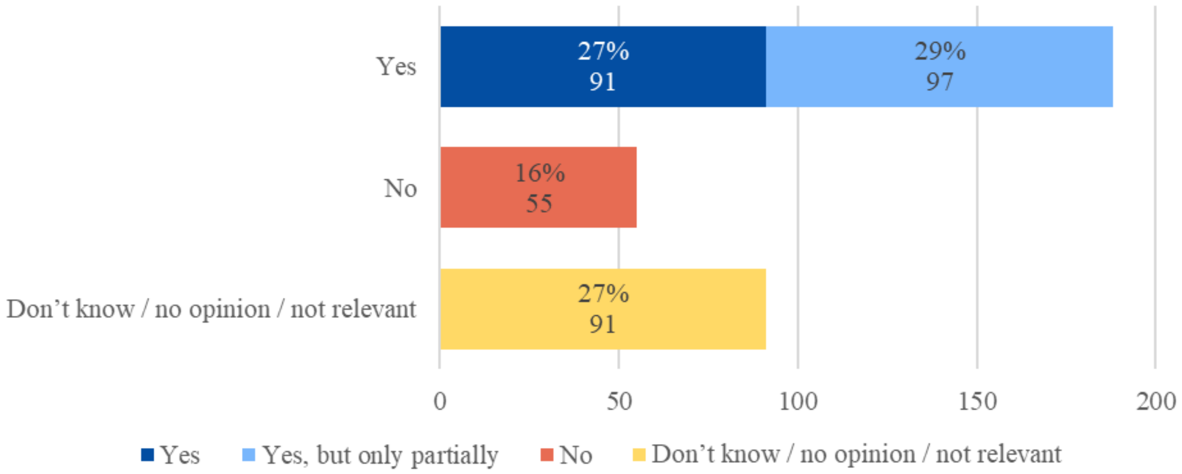
- Make available more incentives for SMEs, such as prudential adjustments (green SMEs supporting factor) or develop specific credit guarantee facilities to stimulate SME green lending and leasing;
- Provide education, and technical assistance, such as a dedicated platform that would allow SMEs to access easily technical assistance services by ESG experts and, implicitly, decrease the costs related to these services;
- Increase the availability of loans, by developing impact loans such as those from the EIB or develop very simple sustainability indicators (eco-labels on products and processes).

vii. The use of sustainable finance tools and frameworks by public authorities

<u>Question 70</u> asked stakeholders if the EU Taxonomy, as it is currently set out in the TEG report on Sustainable Finance, could be suitable for use by the public sector, in order to classify and report on green expenditures.

Over half of stakeholders responded that the EU Taxonomy as it is currently set out could be either suitable or partially suitable for the public sector.

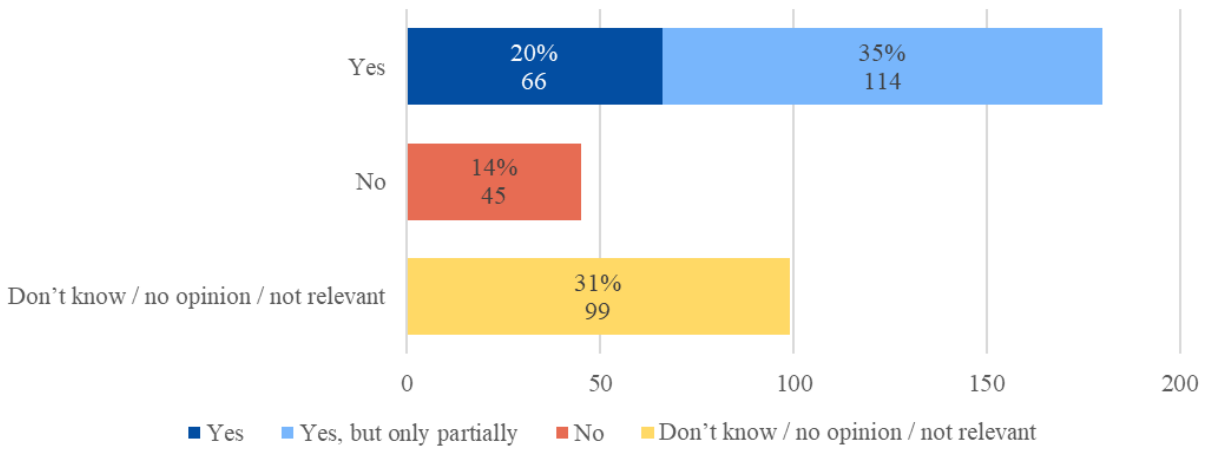
Figure 4-62 Answers to Question 70 for a **total of respondents=334**



The stakeholder types that had the highest proportion selecting "Yes" included academics (3 stakeholders, 43%), consumer organisations (2 stakeholder, 67%), NGOs/ Civil Society (17 stakeholders, 45%), and "other" (10 stakeholders, 43%). Business associations (30 stakeholders, 34%), financial companies/ business organisations (23 stakeholders, 39%), and public authorities (10 stakeholders, 42%) had the highest share of stating "Yes, but only partially". Public authorities (5 stakeholders, 21%) and other companies/ business organisations (18 stakeholders, 34%) had the highest relative shares of responses stating "No".

<u>Question 71</u> asked stakeholders if the EU Taxonomy, as it is currently set out in the TEG report on Sustainable Finance, could be suitable for the public sector in the area of green public procurement. The majority of stakeholders responded that the EU Taxonomy could be either completely suitable or partially suitable for the public sector in the context of green public procurement.

Figure 4-63 Answers to Question 71 for a **total of respondents=324**

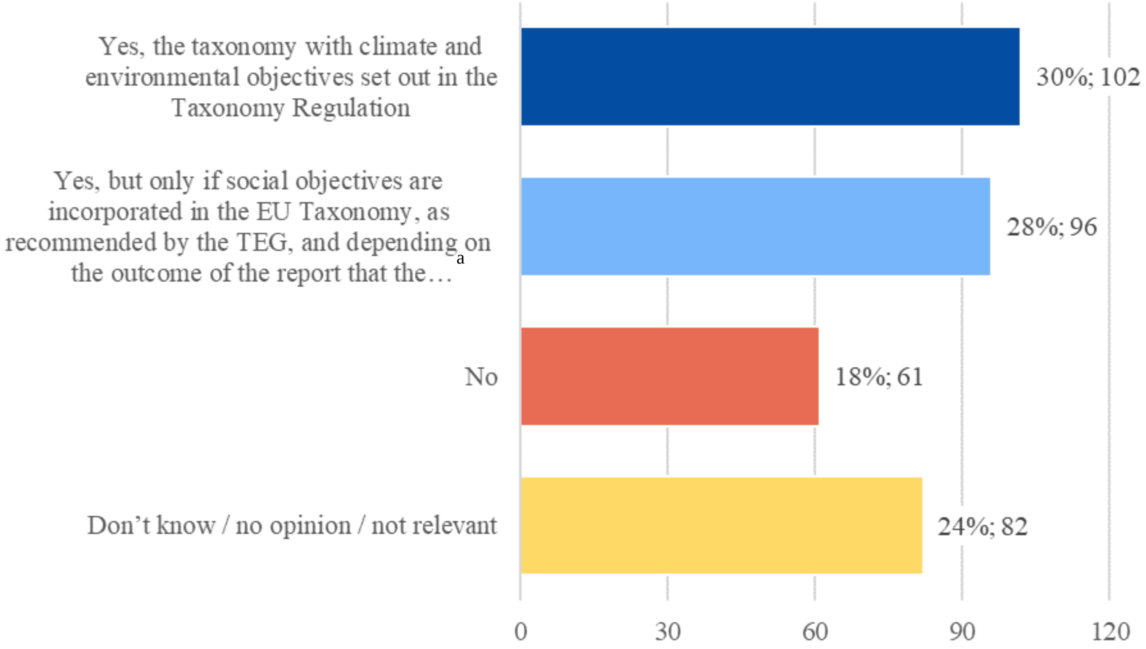


By stakeholder type, 57% of academics (4 stakeholders), 67% of consumer organisations (2 stakeholders), 43% of NGOs/ Civil Society (16 stakeholders) and 75% of trade unions (3 stakeholders) had the largest relative share of their group providing a "Yes" response. 36% of business associations (32 stakeholders), 38% of financial companies/ business organisations (20 stakeholders), 42% of other companies/ business organisations (21 stakeholders), 43% of "other" stakeholders (10 stakeholders) and 48% of public authorities (12 stakeholders) had the highest shares selecting "Yes, but only partially".

Stakeholders were able to provide an open response to specify how those reasons could be addressed**.** Among the 128 stakeholders that provided an open response, a large share consider the need for an analysis of the taxonomy applicability/effectiveness before being used for public procurement and the need to complete the taxonomy framework (criteria for all activities, include social issues, activities that have a low or negative impact) as it can be considered as restrictive currently.

<u>Question 72</u> asked stakeholders if the EU Taxonomy should play a role in the context of public spending frameworks at an EU level.
Stakeholders could select from a range of options: most stakeholders responded that the EU Taxonomy should play a role in EU-level public spending.

Figure 4-64 Answers to Question 72 for a **total of respondents=341**



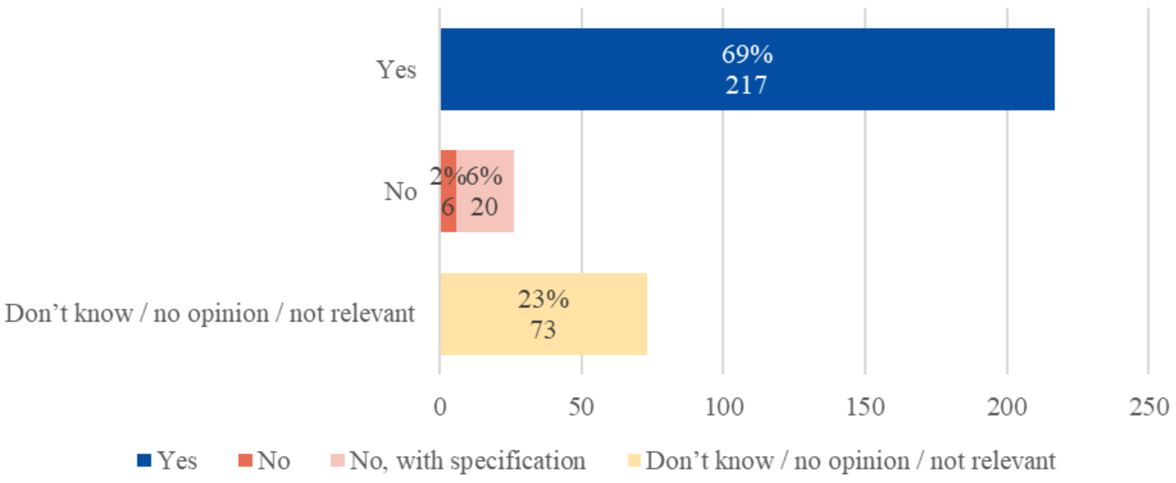
[a]…Commission must publish by 31 December 2021 in line with the review clause of the political agreement on the Taxonomy Regulation

After selecting "Yes, the taxonomy with climate and environmental objectives set out in the Taxonomy Regulation", stakeholders were able to provide a response to what role the taxonomy should play (161 responses). A slight majority of stakeholders (51%) responded that the Taxonomy should play a role in the context of some EU spending programmes (in particular for the recovery package). A smaller share (43%) responded that the Taxonomy should play a role in the context of EU state aid rules (and 6% "other").

After selecting "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", stakeholders were able to provide a response to what role the taxonomy should play (104 responses). The majority of stakeholders (52%) responded that a social, climate and environmental taxonomy should play a role in the context of some EU spending programmes, while a smaller share (36%) responded that it should play a role in the context of EU state aid rules (and 13% "others").

<u>Question 73</u> asked stakeholders if public issuers should be expected to make use of a future EU Green Bond Standard for their green bond issuances.
More than two thirds of stakeholders responded that public issuers should be expected to use the EU GBS for green bond issuances.

Figure 4-65 Answers to Question 73 for a **total of respondents=316**

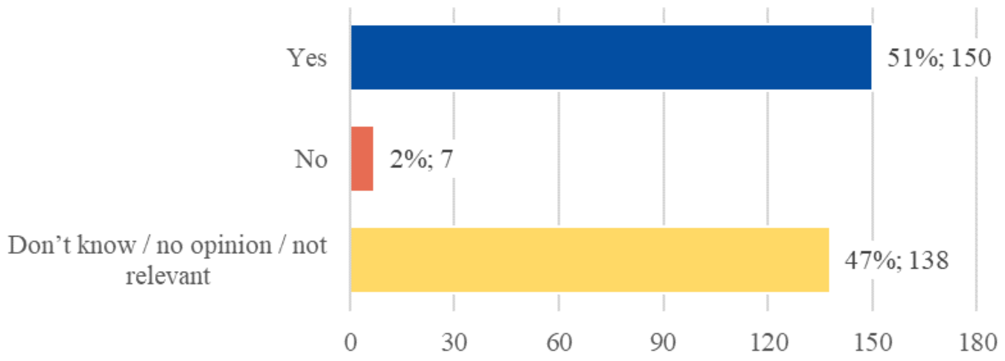


After selecting "No", stakeholders were able to provide an open response to state if there are specificities of public issuers that the existing guidance on green bonds does not account for. Most of them affirmed that its use should remain voluntary: the standard is helpful for issuers to understand what the market expects and what is needed to reach global goals and targets, but it could hamper issuance if the standards are unattainable for incremental progress for smaller or emerging markets issuers.

viii. Promoting intra-EU cross-border sustainable investments

<u>Question 74</u> asked stakeholders if they considered that targeted investment promotion services could support the scaling up of cross-border sustainable investments.
Half of stakeholders responded that targeted investment promotion services could support cross-border investments.

Figure 4-66 Answers to Question 74 for a **total of respondents=295**



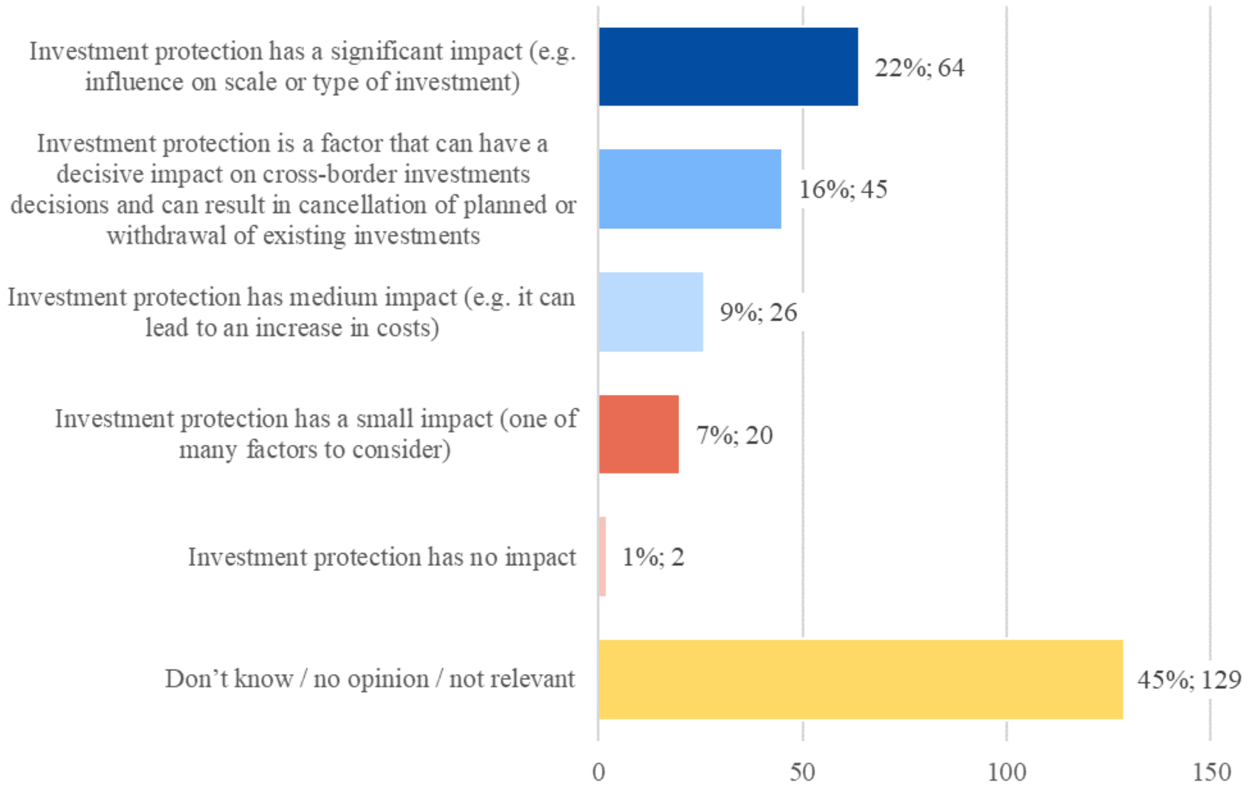
Most stakeholder types followed the general data trends, with responses split between perceiving that targeted investments do support cross-border sustainable investments and not knowing. Only responses from academics and NGOs reversed the general trend with most of these stakeholder types not knowing and the rest stating "Yes".

ix. EU Investment Protection Framework

<u>Question 75</u> asked stakeholders if they considered that the investment protection framework could have

an impact on decisions to engage in cross-border sustainable investment.
Stakeholder could select from a list of options. Of those respondents who had an opinion, most indicated that they considered investment protection to likely have a signification impact.

Figure 4-67 Answers to Question 75 for a **total of respondents=286**

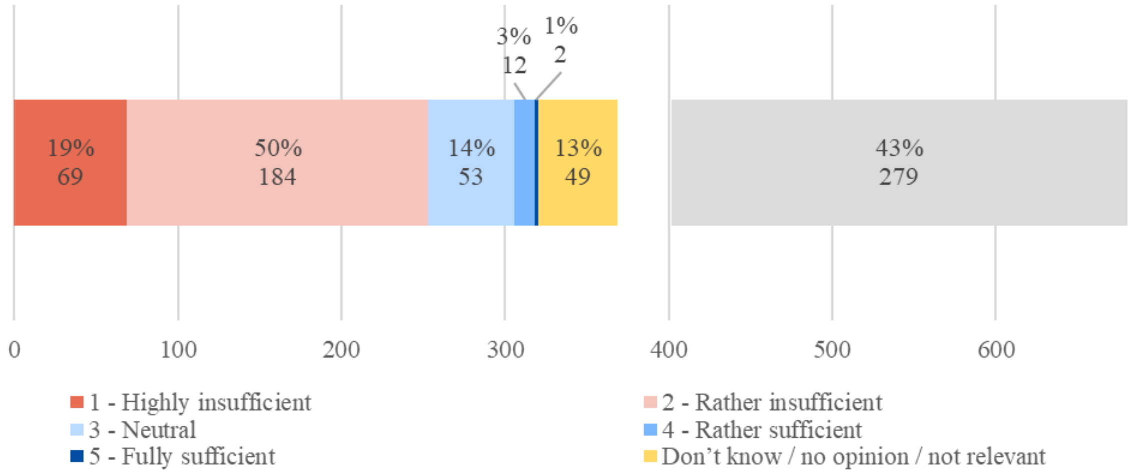


Most stakeholder types followed the general data trends, with the largest share of each stakeholder type selecting that they did not know. Financial companies/ business organisations (16 stakeholders, 28%), NGOs/ Civil Society (8 stakeholders, 24%), and public authorities (5 stakeholders, 25%) had their largest share – after "Do not know […]" – selecting that investment protection could have a significant impact. Business associations and other companies/ business organisations were the only group that had the second largest share indicating that investment protection framework could have a decisive impact and a significant impact.

x. Promoting sustainable finance globally

<u>Question 76</u> asked stakeholders if the current level of global coordination between public actors for sustainable finance was sufficient to promote sustainable finance globally, the Paris Agreement and the SDGs.
More than half of stakeholders considered global coordination as currently either rather insufficient or highly insufficient.

Figure 4-68 Answers to Question 76 for a **total of respondents=369**



Note: The method for calculating the percentages differ in this Figure between the coloured stacked bars and the grey "blank" bar. The percentages of the coloured bars indicate the share of responding stakeholders for that question (see "n" number in Figure caption). The grey bar indicates the percentage of blank responses compared to total survey respondents (n=648).

Stakeholder types broadly followed the general data trends. Stakeholders that diverged from the general trend include NGOs/ Civil Society (16 stakeholders, 38%), and trade unions (3 stakeholders, 75%), who indicated that the level of global coordination is highly insufficient. Public authorities mostly provided a neutral response (17 stakeholders, 52%).

After selecting rankings 1 or 2, stakeholders were able to provide an open response to explain what the main missing factors are at the international level for promoting global sustainable finance. Stakeholders identified:

- Harmonised reporting framework and standards, such as agreements on data quality, availability and requirements should be part of the international collaboration agenda.
- Common frameworks and criteria, acknowledging local contexts and specificities.
- Global coordination, since the fragmented nature of the international landscape with different jurisdictional approaches and rules would undermine a cohesive global approach.
- Collaborative work with multilateral and international organisations: coherence should be encouraged by the international cooperation, development banks and recovery packages.

<u>Question 77</u> asked stakeholders what the Commission could do to facilitate global coordination of the private sector to facilitate the Paris Agreement and SDGs.

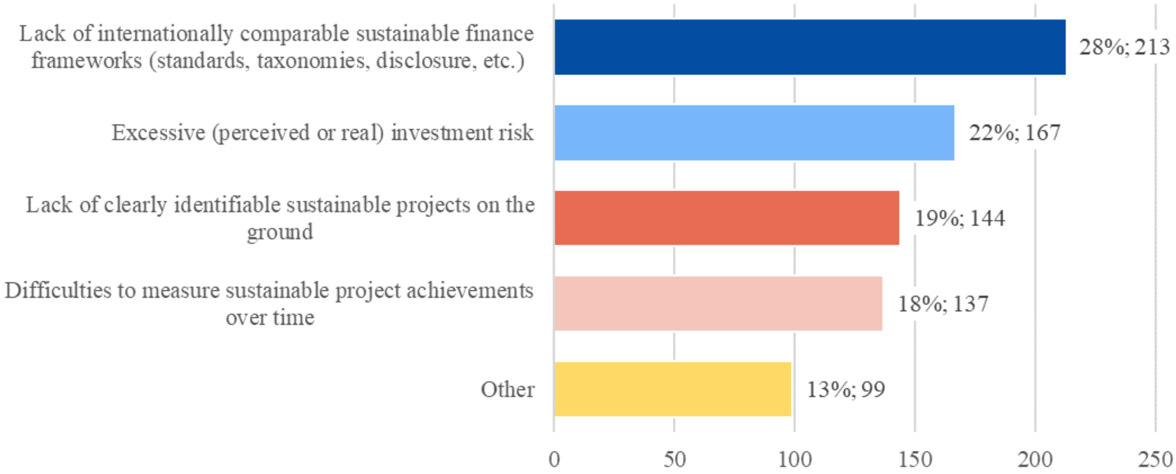
This question allowed stakeholders to provide an open response, indicating a maximum of 3 proposals. A total of 239 stakeholders provided responses that covered several themes. Actions suggested by stakeholders included:

- Work for the harmonisation of climate finance frameworks, in particular of sustainability reporting, taxonomy and green bond standards.
- Increase capacity building and information efforts, by creating a voluntary "joint language and tool-kit" for financing sustainable projects, which can be used also outside the EU.
- Build on and promote the work of the International Platform on Sustainable Finance and strengthen the efforts for the creation of the EU Platform on sustainable finance by further including private sector experts.
- Strengthen the collaboration and build on the work of other existing international organisations/initiatives (at UN level, OECD, World Bank, TCFD, World Economic Forum, ISO, etc.).

<u>Question 78</u> asked stakeholders which are the main barriers private investors face when financing sustainable projects and activities in emerging markets and developing economies.

Stakeholders were able to select multiple options from a list of main barriers. Most of them selected the lack of internationally comparable suitable finance frameworks, followed by excessive investment risks.

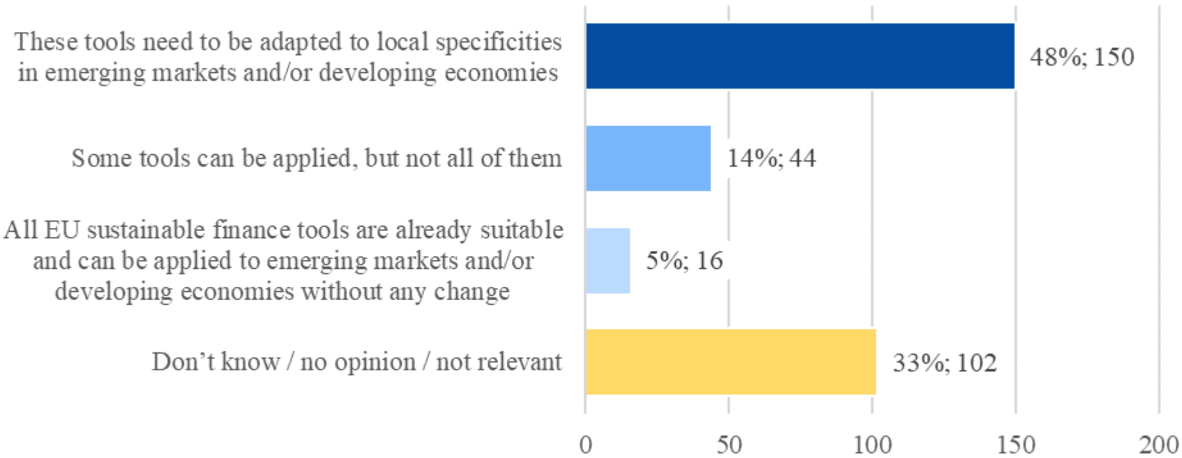
Figure 4-69 Answers to Question 78 for a **total of respondses=760**



<u>Question 79</u> asked stakeholders how the EU can 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.
This question allowed stakeholders to provide an open response, indicating a maximum of 3 proposals. A total of 176 stakeholders provided responses that covered several themes. Stakeholders proposed to support the establishment of same requirements/standards for sustainable investment projects abroad and within the EU taking also account the local contexts; to build capacity (training and education on sustainability of financial markets and instruments); work closely with international organisations (such as development banks); to establish de-risking instruments (grants, blending, guarantees, budget support, etc.) or to support the development of clear pipeline of projects.

<u>Question 80</u> asked stakeholders how EU sustainable finance tools could be used to help scale up the financing of sustainable projects in emerging markets, which tools are best suited, and what challenges exist in implementing these tools.
The most popular response was that tools need to be adapted to local specificities in the emerging markets.

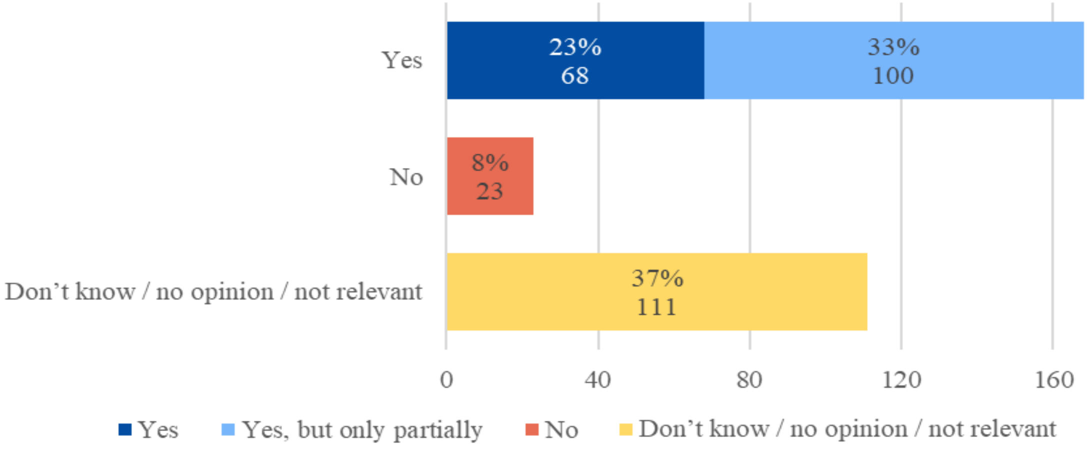
Figure 4-70 Answers to Question 80 for a **total of respondents=312**



<u>Question 81</u> asked stakeholders if the EU Taxonomy could be 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.

More than half of stakeholders responded that the taxonomy could be either suitable or partially suitable for development banks.

Figure 4-71 Answers to Question 81 for a **total of respondents=302**

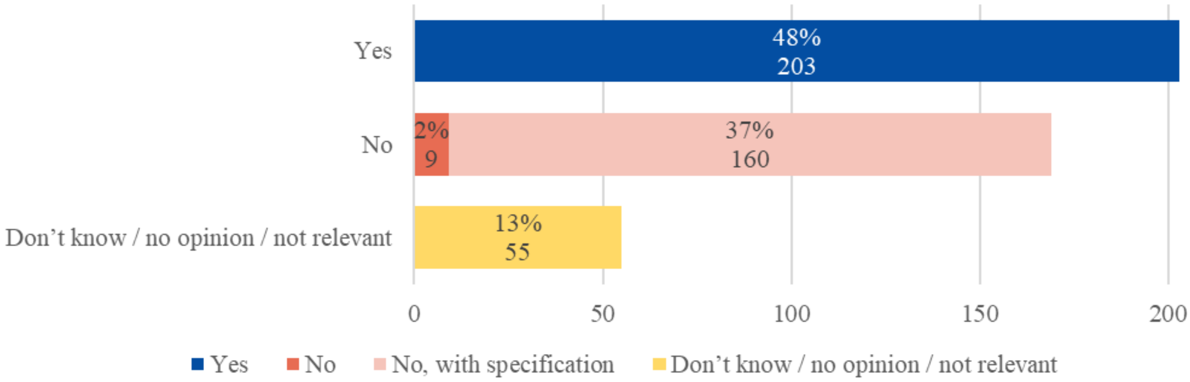


4.5. Reducing and managing climate and environmental risks (questions 82-102)

i. Identifying exposures to harmful activities and assets and disincentivizing environmentally harmful investments

<u>Question 82</u> asked whether stakeholders thought that existing actions need to be complemented by the development of a taxonomy for those economic activities that are most exposed to the transition due to their current negative environmental impacts
Most stakeholders agreed with the development of a taxonomy for activities that have a negative impact on the environment, but a considerable share of respondents also disagreed.

Figure 4-72 Answers to Question 82 for a **total of respondents=427**



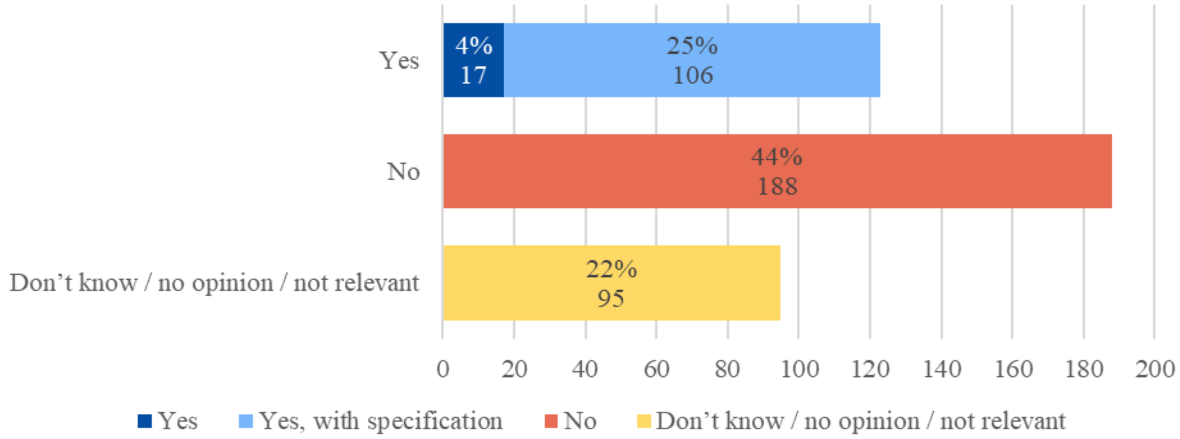
Stakeholder types that were broadly in favour of the development of a "brown taxonomy" included: 70% of academics (7 stakeholders), 100% of consumer organisations (6 stakeholders), 85% of NGOs/ Civil Society (45 stakeholders), 75% of trade unions (3 stakeholders), 68% of "other" (21 stakeholders) and 74% of public authorities (26 stakeholders). 65% of business associations (75 stakeholders) disagreed, as did 65% of other companies/ business organisations (39 stakeholders). Financial companies/ business organisations were split between agreeing with its development (41%) and disagreeing (44%).

After selecting "No", stakeholders were asked why they disagree. Most of them noted that a negative impact

taxonomy would discourage investments or may lead to higher transition risk.
After selecting “Yes”, stakeholders were asked what the purpose of such a taxonomy would be. Stakeholders could select multiple options from a list: the most common responses were to identify and stop environmentally harmful subsidies and to help supervisors identify and manage climate and environmental risks. Some indicated the purpose to also make it easier for investors and financial institutions to voluntarily lower their exposure to these activities.

Question 83 asked stakeholders if, beyond the “negative impact taxonomy”, they saw a need for another taxonomy to cover economic activities which may have a more limited negative or positive impact.
Most stakeholders disagreed with the development of a taxonomy to cover economic activities which may have a more limited negative or positive impact.

Figure 4-73 Answers to Question 83 for a **total of respondents=406**



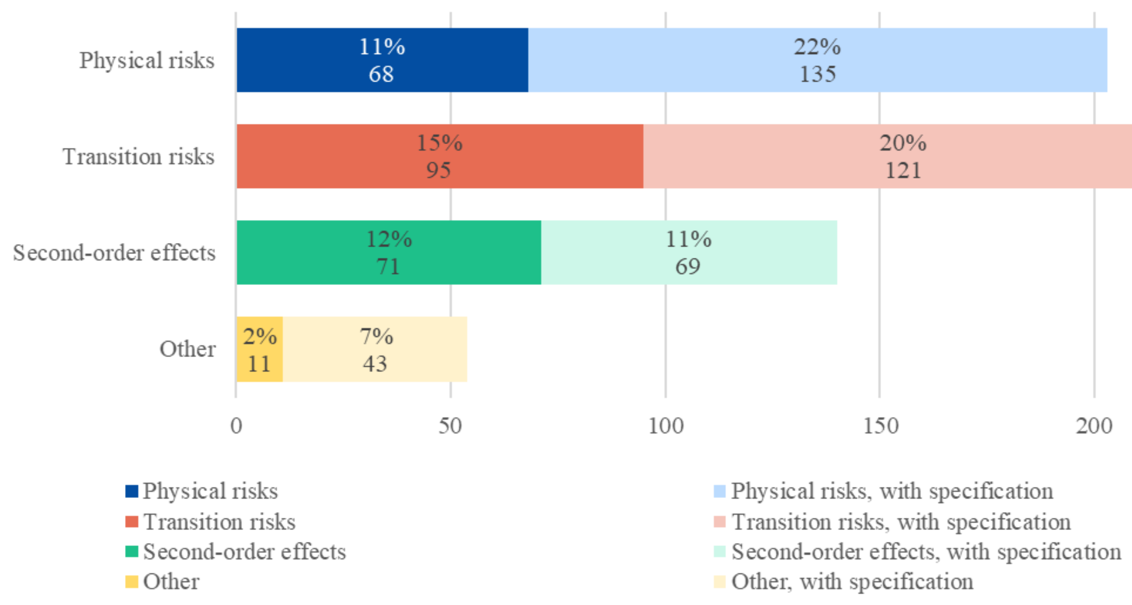
Business associations (66 stakeholders, 60%), financial companies/ business organisations (39 stakeholders, 56%) and other companies/ business organisations (34 stakeholders, 57%) had relatively large shares of their groups responding that such a taxonomy should not be developed. Only trade unions (3 stakeholders, 75%) had the greatest share perceiving such a taxonomy to cover economic activities with limited impacts as necessary. All other groups were relatively split across the three options.

After selecting “Yes” stakeholders were asked what the purpose of such a taxonomy would be. Most of them indicated that it would allow a greater coverage of economic activities for broader transition and incentivize transitional choices (e.g. through investments). Others indicated that it should incorporate social aspects of the transition to a sustainable economy.

ii. Financial stability risk

Question 84 asked stakeholders in which channels climate change will affect their industry the most. Stakeholders were able to select more than one option. Transitional risks and physical risks were the most selected risks by stakeholders, followed by second-order effects.

Figure 4-74 Answers to Question 84 for a **total of respondents=613**



After selecting any of the options, stakeholders were asked to specify what these risks were, and when possible providing links to quantitative analysis.

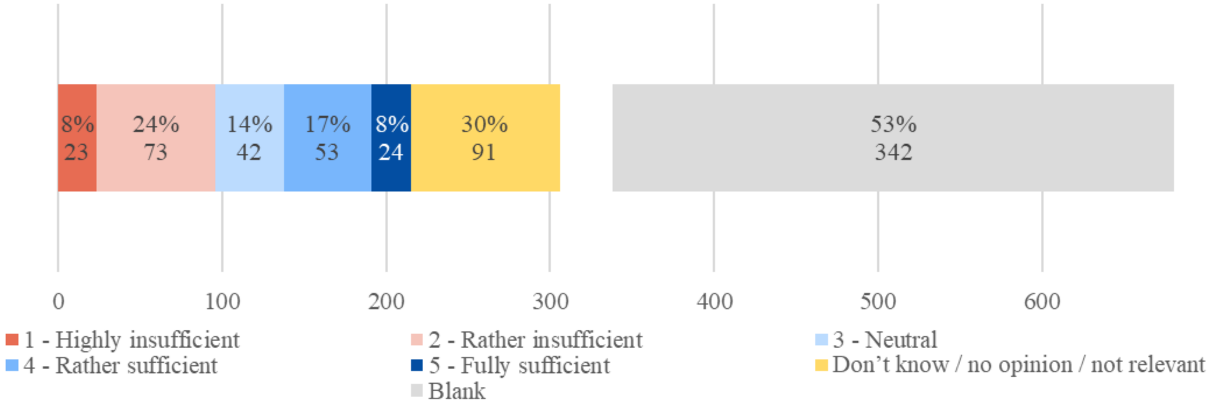
- For physical risks, related to damages from climate-related event, most stakeholders indicated storms / hurricanes / cyclones, frequent floods, sea-level rise, and global warming.
- For transition risks, related to the effect of mitigation strategies, especially if these are adopted late and abruptly, most common responses were prices and uncertainty, regulatory requirements (e.g. disclosure / standards), technological innovation, economic risks, fossil fuel exposure.
- For second-order effects, i.e. the impact of climate change on real estate prices, most stakeholders indicated property and real-estate price risks, supply-chain risks, social risks (e.g. stigma, new trends).
- Other responses were: social risks (e.g. social responsibility, stigma, acceptance), regulatory risks (e.g. regulation arbitrage / impact) and supply-chain risks (e.g. lack of inputs for production).

<u>Question 85</u> asked stakeholders what key actions taken in their industry did they consider to be relevant and impactful to enhance the management of climate and environment related risks.
This question allowed stakeholders to provide an open response, indicating a maximum of 3 actions. A total of 224 stakeholders provided a response that covered several themes. Actions suggested by stakeholders included:

- More strategic and long-term planning as well as ESG-related strategies;
- More disclosure / reporting;
- Strengthen risk engagement and assessment and introduce scenario analysis / stress-testing;
- Support knowledge accumulation on climate and environmental risk;
- Incentivise technological development to support climate and environmental risk management.

<u>Question 86</u> asked stakeholders if they 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.
Of those respondents who had an opinion, most indicated that the EU macro-prudential policy toolbox is either rather insufficient or highly insufficient. A considerable share of respondents did not have an opinion (30%).

Figure 4-75 Answers to Question 86 for a **total of respondents=306**



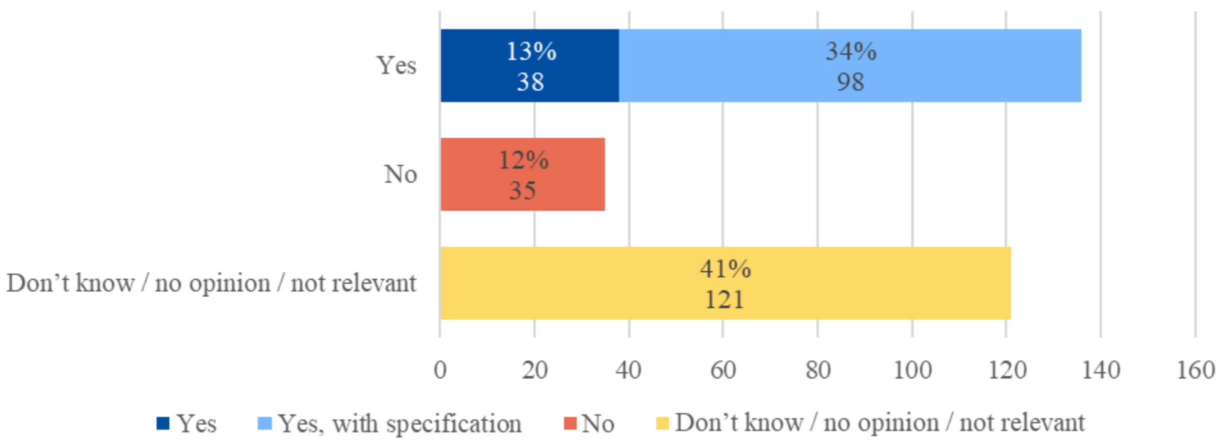
Note: The method for calculating the percentages differ in this Figure between the coloured stacked bars and the grey "blank" bar. The percentages of the coloured bars indicate the share of responding stakeholders for that question (see "n" number in Figure caption). The grey bar indicates the percentage of blank responses compared to total survey respondents (n=648).

Trade unions (3 stakeholders, 60%) had a higher share responding that the current macro-prudential policy toolbox is highly insufficient. Academics (5 stakeholders, 56%), a consumer organisation (1 stakeholder, 50%), and NGOs/ Civil Society (17 stakeholders, 43%) had a higher share considering the toolbox rather insufficient.

iii. Insurance prudential framework

<u>Question 87</u> asked stakeholders if they still considered that the EU should take further action to mobilise insurance companies to finance the transition and manage climate and environmental risks, beyond prudential regulation.
Almost half of stakeholders who had an opinion selected that the EU should take further action to mobilise insurance companies

Figure 4-76 Answers to Question 87 for a **total of respondents=292**



Most stakeholder types followed the general data trends. Business associations (35 stakeholders, 52%) and other companies/ business organisations (23 stakeholders, 64%) had the largest shares of their groups indicating that they did not know/ had no opinion. All other groups responded that further action from the EU is necessary.

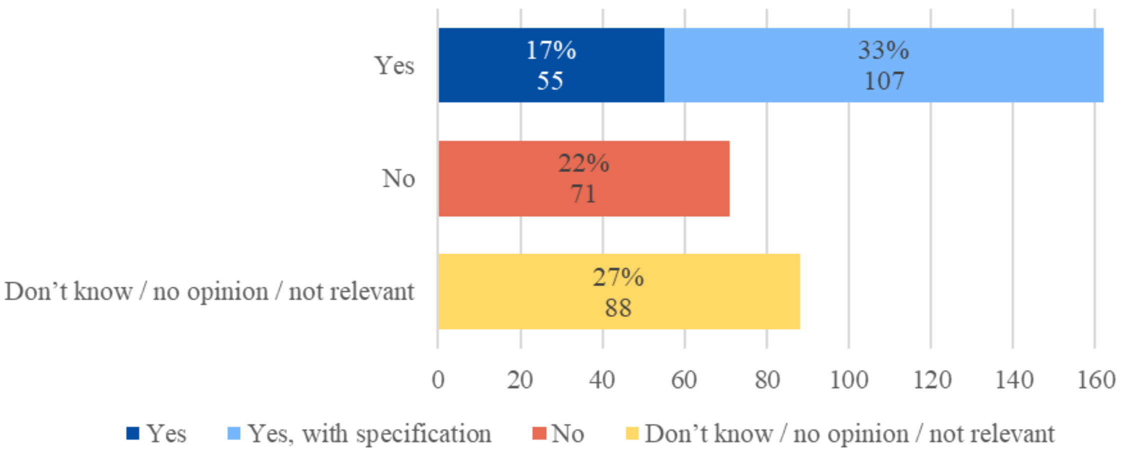
After selecting "Yes" stakeholders were asked to specify which actions would be relevant. The most common responses included:

- Enhanced disclosure requirements by improving the NFRD and make TCFD disclosures mandatory; oblige insurance companies to justify why some investments are maintained in assets with negative environmental impact)
- Measures to enhance ESG integration in risk management and strategic planning and integrate sustainability risks more prominently in Solvency II.

iv. Banking prudential framework

<u>Question 88</u> asked stakeholders if they considered necessary to incorporate ESG risks into prudential regulation in a more effective and faster manner, while ensuring a level-playing field.
More than half of the stakeholders who had an opinion responded that there is a need to incorporate ESG risks into prudential regulation in a more effective and faster manner.

Figure 4-77 Answers to Question 88 for a **total of respondents=321**

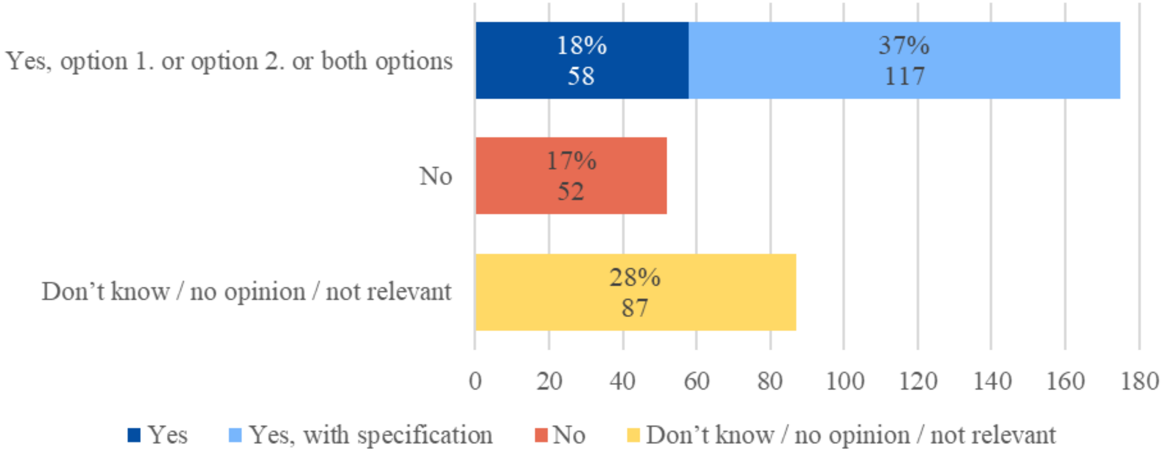


All stakeholder types, except business associations and other companies/ business organisations, had the largest share of responses responding "Yes" to this question. Both business associations and other companies/ business organisations had the largest share of their group indicating that they did not know. However, business associations had a relevant proportion of responses agreeing with the need to better incorporate ESG risks into prudential regulation (28 stakeholders, 33%).

After selecting "Yes" stakeholders were asked if there is any category of assets that could warrant a more risk-sensitive treatment, or whether there are 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. Among the asset categories, most stakeholders mentioned that CO2-intensive assets and energy-related assets, as well as buildings / real estate and mortgages / loans would justify a more risk-sensitive treatment. Among the other prudential measures, most respondents suggest to encourage stress-testing and scenario analysis and more stringent disclosure, green supporting/brown penalising factor.

<u>Question 89</u> asked stakeholders if beyond prudential regulation the EU should take further action to: 1) mobilise banks to finance the transition; and 2) manage climate-related and environmental risks.
More than half of stakeholders agreed that the EU should take further action in both directions.

Figure 4-78 Answers to Question 89 for a **total of respondents=314**



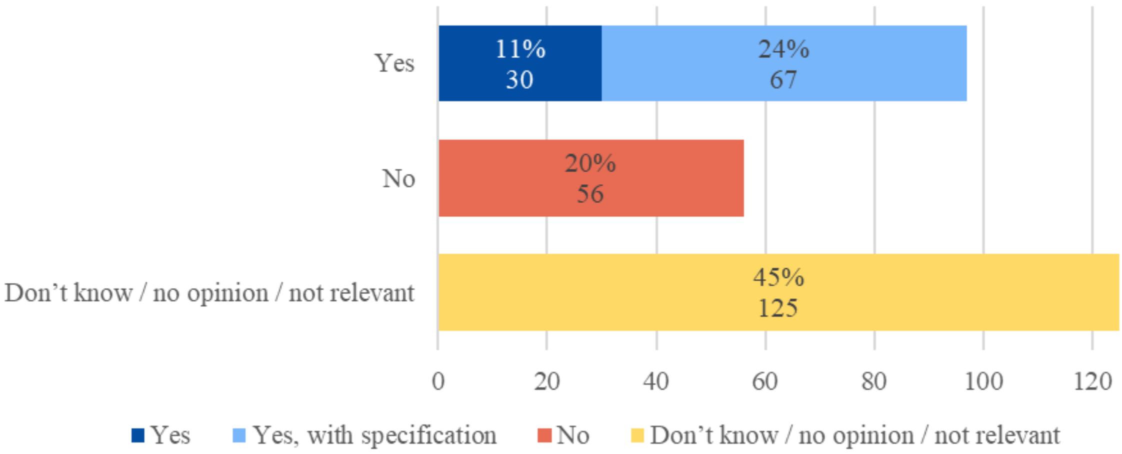
Business associations and trade unions had larger shares of their stakeholder groups responding that they did not know or had no opinion on the issue. All other stakeholder types had the largest share of respondents stating yes for both or either option(s). NGOs/ Civil Society (33 stakeholders, 77%), consumer organisations (5 stakeholders, 100%), and public authorities (21 stakeholders, 72%) had the greatest majorities of their groups stating the EU should take further action for either or both options.

After selecting "Yes, option 1. or option 2. or both options" stakeholders were asked to specify which particular action(s) would be relevant. The most common responses included:

- Mobilize banks for green finance, by providing for instance clear labels (green bonds, loans and securitization, covered bonds).
- Enhance disclosure regulations by making ESG risk and impact as well as human rights disclosures mandatory.
- Actions that enable strategic planning, such as providing research on ESG risks and develop framework for risk analysis, provide a sustainable and unsustainable activities list for bank projects.
- Economic incentive structures, for instance green supporting/ brown penalising factor.

Question 90 asked whether, 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.
Of those respondents who had an opinion, most of them were in favour of more specific actions.

Figure 4-79 Answers to Question 90 for a **total of respondents=278**



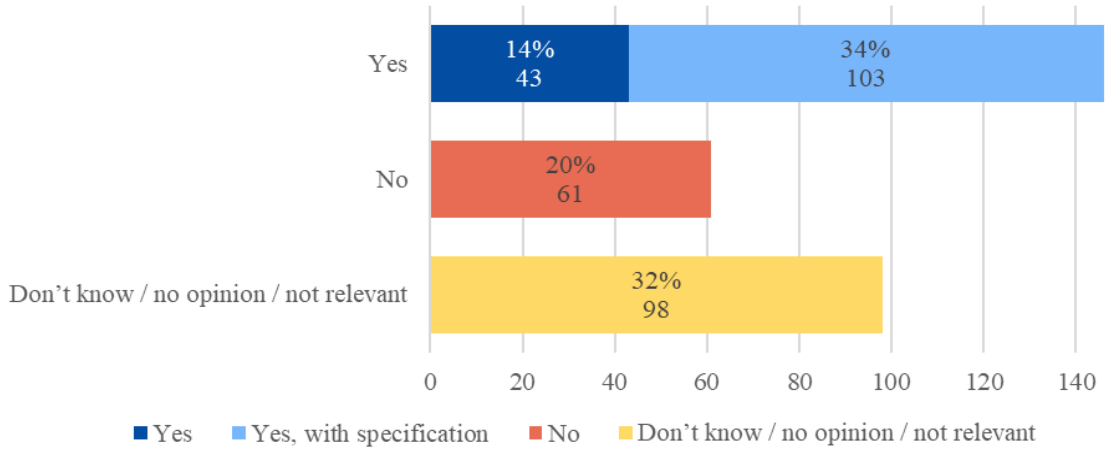
Stakeholder groups were mostly split between seeing the need for more specific actions and not knowing.

After selecting "Yes" stakeholders were able to specify which measures are relevant. Most of them suggested to integrate sustainability into corporate and banking governance and to introduce fair remuneration policies.

v. Asset manager

Question 91 asked stakeholders if they saw 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).
The majority of stakeholders saw merits in adapting rules to require the integration of adverse impacts of investment decisions on sustainability.

Figure 4-80 Answers to Question 91 for a **total of respondents=305**



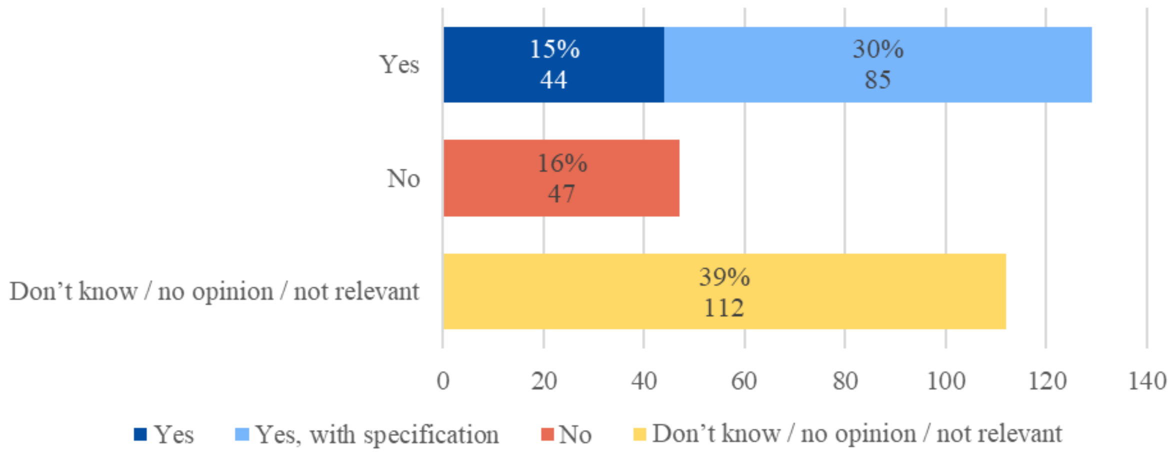
By stakeholder group, 40% of business associations (31 stakeholders) did not know or had no opinion. 39% of business associations (30 stakeholders), 30% of financial companies/ business organisations (17 stakeholders) and 17% of public authorities (5 stakeholders) made up most of the stakeholders who responded that they do not see the merits in adapting the rules.

After selecting "Yes" stakeholders were able to specify what solutions they would propose. Most of them suggested to adopt rules and guidelines to expand fiduciary duties. Others indicated the need for more stringent disclosure and reporting requirements and for the integration of ESG and fiduciary duties.

vi. Pension providers

Question 92 asked stakeholders if the EU should explore options to improve ESG integration and reporting above and beyond what is currently required by the regulatory framework for pension providers.
Most stakeholders believed the EU should explore these options to improve ESG integration and reporting beyond what is currently required.

Figure 4-81 Answers to Question 92 for a **total of respondents=288**



Business associations (37 stakeholders, 54%), financial companies/ business organisations (19 stakeholders, 39%) and other companies/ business organisations (22 stakeholders, 61%) were the only groups with more stakeholders responding that they did not know than. Business associations (16 stakeholders, 23%), financial companies/ business organisations (12 stakeholders, 24%), other companies/ business organisations (7 stakeholders, 19%) and public authorities (6 stakeholders, 25%) made up the large majority of stakeholders who disagreed. However, all three stakeholder types had larger shares responding that improved ESG integration is necessary.

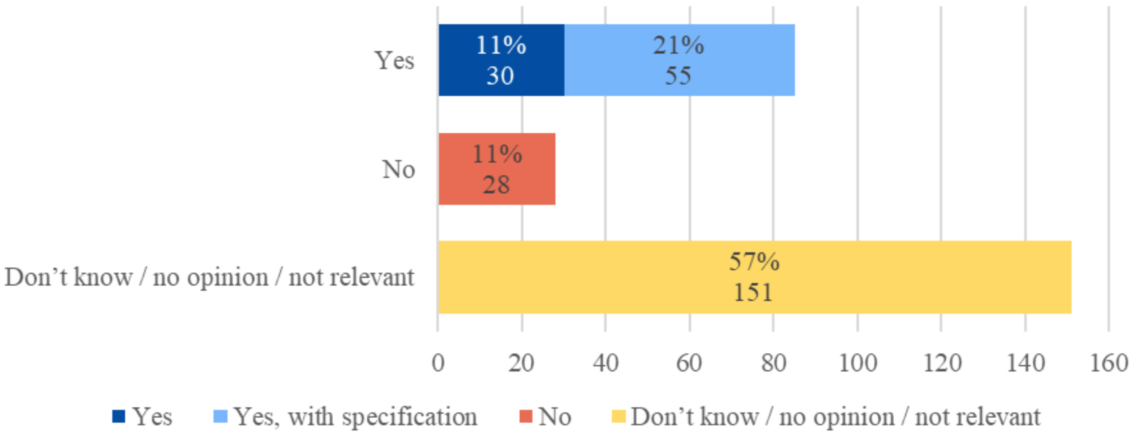
After selecting "Yes" stakeholders were able to specify what actions they would propose. Most of them suggested to have more stringent disclosure and/or reporting requirements (e.g. obligatory disclosure of all investments and further revise the "comply or explain" clause of IORP II). Others indicated to create a guidance on ESG integration or clarify investor duties (e.g. enhance fiduciary duties). Some proposed to revise and further enforce rules of IORP II such as mandatory analysis on long-term impact of investments.

<u>Question 93</u> asked stakeholders how pension providers could 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. Furthermore, it asked how the EU can facilitate the participation of pension providers to such transition.
This question allowed for open responses. 142 stakeholders provided responses that covered several themes.

- Among the actions that could be undertaken by pension providers, most stakeholders indicated mainstream ESG integration and set long-term investment strategies, further develop impact investment and allocate funds to active managers.
- Among the actions that could be undertaken by the EU to facilitate the participation by pension providers, some suggested more stringent disclosure/reporting requirements, the expansion of fiduciary duties, encourage use of voting rights, create standards for investments or further engage with pension providers.

<u>Question 94</u> asked stakeholders if the EU should further improve the integration of members' and beneficiaries' ESG preferences in the investment strategies and the management and governance of Institutions for Occupational Retirement Provisions (IORPs), in view of the planned IORP II Directive.
Of those respondents who had an opinion, most stakeholders agreed with the above statement.

Figure 4-82 Answers to Question 94 for a **total of respondents=264**



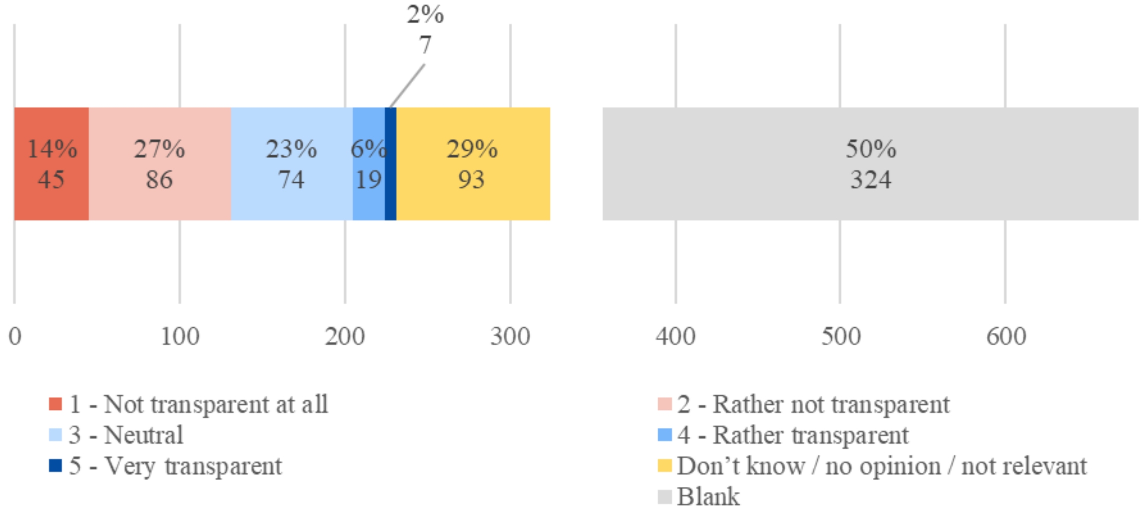
Most stakeholder types followed the general data trends, with the largest share of most stakeholder groups not knowing about this issue. Only public authorities (11 stakeholders, 46%) had a larger share of their group responding that the EU should improve the integration of ESG preferences at IORPs. Responses from NGOs/ Civil Society were evenly split between agreement and not knowing (20 stakeholders, 50% respectively). Only business associations (14 stakeholders, 23%) and public authorities (5 stakeholders, 21%) had a relatively large share of their group stating that it is not necessary for the EU to improve such integration.

After selecting "Yes", stakeholders were able to specify how this could be achieved, taking into account that IORPs are collective schemes whose members may have different views on ESG integration. Stakeholders' opinion ranged from waiting for further work from the EIOPA, the development of other sustainable finance policies or the review of the IORP Directive to taking more direct actions. The actions listed include broadening the definition of preferences to incorporate non-financial considerations (some stakeholders highlight that ESG factors are financially material), consistently integrate ESG preferences in the investment strategies and decision-making bodies and structure of the IORPs, and more broadly reflect the HLG recommendations.

vii. Credit rating agencies

<u>Question 95</u> asked stakeholders how they view the *transparency* of the integration of ESG factors into credit ratings by CRAs.
Of those respondents who had an opinion or were not neutral, most considered the system not transparent.

Figure 4-83 Answers to Question 95 for a **total of respondents=324**



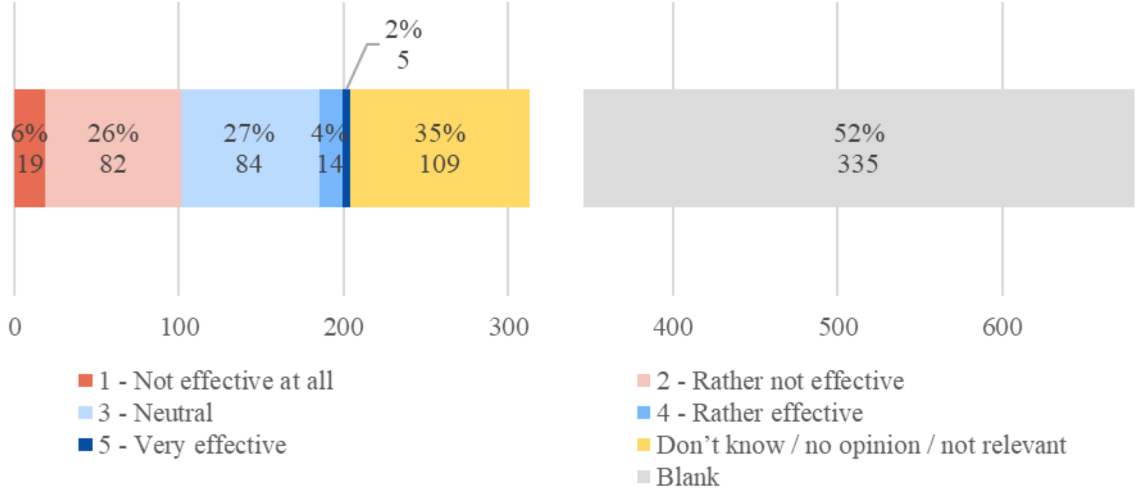
Note: The method for calculating the percentages differ in this Figure between the coloured stacked bars and the grey "blank" bar. The percentages of the coloured bars indicate the share of responding stakeholders for that question (see "n" number in Figure caption). The grey bar indicates the percentage of blank responses compared to total survey respondents (n=648).

Most stakeholder types followed the general data trends. NGOs/ Civil Society (16 stakeholders, 42%) had a higher relative share of their groups stating the integration of ESG factors into credit ratings by CRAs is not transparent at all. No stakeholder types had a high share of their groups agreeing that the integration of ESG factors into credit ratings is rather or very transparent.

After selecting any of the options above, stakeholders were asked to explain their answer in an open response. Some stakeholders indicated that CRAs have made sufficient progress for the integration of ESG factors. However, overall, stakeholders highlight the lack of transparency of the methodologies to capture ESG risks and the need to improve disclosure provisions with regards to how ESG factors are being considered in credit ratings. Some stakeholders regret the very heterogeneous approaches taken by CRA and the absence of common standards / framework / methodology for assessing ESG factors. Some propose to require CRA to explicitly state how they take into account sustainability risks and opportunities or to communicate if the issuer's reporting is aligned with TCFD recommendations.

<u>Question 96</u> asked stakeholders how *effective* they viewed the integration of ESG factors into credit ratings by CRAs.
Of those respondents who had an opinion or were not neutral, most considered the integration of ESG factors rather ineffective.

Figure 4-84 Answers to Question 96 for a **total of respondents=313**



Note: The method for calculating the percentages differ in this Figure between the coloured stacked bars and the grey "blank" bar. The percentages of the coloured bars indicate the share of responding stakeholders for that question (see "n" number in Figure caption). The grey bar indicates the percentage of blank responses compared to total survey respondents (n=648).

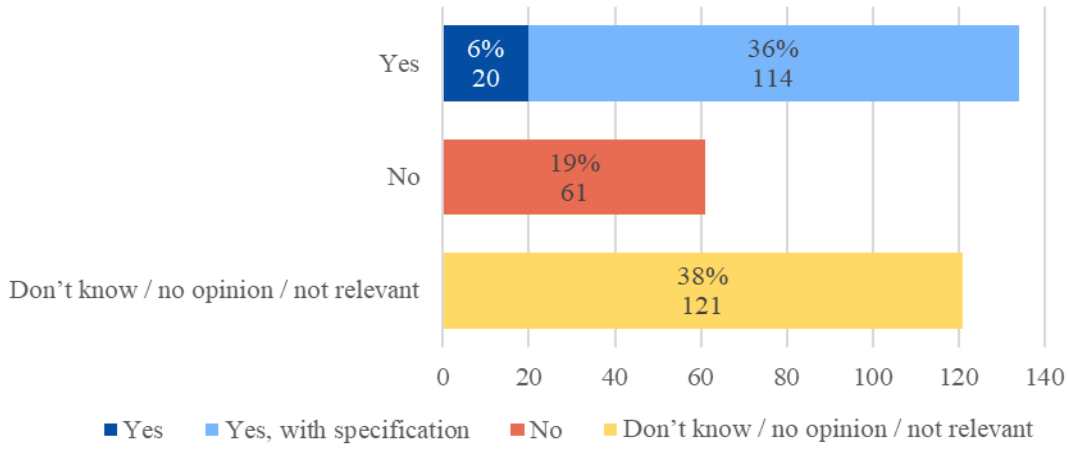
Most stakeholder types followed the general data trends. Academics (3 stakeholders, 43%) had the largest proportion of their group that responded that the integration is not effective at all. Furthermore, NGOs/ Civil Society (17 stakeholders, 45%), consumer organisations (1 stakeholder, 50%), and public authorities (10 stakeholders, 42%) had response rates that diverged from the general trend with higher shares responding that the integrations is rather ineffective.

After selecting any of the options above, stakeholders were asked to explain their answer in an open response.

Most indicated that environmental factors are inadequately and heterogeneously captured. Others noted that rating methodologies are inadequate and that ESG has varied impact on default risk. Some criticised a lack of standardised approach and the mismatch in time horizons for assessing credit risk and ESG.

Question 97 asked stakeholders if beyond the guidelines, the EU should take action in regard to CRAs. Most stakeholders believed that the EU should take further action in regard to CRAs, beyond the guidelines.

Figure 4-85 Answers to Question 97 for a **total of respondents=316**



Within stakeholder groups, none had the largest share of responses stating that they disagree. However, business associations (20 stakeholders, 26%), financial companies/ business organisations (14 stakeholders, 21%), other companies/ business organisations (16 stakeholders, 38%) and public authorities (5 stakeholders, 19%) had reasonably large shares disagreeing. Most groups had the largest share of their groups stating the EU should take action, except for academics (3 stakeholders, 43%), business associations (30 stakeholders, 39%), consumer organisations (2 stakeholders, 67%) and "other" (12 stakeholders, 55%), who largely responded "Do not know […]".

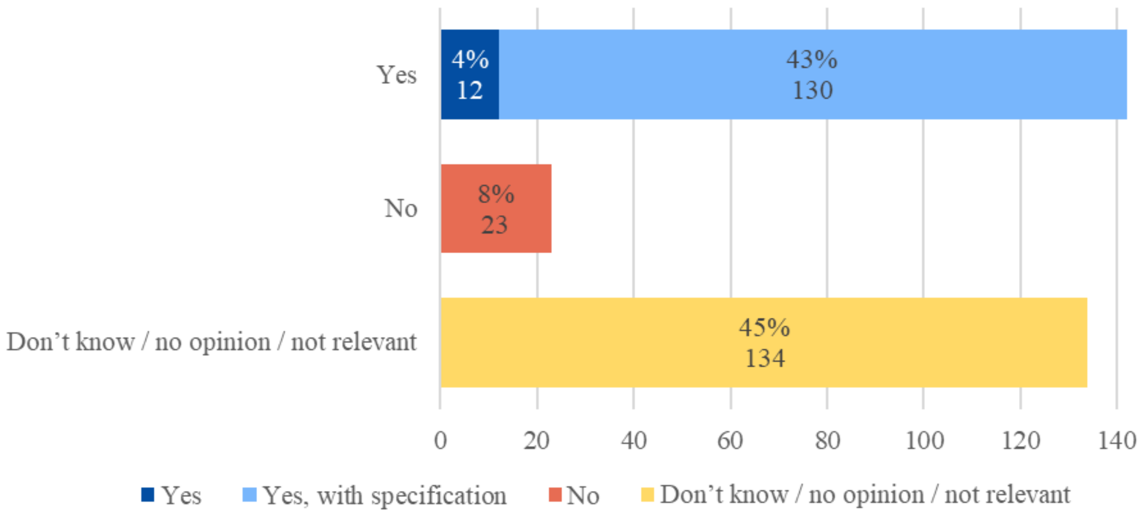
After selecting "Yes", stakeholders were able to provide an open response to specify what kind of action they considered would address the identified problems. Actions suggested by stakeholders included:

- Introduce common methodologies, since definitions and weighting of ESG criteria would need to be harmonised to make ratings comparable (e.g. developing a "master rating scale" for comparability and usability of ratings).
- Improve transparency of the methodologies to capture ESG factors.
- Require CRA to explicitly state how they take into account sustainability risks and opportunities (e.g. consider a review on the CRA regulation to address new challenges and issues raised by integration of ESG factors; need new provisions to improve knowledge and skills of risk analysts).
- CRA should communicate if the issuer's reporting is aligned with TCFD recommendation.

viii. Natural capital accounting or "environmental footprint"

Question 98 asked stakeholders if there are specific initiatives that they suggest the Commission should consider when supporting more businesses and other stakeholders in implementing standardised natural capital accounting/environmental foot-printing practices within the EU and internationally. Almost the half of stakeholders was aware of initiatives that the Commission should consider about regarding the standardisation of natural capital accounting and environmental foot-printing practices.

Figure 4-86 Answers to Question 98 for a **total of respondents=299**



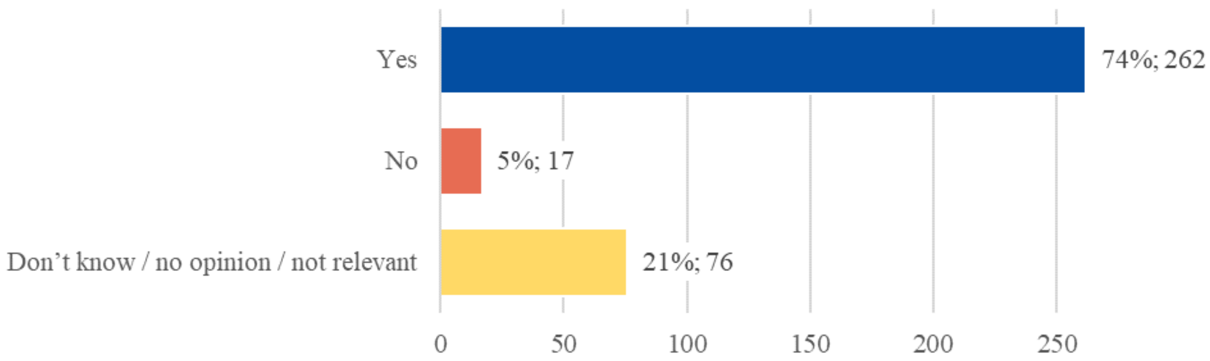
No stakeholder groups had a large share of responses stating that there are no specific initiatives. Most stakeholders instead followed the general data trends, being split across either a “Yes” or “Do not know […]” response. It was academics (4 stakeholders, 57%), financial companies/ business organisations (37 stakeholders, 63%), other companies/ business organisations (20 stakeholders, 50%), and NGOs/ Civil Society (23 stakeholders, 55%) that had a large share of respondents responding that there are specific initiatives.

After selecting “Yes” stakeholders were able to specify any initiatives they knew of. They were requested to list a maximum of three initiatives. Stakeholders mostly referred to the Natural Capital Coalition, and Protocol, the initiative of UNEP FI, or the Value Balancing Alliance.

ix. Improving resilience to adverse climate and environmental impacts

<u>Question 99</u> asked stakeholders if, in their opinion, the European Commission should take action to enhance the availability, usability and comparability of climate-related loss and physical risk data across the EU.
Most stakeholders agreed that action to enhance the availability, usability and comparability of climate-related loss and physical risk data should be taken.

Figure 4-87 Answers to Question 99 for a **total of respondents=355**

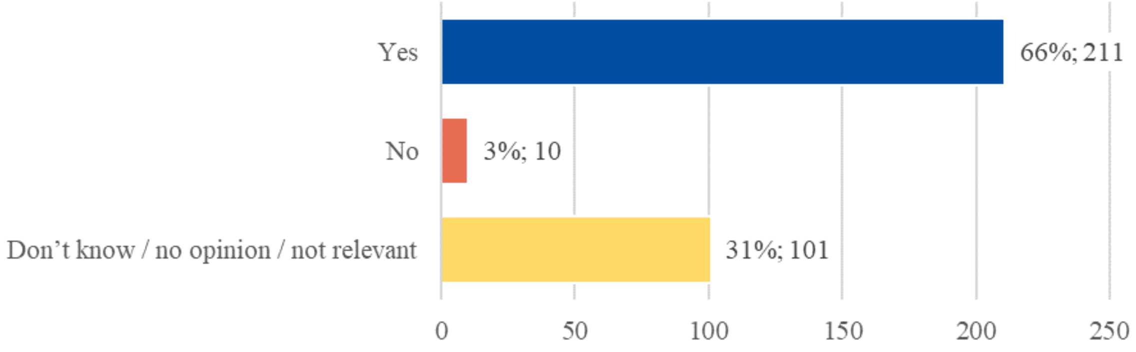


After selecting “Yes”, stakeholders were able to specify which types of data the European Commission should take action on to enhance its availability, usability and comparability across the EU. 454 stakeholders responded, with similar share indicated physical risk data and loss data.

After selecting “Physical risk data” and “Loss data”, most stakeholder indicated that EU data sharing could be useful for better understanding of risk, for better long-term analysis (e.g. scenario analysis), to inform models and improve modelling and to prevent future losses.

<u>Question 100</u> asked stakeholders if there is a role for the EU to promote more equal access to climate-related financial risk management mechanisms for businesses and citizens across the EU.
Two-thirds of stakeholders indicated the existence of a role for the EU to promote more equal access to climate-related financial risk management mechanisms.

Figure 4-88 Answers to Question 100 for a **total of respondents=322**

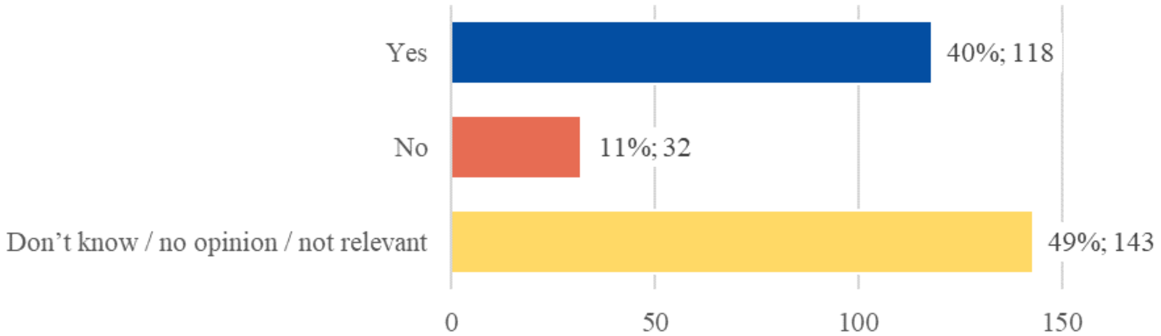


Most stakeholders followed the general data trends, with most of their stakeholder type selecting that the EU has a role to promote the equal access to climate-related financial risk management mechanisms. It was only business associations (30 stakeholders, 41%), consumer organisations (2 stakeholders, 100%), and NGOs/ Civil Society (23 stakeholders, 58%), who had high response rates of the stakeholder group not knowing.

After selecting “Yes” stakeholders could indicate that the actions identified as most helpful were:
- Raise awareness about climate physical risk.
- Financial support to the development of more accurate climate physical risk models.
- Facilitate public-private partnerships to expand affordable and comprehensive related insurance coverage.
- Promote ex-ante “build back better” requirements to improve future resilience of the affected regions and or/sectors after a natural catastrophe.
- Advise Member States on their national natural disaster insurance and post disaster compensation and reconstruction frameworks.

<u>Question 101</u> asked stakeholders if they saw a role for the EU with regards to the insurability of climate-related risks.
Of those respondents who had an opinion, most indicated that the EU does have a role in this area.

Figure 4-89 Answers to Question 101 for a **total of respondents=293**

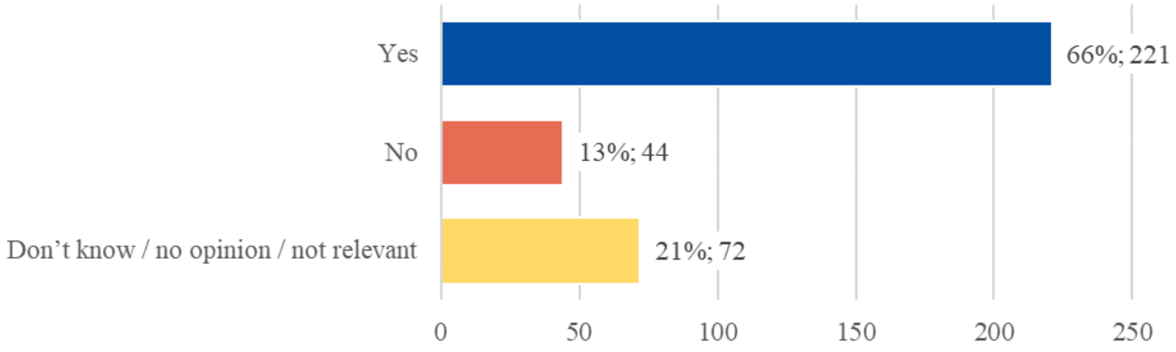


Most stakeholder types followed the general data trends. A trade union (1 stakeholder, 50%), "other" stakeholders (12 stakeholders, 55%), and public authorities (14 stakeholders, 52%) were the only stakeholder groups that had a larger share of respondents stating that EU has a role in the insurability of climate-related risks, instead of not knowing.

After selecting "Yes", most stakeholders indicated that there was 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 compensatory role.

<u>Question 102</u> asked stakeholders if investors and / or credit institutions, when they provide financing, should be required to carry out an assessment of the potential long-term environmental and climate risks on the project, economic activity, or other assets.
Most stakeholders agreed with the need to provide long-term assessments on environmental and climate risks by investors and/or credit institutions.

Figure 4-90 Answers to Question 102 for a **total of respondents=337**



Most stakeholder groups followed the general data trends, with only business associations (34 stakeholders, 42%) not having over 60% of the stakeholder type agreeing that assessments of potential long-term environmental and climate risks on a project should be done.

After selecting "Yes" stakeholders were able to indicate a maximum of 3 actions they advise for the EU to take. Most suggested to provide guidance to carry out this assessment, to encourage the development of tools and methods to do it or the introduction of minimum standards or standardised risk assessment.

5. POSITION PAPERS: SUMMARY OF RESPONSES BY THEME

In total, 203 attachments were submitted during the consultation period. As outlined in Section 0, business associations accounted for the highest proportion of stakeholders submitting a position paper (29.2%), followed by academic/research institutions (15.7%) and non-financial companies/ business organisations (14.8%).

These position papers aim at supporting the responses provided by the stakeholders or provide additional information. Their summary cannot be considered as representative of the opinion of all stakeholders or the EU population, but it provides additional qualitative information to inform the development of the strategy. This summary does not provide an exhaustive overview of the position paper but indicates the most common themes.

The overall sentiment expressed in the position papers varied in some cases from the responses to the consultation. On average, it was found that stakeholders viewed a Renewed Strategy and its objectives positively, in particular with regards to unleashing the potential of ESG data, retail, international, and improving resilience. For one of the themes, capital markets infrastructure, the average stakeholder sentiment was rather negative.

The most prevalent topics raised in the position papers were related to the following.

5.1. Availability, comparability, and quality of ESG data

There is a concern raised in the position paper responses about the level of concentration in the market for ESG ratings and data. Concern around conflicts of interest was discussed within several position papers in the context of the mergers and acquisitions of ESG rating agencies. Similar issues were raised regarding the quality and comparability of ESG data. The main challenges recognised within the position papers to be addressed include: a lack of standardisation of ESG data and metrics, the existence of multiple frameworks for disclosure on ESG, and a lack of transparency of ESG data providers regarding methodologies and raw underlying data used within their analysis. A positive sentiment was found regarding further action to address issues relevant to this topic.

Another key message arising from this theme is that the EU should support the development of a free public environmental data space for companies. Within the position papers it was highlighted that the purpose of such a database, by providing a service to all, is to reduce information asymmetry, create a level-playing field for access to information and reduce fragmentation through the harmonisation of data.

There were also concerns around access to relevant ESG and risk data and the reporting burden due to mandatory disclosure.

5.2. Corporate governance

Discussions regarding variable remuneration centre around the issue that current remuneration structures disregard ESG considerations and stimulate short-term profit maximisation. While there was generally support for factoring non-financial performance into variable remuneration, there was disagreement between stakeholder groups regarding whether this should be a specific requirement, with business associations opposing this stance. There was also debate between the views expressed in the position papers regarding which metrics are appropriate for measuring this performance, with several papers proposing metrics for consideration.

Regarding voting frameworks, concerns were raised on whether a separate voting mechanism may encourage a lack of alignment between ESG performance and companies' long-term strategies.

5.3. Financial instruments, products, standards and labels

Regarding the topic of *green securitisation*, within the position papers several market and regulatory barriers were highlighted, including, among others: the lack of a green premium, issues around the identification of green assets and a lack of liquidity within the market.

Overall, within the position papers, stakeholders responded that verifiers of *EU green bonds* should be subject to accreditation or authorisation at an EU level. Existing challenges were raised regarding the attractiveness of green bonds in relation to conventional bonds. Although there was a mixed opinion, most stakeholders in response to the questionnaire indicated that there would be issues for non-European issuers to follow the EU GBS (in particular due to the connection to the EU taxonomy).

Regarding a *green bond prospectus*, there were concerns raised by some stakeholders that the mandatory disclosure of information will introduce complexity. Stakeholders were mixed on whether issuers that adopt the EU Green Bonds Standard (GBS) should include a link to that standard in their prospectus instead of being subject to standard disclosure requirements.

Within the position papers, it was argued by several stakeholders that the introduction of further labels is premature and may introduce bias and limit product diversity. However, there appeared to be support for an energy efficient (EE) or Green label for mortgages and loans.

Stakeholders expressed specific opinions regarding the role of an *ESG Benchmark* in the context of existing measures. The overall opinion is that the introduction of a benchmark is beneficial in principle; however, in practice there are existing shortcomings that may limit its effectiveness, such as the need for common metrics.

5.4. Capital Market Infrastructure

For one of this theme, the average stakeholder sentiment was rather negative, with stakeholders opposing the introduction of a dedicated sustainable finance-oriented exchange. Stakeholders highlighted that EU capital markets remain fragmented and are not subject to harmonised regulation. Furthermore, significant barriers and inefficiencies in the form of a lack of good quality data and reputational benefits, have a negative impact on the current functioning of the capital market, despite the variety of financial products available.

5.5. Visibility of pipeline projects to investors.

In the context of the theme *project pipeline*, several market and regulatory barriers were identified by stakeholders. These barriers included that the current framework on sustainable finance is overly complex to navigate and that the coherence of some different legislative and regulatory acts is yet to be established. Respondents expressed uncertainty in how the various financial tools such as the EU Taxonomy will work in practice and expressed a need for a regulatory framework establishing minimum standards for ESG ratings and data providers. It was also stated that EU level market and funding rules make it difficult for public authorities to co-invest in projects and infrastructures for the public interest, and that public institutions are prevented from working together in a targeted and innovative way with specific market players because a tendering procedure must always be set up.

Within the position papers, stakeholders further wished to have specific incentives to facilitate the access to finance for SMEs in order to allow them carry out sustainable activities. There were concerns that the taxonomy would be particularly challenging for SMEs to use. A common concern raised, primarily by companies and business associations, was that incentives should remain voluntary and never become requirements or inhibit competition.

5.6. Digital sustainable finance

Within their position papers, stakeholders stressed its importance in the context of issues such as integrated reporting and providing digital platforms for facilitating an ESG data space and learning platforms. However, it was stressed by several stakeholders that the EU should not intervene in digital distribution channels or the distribution of financial products.

5.7. International coordination on sustainable finance

Overall, there was support for global coordination efforts by the EU. Several stakeholders noted that as climate change and environmental issues are global in nature, a fragmented approach will limit the extent to which sustainable finance is scalable. Most, if not all, stakeholders agree that close international coordination to promote internationally consistent frameworks and prevent regulatory fragmentation is required.

5.8. Taxonomy developments

Overall, stakeholders agreed with the taxonomy in principle; however, several stakeholders highlighted practical challenges associated with its use.

There were differing sentiments observed across stakeholder groups in the context of the theme *exposures to environmentally harmful activities*. For example, while NGOs were found to be in favour of the measures, business associations expressed a negative viewpoint. Overall, however, it was found that stakeholders were in generally more in favour of a full taxonomy than a brown taxonomy.

5.9. Mainstreaming sustainability risks

Regarding the theme *mainstreaming sustainability risks*, transition risks were found to be a key point of concern for stakeholders, with stakeholders stressing that transition risks are perceived as short-term risks in relation to physical risks and second-order risks.

Many stakeholders supported a better integration of sustainability criteria into credit rating agencies' practices and CRAs should explain their capacity to do so, as well as systematically include climate financial risks in their ratings. It was suggested by some stakeholders that amending the EU's CRA Regulation would be a more effective initiative than a new EU law.

In general stakeholders expressed that there is a strong role for the EU to play in promoting more equal access to climate-related financial risk management mechanisms for businesses and citizens across the EU.