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# Consultation on the renewed sustainable finance strategy

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## Introduction

This consultation is also available in German and French.

**On 11 December 2019, the European Commission adopted its Communication on a European Green Deal**, which significantly increases the EU's climate action and environmental policy ambitions.

**A number of levers will need to be pulled in order to build this growth strategy, starting with enshrining the climate-neutrality target in law**. On 4 March 2020, the European Commission proposed a European Climate Law to turn the political commitment of climate-neutrality by 2050 into a legal obligation. This follows the European Parliament's declaration of a climate emergency on 28 November 2019 and the European Council conclusions of 12 December 2019, endorsing the objective of achieving a climate-neutral EU by 2050.

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

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

**Above all, the transition to a sustainable economy will entail significant investment efforts across all sectors, meaning that financing frameworks, both public and private, must support this overall policy direction**: reaching the current 2030 climate and energy targets alone would already require additional investments of approximately €260 billion a year by 2030. And as the EU raises its ambition to cut emissions, the need for investment will be even larger than the current estimate. In addition, significant investments in the upskilling and reskilling of the labour force will be necessary to enable a just transition for all. Hence, the scale of the investment needs goes well beyond the capacity of the public sector. Furthermore, if the climate and biodiversity crises are to be successfully addressed and reversed before potentially dangerous tipping points are reached, much of the investment needs to happen in the next 5-10 years. In this context, a more sustainable financial system should also contribute to mitigate existing and future risks to wildlife habitats and biodiversity in general, as well as support the prevention of pandemics - such as the COVID-19 outbreak.

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

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

**For all of these reasons, the European Green Deal announced a Renewed Sustainable Finance Strategy**. The renewed strategy will build on the 10 actions put forward in the European Commission's initial 2018 Action Plan on Financing Sustainable Growth, which laid down the foundations for channelling private capital towards sustainable investments.

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

1. **Strengthening the foundations for sustainable investment by creating an enabling framework, with appropriate tools and structures**. Many financial and non-financial companies still focus excessively on short-term financial performance instead of their long-term development and sustainability-related challenges and opportunities.

2. **Increased opportunities to have a positive impact on sustainability for citizens, financial institutions and corporates**. This second pillar aims at maximising the impact of the frameworks and tools in our arsenal in order to "finance green".

3. **Climate and environmental risks will need to be fully managed and integrated into financial institutions and the financial system as a whole**, while ensuring social risks are duly taken into account where relevant. Reducing the exposure to climate and environmental risks will further contribute to "greening finance".

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

**The aim of this consultation, available for 14 weeks (until 15 July), is to collect the views and opinions of interested parties in order to inform the development of the renewed strategy**. All citizens, public authorities, including Member States, and private organisations are invited to contribute. Given the diversity of topics under consultation, stakeholders may choose to provide replies to some questions only. Section I (covering questions 1-5) is addressed to all stakeholders, including citizens, while Section II (covering questions 6-102) requires a certain degree of financial and sustainability-related knowledge and is primarily addressed at experts.

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

- The final report of the High-Level Expert Group on Sustainable Finance (2018);
- The EU Action Plan on Financing Sustainable Growth (2018);
- The communication of the Commission on 'The European Green Deal' (2019);
- The communication of the Commission on 'The European Green Deal Investment Plan' (2020);
- The reports published by the Technical Expert Group on sustainable finance (TEG) with regard to an EU taxonomy of sustainable activities, an EU Green Bond Standard, methodologies for EU climate benchmarks and disclosures for benchmarks and guidance to improve corporate disclosure of climate-related information.

**This consultation also makes references to past, ongoing and future consultations**, such as the public consultation and inception impact assessment on the possible revision of the non-financial reporting directive (NFRD), the inception impact assessment on the review of the Solvency II Directive or the future consultation on investment protection.

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**Please note**: In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact fisma-sf-consultation@ec.europa.eu.

More information:

- on this consultation
- on the consultation document
- on sustainable finance
- on the protection of personal data regime for this consultation

# About you

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* Language of my contribution

- Bulgarian
- Croatian
- Czech

- ( ) Danish
- ( ) Dutch
- (x) English
- ( ) Estonian
- ( ) Finnish
- ( ) French
- ( ) Gaelic
- ( ) German
- ( ) Greek
- ( ) Hungarian
- ( ) Italian
- ( ) Latvian
- ( ) Lithuanian
- ( ) Maltese
- ( ) Polish
- ( ) Portuguese
- ( ) Romanian
- ( ) Slovak
- ( ) Slovenian
- ( ) Spanish
- ( ) Swedish

*I am giving my contribution as

- ( ) Academic/research institution
- (x) Business association
- ( ) Company/business organisation
- ( ) Consumer organisation
- ( ) EU citizen
- ( ) Environmental organisation
- ( ) Non-EU citizen
- ( ) Non-governmental organisation (NGO)
- ( ) Public authority
- ( ) Trade union
- ( ) Other

*First name

Suzanne

*

Surname

Pascal

* Email (this won't be published)

s.pascal@financefortomorrow.com

* Organisation name

*255 character(s) maximum*

Finance for Tomorrow by Paris Europlace

* Organisation size

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

Transparency register number

*255 character(s) maximum*

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

52314561603710

* Country of origin

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

| | | | |
|---|---|---|---|
| ( ) Afghanistan | ( ) Djibouti | ( ) Libya | ( ) Saint Martin |
| ( ) Åland Islands | ( ) Dominica | ( ) Liechtenstein | ( ) Saint Pierre and Miquelon |
| ( ) Albania | ( ) Dominican Republic | ( ) Lithuania | ( ) Saint Vincent and the Grenadines |
| ( ) Algeria | ( ) Ecuador | ( ) Luxembourg | ( ) Samoa |
| ( ) American Samoa | ( ) Egypt | ( ) Macau | ( ) San Marino |

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|---|---|---|---|
| Andorra | El Salvador | Madagascar | São Tomé and Príncipe |
| Angola | Equatorial Guinea | Malawi | Saudi Arabia |
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| Aruba | Faroe Islands | Martinique | Sint Maarten |
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| Azerbaijan | France | Mayotte | Solomon Islands |
| Bahamas | French Guiana | Mexico | Somalia |
| Bahrain | French Polynesia | Micronesia | South Africa |
| Bangladesh | French Southern and Antarctic Lands | Moldova | South Georgia and the South Sandwich Islands |
| Barbados | Gabon | Monaco | South Korea |
| Belarus | Georgia | Mongolia | South Sudan |
| Belgium | Germany | Montenegro | Spain |
| Belize | Ghana | Montserrat | Sri Lanka |
| Benin | Gibraltar | Morocco | Sudan |
| Bermuda | Greece | Mozambique | Suriname |
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| Bonaire Saint Eustatius and Saba | Guadeloupe | Nauru | Switzerland |

- Bosnia and Herzegovina
- Botswana
- Bouvet Island
- Brazil
- British Indian Ocean Territory
- British Virgin Islands
- Brunei
- Bulgaria
- Burkina Faso
- Burundi
- Cambodia
- Cameroon
- Canada
- Cape Verde
- Cayman Islands
- Central African Republic
- Chad
- Chile
- China
- Christmas Island
- Clipperton
- Guam
- Guatemala
- Guernsey
- Guinea
- Guinea-Bissau
- Guyana
- Haiti
- Heard Island and McDonald Islands
- Honduras
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Iran
- Iraq
- Ireland
- Isle of Man
- Israel
- Italy
- Jamaica
- Nepal
- Netherlands
- New Caledonia
- New Zealand
- Nicaragua
- Niger
- Nigeria
- Niue
- Norfolk Island
- Northern Mariana Islands
- North Korea
- North Macedonia
- Norway
- Oman
- Pakistan
- Palau
- Palestine
- Panama
- Papua New Guinea
- Paraguay
- Peru
- Syria
- Taiwan
- Tajikistan
- Tanzania
- Thailand
- The Gambia
- Timor-Leste
- Togo
- Tokelau
- Tonga
- Trinidad and Tobago
- Tunisia
- Turkey
- Turkmenistan
- Turks and Caicos Islands
- Tuvalu
- Uganda
- Ukraine
- United Arab Emirates
- United Kingdom
- United States

- Cocos (Keeling) Islands
- Japan
- Philippines
- United States Minor Outlying Islands
- Colombia
- Jersey
- Pitcairn Islands
- Uruguay
- Comoros
- Jordan
- Poland
- US Virgin Islands
- Congo
- Kazakhstan
- Portugal
- Uzbekistan
- Cook Islands
- Kenya
- Puerto Rico
- Vanuatu
- Costa Rica
- Kiribati
- Qatar
- Vatican City
- Côte d’Ivoire
- Kosovo
- Réunion
- Venezuela
- Croatia
- Kuwait
- Romania
- Vietnam
- Cuba
- Kyrgyzstan
- Russia
- Wallis and Futuna
- Curaçao
- Laos
- Rwanda
- Western Sahara
- Cyprus
- Latvia
- Saint Barthélemy
- Yemen
- Czechia
- Lebanon
- Saint Helena Ascension and Tristan da Cunha
- Zambia
- Democratic Republic of the Congo
- Lesotho
- Saint Kitts and Nevis
- Zimbabwe
- Denmark
- Liberia
- Saint Lucia

*Field of activity or sector (if applicable):

*at least 1 choice(s)*

- Accounting
- Auditing
- Banking
- Credit rating agencies
- Insurance
- Pension provision
- Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)

- [ ] Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
- [ ] Social entrepreneurship
- [ ] Other
- [x] Not applicable

* Publication privacy settings

The Commission will publish the responses to this consultation. You can choose whether you would like your details to be made public or to remain anonymous.

- ( ) **Anonymous**
  Only your type of respondent, country of origin and contribution will be published. All other personal details (name, organisation name and size, transparency register number) will not be published.
- (•) **Public**
  Your personal details (name, organisation name and size, transparency register number, country of origin) will be published with your contribution.

- [x] I agree with the personal data protection provisions

## Section I. Questions addressed to all stakeholders on how the financial sector and the economy can become more sustainable

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

- (•) major additional policy actions are needed to accelerate the systematic sustainability transition of the EU financial sector.
- ( ) incremental additional actions may be needed in targeted areas, but existing actions implemented under the Action Plan on Financing Sustainable Growth are largely sufficient.
- ( ) no further policy action is needed for the time being.
- ( ) Don’t know / no opinion / not relevant

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

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

**Question 2.1 If no, would you like to be offered more information with regard to the integration of sustainability criteria and options to invest in sustainable financial assets and divest from non-sustainable assets?**

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

**Question 2.2 If necessary, please explain your answer to question 2.1:**

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The subject is the reliability of information, in addition to accessibility.
One of the new horizons of sustainable finance is to mobilize household savings for the alignment of private financial flows with sustainable economic development and more particularly with the objectives of the Paris climate agreement. Concretely, this amounts to using the power of influence associated with the holding of financial assets by households (choice of allocation, voting rights, etc.) to help align investment decisions in the real economy with these objectives.
The European High-Level Expert Group on Sustainable Finance (HLEG) already stressed that this issue was essential, on the one hand because household savings constitute 40% of financial assets in Europe, but also because the brand image of financial intermediaries with consumers is for them an issue as such. In parallel, many studies, who would not want to invest in accordance with social and ecological values.
However, this objective faces several obstacles:
1. Financial advisers hardly ever asked these questions during the implementation of the "adequacy test" imposed by MIFID.
2. The current supply of retail financial products does not fully meet the expectations of savers, as few products are really structured (intentionality) to guarantee an effective environmental impact.
3. A significant part of the environmental claims associated with financial products can be categorized as "misleading" in terms of the regulatory framework.
Consequently, investment in products manufactured or/and labelled as sustainable remains extremely minority. In addition, the effectiveness of the products offered is not guaranteed from the point of view of consumer expectations.
In response, we support the recommendations of the HLEG adopted in the Action Plan for the financing of sustainable growth:
1. A reform of the provisions on the "adequacy test" in MiFID.
2. The development of a European Eco-Label for financial products.

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

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

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

- Yes, corporates
- Yes, financial institutions
- Yes, both
- No
- Don't know / no opinion / not relevant

**Question 5. One of the objectives of the European Commission's 2018 Action Plan on Financing Sustainable Growth is to encourage investors to finance sustainable activities and projects.**

**Do you believe the EU should also take further action to:**

| | 1 (strongly disagree) | 2 (disagree) | 3 (neutral) | 4 (agree) | 5 (strongly agree) | Don't know / No opinion |
|---|---|---|---|---|---|---|
| Encourage investors to engage, including making use of their voting rights, with companies conducting environmentally harmful activities that are not in line with environmental objectives and the EU-wide trajectory for greenhouse gas emission reductions, as part of the European Climate Law, with a view to encouraging these companies to adopt more sustainable business models | ○ | ○ | ○ | ○ | ● | ○ |
| Discourage investors from financing environmentally harmful activities that are not in line with environmental objectives and the EU-wide trajectory for greenhouse gas emission reductions, as part of the European Climate Law | ○ | ○ | ○ | ○ | ● | ○ |

### Question 5.1 In case you agree or strongly agree with one or both options, what should the EU do to reach this objective?

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

This question should be addressed in the context of the review of the NFRD
The NFRD currently covers four non-financial matters : (i) environment, (ii) social and employee issues, (iii) human rights, (iv) bribery and corruption.

To become a recognized standard, it could make sense to use the widely adopted criterias of Environment (including climate AND Paris Agreement targets), Social (covering current social, employee issues, and human rights), and Governance (including bribery and corruption, extended to all other governance matters).

Intangible assets are by nature already largely embedded into non-financial matters, but they could be developed further.

Such an approach would give way to the suppression of many parallel regulations, both at EU and Member States levels, as they are overlaps, missing pieces and need to streamline.

It would also (i) help the very various stakeholders to find more easily the information they are looking for to make a proper ESG analysis of the corporate and (ii) give financial institutions the information needed to comply with the disclosure regulation of November 27, 2019 on sustainability-related disclosures in the financial sector.

In parallel, the transformation of the non-binding guidelines of July 2017 and June 2019 into a mandatory framework, in terms of disclosure of non-financial information (i) on business models, (ii) on policies and due diligence processes, (iii) on outcomes,(iv) on principal risks and their management and (v) on Key Performance Indicators would path the way to the integration of TCFD and CDP approachs.

Based on this, as part of the European Climate Law, investors should be encouraged to engage, including the 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.

## Section II. Questions targeted at experts

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

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

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Sustainable finance has been gaining more attention among both individual investors and asset managers in the world's largest institutions. However, the companies listed are often still on their way to defining what this means for them and how this will be reflected in their reporting. Investors, on the other hand, are in part still placing too little focus on requesting and evaluating such information. Thus, it still remains important challenges for mainstreaming sustainability in the financial sector over the coming 10 years.
First, the risk is to build an ecosystem for a few and to remain a niche. The importance of mainstreaming from green to brown is essential for a virtuous growth. Second, mainstreaming from Europe to Global: for an environmental issue but also to promote European expertise at international level by guaranteeing a level playing field (European companies cannot impose on companies the constraints that their international competitors do not have).

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

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Among the few obstacles that hinder the development of sustainable finance, we note three main obstacles:
- The absence of brown taxonomy: the real efficiency of the implementation of the taxonomy will be possible if it extends to the whole spectrum.
- The data heterogeneity: an individual company can carry vastly divergent ratings from different agencies simultaneously, due to differences in methodology, subjective interpretation, or an individual agency's agenda.
- The subject of complexity is key: for example, the most significant margins of progress concern the taking into account of climate risks in investment choices due to the complexity of assessments and readability of information for the client.

**Question 8. The transition towards a climate neutral economy might have socio-economic impacts, arising either from economic restructuring related to industrial decarbonisation, because of increased climate change-related effects, or a combination thereof. For instance, persons in vulnerable situations or at risk of social exclusion and in need of access to essential services including water, sanitation, energy or transport, may be particularly affected, as well as workers in sectors that are particularly affected by the decarbonisation agenda.**

**How could the EU ensure that the financial tools developed to increase sustainable investment flows and manage climate and environmental risks have, to the extent possible, no or limited negative socio-economic impacts?**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The ‘do not significant harm’ principle has been an innovative key point: while contributing to one environmental objective, the activity must not significantly harm any of the other five environmental objectives. To have limited negative socio-economic impacts, we suggest adding ‘a do not significant harm’ principle to the Taxonomy on social matters, with a definition of social matters extended to access to elementary need as defined by SDGs.

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

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

**Question 9.1 What are, in your view, the mechanisms necessary to be put in place by policy-makers to best give the right signals to you as a corporate or a financial institution?**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Predictability and good communication are essential for an effective strategy in terms of climate objectives. The change in strategic positioning takes place in the medium and long term and clearly established signals allow investors to be ambitious in their orientation.

In this respect, an important structural signal would be the penalization of brown activities that are not improved. This would clearly direct investments towards ambitious climate targets.

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

- Yes, institutional investors
- Yes, credit institutions
- (selected) Yes, both
- No
- Don’t know / no opinion / not relevant

**Question 11 Corporates, investors, and financial institutions are becoming increasingly aware of the correlation between biodiversity loss and climate change and the negative impacts of biodiversity loss in particular on corporates who are dependent on ecosystem services, such as in sectors like agriculture, extractives, fisheries, forestry and construction. The importance of biodiversity and ecosystem services is already acknowledged in the EU Taxonomy.**

**However, in light of the growing negative impact of biodiversity loss on companies’ profitability and long-term prospects (see for instance The Nature of Risk - A Framework for Understanding Nature-Related Risk to Business, WWF, 2019), as well as its strong connection with climate change, do you think the EU’s sustainable finance agenda should better reflect growing importance of biodiversity loss?**

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

**Question 11.1 If yes, please specify potential actions the EU could take:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Human activities are responsible for the destruction of habitats and the depletion of natural resources. However, our economies are based on natural capital. Ecosystems provide nearly $ 100 billion in economic services each year for free. Every good we produce and consume is the result of the transformation of a natural product - no matter how complex the supply chain. Healthy ecosystems are also essential to absorb our carbon emissions and limit global warming. It is therefore essential that economic players take better account of the preservation of resources, and it is a good point that the importance of biodiversity and ecosystem services is already acknowledged in the EU Taxonomy.
Experts today note a process already observed in the renewable energy sector: creating an asset class is the fruit of collective work, which requires a common basis of analysis within a risk-return couple. Consequently, it is important to develop taxonomy along this path, an economic logic, and the financial methodology to deploy these techniques on a large scale and build sustainable supply chains at the international level.

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

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Scaling-up investments to meet the European climate and transition objectives requires an improved knowledge of investments and financial flows in key sectors as well as policy assessment tools.
The Commission could therefore support the development of a European Landscape of Climate Finance – a systematic tracking of climate investments and related financing flows from governments, businesses, and households. Aggregating indicators from different sectors into a single, coherent view would provide a reference point to track where the transition stands year after year. By highlighting the gap between current investments and climate objectives, the landscape would help generating awareness and engagement with all stakeholders.
Such a study is already conducted since 2013 in France by I4CE – the Institute of Economics for Climate, which has already identified other European actors who are interested in conducting such analysis, especially in Germany and Poland. It is however essential that these organizations pool their expertise to conduct a comprehensive overview at the European level and do not simply compile national analysis.
To promote dialogue and enhance investors engagement, the Commission could organize on a yearly basis a Sustainable Investment dialogue shortly after the release of the European Landscape of Climate Finance. The council would constitute an overarching space for interactions on climate-related investment needs and the paired financial flows between European institutions, governments, institutional investors, credit institutions, companies from the above-mentionned sectors and civil society representatives.
The European Landscape of Climate Finance would constitute a useful reference for discussions, and insights from the council would provide valuable inputs to the Commission work.

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

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The international sustainable finance platform is a big issue in the need for harmonization and coordination.

In the same way, it will be useful to develop actions and initiatives such as the FC4S, the NGFS, the WGs of the Basel Committee, of the G20.

# 1. Strengthening the foundations for sustainable finance

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

## 1.1 Company reporting and transparency

In its Communication on the European Green Deal, the Commission recognised the need to improve the disclosure of non-financial information by corporates and financial institutions. To that end, the Commission committed to reviewing the **non-financial reporting directive (NFRD)** in 2020, as part of its strategy to strengthen the foundations for sustainable investment. A public consultation is ongoing for that purpose.

The political agreement on the Regulation on establishing a framework to facilitate sustainable investment ('Taxonomy Regulation') places **complementary reporting requirements on the companies that fall under the scope of the NFRD**.

In addition to the production of relevant and comparable data, it may be useful to ensure open and centralised access not only to company reporting under the NFRD, but also to relevant company information on other available ESG metrics and data points (please also see the dedicated section on sustainability research and ratings 1.3). To this end, a **common database** would ease transparency and comparability, while avoiding duplication of data collection efforts. The Commission is developing a common European data space in order to create a single market for data by connecting existing databases through digital means. Since 2017, Commission Directorate General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA) has been assessing the prospects of using Distributed Ledger Technologies (including blockchain) to federate and provide a single point of access to information relevant to investors in European listed companies (European Financial Transparency Gateway - EFTG).

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

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

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

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The EU should take action to support the development all types of ESG collectable from NFRD and TCFD. Besides, we support that collect indicators so that powerful companies can access them to benchmark themselves.

**Question 15. According to your own understanding and assessment, does your company currently carry out economic activities that could substantially contribute to the environmental objectives defined in the Taxonomy Regulation[1]?**

[1] The six environmental objectives are climate change mitigation and adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems.

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

**Question 15.1 If yes, once the EU Taxonomy is established (end-2020 for climate change mitigation and adaptation – Assuming that for climate change mitigation and adaptation, it would be based on the recommendations of the TEG for the EU Taxonomy), how likely is it that you would use the taxonomy for your business decisions (such as adapting the scope and focus of your activities in order to be aligned with the EU Taxonomy)?**

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

**Question 15.2 If necessary, please explain your response to question 15.1:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The question is not relevant in the case of Finance for Tomorrow.

However, the following comments are relevant in our views : the “Regulation on the Establishment of a Framework to Facilitate Sustainable Investment” (generally referred to as the “Taxonomy”) currently defines which economic activities can be classified as environmentally sustainable.

Beyond straightforward “green” activities, the Taxonomy also accommodates certain transition-friendly activities which currently lack a technologically and economically feasible low-carbon alternative as well as so-called “enabling activities”. These enabling and transitioning activities should be better defined and valued in EU policies and regulations to encourage the shift of activities towards more sustainability while avoiding “niche” provisions.

It would make sense the, to develop further theso-called “brown” activities (“brown” taxonomy (activities that do significantly harm environmental sustainability), to give a better understanding of the environmentally harmful activities that are not in line with environmental objectives and the EU-wide trajectory for greenhouse gas emission reductions.

In parallel, a great attention should be given to keep the Taxonomy framework practicable at the company level as there is is a risk to develop a too complicatesd approach, burdensome at best, inapplicable at worse.

## 1.2 Accounting standards and rules

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

Recognising the importance of ensuring that accounting standards do not discourage sustainable and long-term investments, as part of the 2018 Action Plan on Financing Sustainable Growth, the Commission already requested the European Financial Reporting Advisory Group (EFRAG) to explore potential alternative accounting treatments to fair value measurement for long-term investment portfolios of equity and equity-type instruments. EFRAG issued its advice to the Commission on 30 January 2020. Following this advice, the Commission has requested the IASB to consider the re-introduction of re-cycling through the profit or loss statement of profits or losses realised upon the disposal of equity instruments measured at fair value through other comprehensive income (FVOCI).

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

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

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

Please select as many options as you like.

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

### Please specify which other area(s):

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Generally speaking, accounting doesn't take into account the concept of "natural capital". This is a real and complicated issue on which a high-level expertise thinking could be useful, as there is no operationally feasible solution at this stage. Also, the IFRS should remain aligned on IASSB recommendations.
Some representatives of the companies consulted had a more nuanced position. Actually, the current rules are good and the accounting must be a consequence of the drop in profitability or the increase in project risk.

## 1.3 Sustainability research and ratings

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

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

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

### Question 17.1 If necessary, please explain your answer to question 17:

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Conventional rating agencies have increased the integration of criteria into their methodology, and this expertise was notably fuelled by the acquisition of extra-financial rating agencies. This results from the orientation of the new resources released towards a finer specialization in research and extra-financial

analysis. And it is likely to create a new oligopoly on the rating market in Europe and could lead to a switch to the economic model of existing players.
However, ESG ratings now represent significant. Many large ESG companies have recently been acquired by large established rating and analysis companies. This shows a very rapid trend towards consolidation in the industry, which carries the risk that these large companies have a business model (provision of ESG data) which potentially creates the monopolization of the data and private analyses that investors need. This can potentially make access to ESG data and analysis costly. This jeopardizes integrity, the strict application of conflict of interest rules and the desire to invest in the long term in improving the methodology. This is also a geopolitical issue because ESG data will become an increasingly strategic issue for the future of finance.
In this context, the EU should consider how to use competition policy and regulation, Credit Rating Agency Regulation and more to prevent and if need be, reverse concentration of the ESG data, research and rating market in order to guarantee the integrity of this industry in the EU. Globally, standardized, freely accessible, robust, and comparable ESG data will bring more objectivity to ESG ratings and reduce the risk of ESG rating oligopoly as this will allow certain investors to analyse corporate data themselves. Likewise, open, and harmonized ESG data could lead to the emergence of non-financial data aggregators (as we have seen in the FinTech sphere) which could challenge ESG business models and agencies rating and avoid excessive market concentration.

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

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

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

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Suppliers of sustainability data and ratings generally use information provided or disclosed by the companies themselves, which has been widely demonstrated to not adequately meet current NFRD requirements. The fact that companies frequently complain about the large number of diverse requests for ESG information from agencies and investors indicates that there is a lack of harmonization which should be resolved by further standardizing ESG measures and disclosure. (for example via software interfaces with existing accounting software). .
In addition, ESG rating is often based on company policies and processes, but the focus is on their adoption, not their impact, implementation or mitigation. In addition, ESG ratings are heavily based on retrospective information, which is not a reliable indicator of future performance. The Commission needs to develop a common standard to measure and disclose two-way materiality AND a standard methodology to assess and rate companies on key ESG issues. ESG rating agencies should also reflect the NFRD in their own methodologies.

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

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

**Question 19.1 If necessary, please explain your answer to question 19:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Several challenges arise:
- The lack of clarity of the criteria used in ESG research and the differences in ESG scores show that the manifest lack of comparability casts serious doubts on the quality and reliability of these assessments.
- The chargeable nature of the services hinders wide access to it and therefore the possibilities of comparing the different research materials and results. More available ESG data would make it possible to produce cheaper research material, which will result in more accessible and affordable resources for investors. It's positive for the market and for investors.
- The indicators are not complete and focus too much on company policy (not on impacts on the company) and on what companies report.
- The methodology for collecting information, process and research data, and transparency about it, is an issue. For example, there is a lack of information on the impact of businesses on the ground because little investigation is carried out and little information is available or payable. The completeness and verification of data is not guaranteed. The availability and quality of data on governments and businesses funded by EU investors and lenders in developing countries should receive special attention as they are more uneven and expensive and therefore not as aggregated as in countries developed.

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

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

### Question 20.1 If necessary, please explain your answer to question 20:

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Several challenges arise:

- Recent changes, such as Morningstar's decision in October 2019 to start applying sector weighting to its ratings is an interesting step but still distracts from the underlying problem that the economic models of certain sectors are not fundamentally sustainable and do not should not appear in any ESG themed fund. As mentioned above, ESG rating is generally based on company policies and processes and the focus is on their adoption, not their implementation or their real impact on the ground or the transition trajectory for align with absolute science-based targets (for example, climate neutrality 2050 result of the Paris Agreement). In general, the ESG rating provides that the more a box is checked, the higher the score in this category. If information cannot be found, companies can be penalized, including companies with fairly solid ESG processes but without papers. This risks promoting both a process-based, not an impact-based mindset, and a quantitative quality mindset for reporting companies. Although these scores may assess the governance structure in place and the improvement of policies from year to year, they do not assess with concern the actual environmental or social results.

- In addition, ESG ratings can be applied at fund level. In that case, an average performance is assessed for the whole fund, which can include both companies with a strong sustainability performance and, problematically, companies with significantly harmful impacts on the ground. For retail funds in particular, when retail investors are informed about this approach and the fact that their money can therefore be invested in very unsustainable companies, they are usually extremely disappointed or opposed to the approach, which strongly weakens the credibility of ESG ratings.

### Question 21. In your opinion, should the EU take action in any of these areas?

- ○ Yes
- ○ No
- ● Don’t know / no opinion / not relevant

### Question 21.1 If necessary, please explain your answer to question 21:

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Four recommendations:
1) Ensuring open and comparable ESG data from corporates is a priority issue. The committed EU reporting standard is a welcome must for delivering on this issue; it should rely on few, mandatory sector-specific KPIs that are as strategic and material as possible for each sector or sub-sector (at the level of granularity enabling comparison)
2) The Commission should revise the CRA Regulation in 2021 to
- ensure that CRAs adequately disclose their methodologies and skills for discharging their duties.
- properly integrate financially material ESG risks into their credit risk analysis and ratings.
- Credit rating agencies could establish “credit rating perspectives”, clearly differentiated from credit ratings,

to take into account a longer-term perspective during which ESG risks are more likely to materialize than in the short term period. This should be assessed by the Commission and incorporated into the CRA regulation.
3) There is also an urgent need to elaborate on minimum standards regarding conflict of interest, integrity of the methodologies and business models, transparency and service to clients. Supervisors should be provided sufficient means to properly enforce such EU regulation. Registration and licencing could be a first step in the short term. Special attention is needed to the regulation and supervision of third/external reviewers of green/social/environmental bonds.
4) Prevent further concentration of the ESG providers and apply strict competition policy rules to avoid market abuse and allow sufficient choice of ESG data/research/rating providers. Regulate or support measures to ensure that smaller companies, non-English speaking companies and non-EU companies are being well researched and rated regarding their ESG related activities, policies and impacts.
Some representatives of the companies consulted had a more nuanced position, arguing that the EU does not have to take regulatory action on this subject.

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

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

As set out in the 2018 Action Plan on Financing Sustainable Growth, the Commission services started working on:

1. developing possible technical criteria for the EU Ecolabel scheme to retail funds, savings and deposits, and
2. establishing an EU Green Bond Standard (EU GBS).

The Commission also committed to specifying the content of the **prospectus** for green bond issuances to provide potential investors with additional information, within the framework of the Prospectus Regulation.

### EU Green Bond Standard

The Technical Expert Group on Sustainable Finance (TEG) put forward a report in June 2019 with 10 recommendations for how to create an EU Green Bond Standard (EU GBS). This was completed with a usability guide in March 2020, as well as with an updated proposal for the standard (see Annex 1).

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

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

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

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

- (x) Yes, at European level
- ( ) Yes, at a national level
- ( ) No
- ( ) Don't know / no opinion / not relevant

### Question 22.1 If necessary, please explain your answer to question 22:

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The accreditation or authorization of EU Green Bonds verifiers would increase the legitimacy of the standard. It would also enable to limit the number of verifiers and thus facilitate the centralization and analysis of data. In this context, the European level seems most appropriate to harmonize the market across borders.

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

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

### Question 23.1 If necessary, please explain your answer to question 23:

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Yes, to ensure the coherence of market practices across asset classes.

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

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

**Question 24.1 If necessary, please explain your answer to question 24:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Prospectus and green bonds**

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

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

**Question 25.1 If necessary, please explain your answer to question 25:**

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

It is important to understand that for issuers, adding a firm green commitment as an additional disclosure requirement into the prospectus would introduce another risk factor, which to the issuer limits the attractiveness of issuing green bonds since this means a) additional costs in legal fees b) if the ‘greenness’ of the bond would change this could trigger a default in the bond which would trigger the generally included cross-default provision. An event such as the latter could potentially risk the financing of the whole corporation and also creates a disincentive for an issuer to list. To minimise such default risk, the issuer would therefore most likely value the impact of the green bond at a lower level. However, issuers setting less ambitious goals could mean a slower, less effective transition towards a sustainable economy. Moreover, while a lot of attention is dedicated to greenwashing, it is important to also consider the reputational risk any issuer overstating the greenness of their bonds would face.
Furthermore, it is important to highlight that many green bond issuances are issued by states or their local authorities, which are exempt from the Prospectus Regulation in any case.
In our view the creation EU Green Bond Standard means the issuer can demonstrate it meets the relevant criteria to be deemed an EU GBS and avoids the necessity of including it as a specific disclosure requirement in the prospectus given the additional issues this creates.
Should the Prospectus Regulation be modified to impose additional requirements on issuers whose bonds meet the EU Green Bond Standard, we believe that consideration should be given to ways of incentivising green bond issuance, for instance by making the prudential regulation for green bonds more attractive. In addition, further consideration should be given to whether the EU GBS should only then apply to listed issuers given the enhanced disclosure they would be obliged to comply with.

### Question 26. In those cases where a prospectus has to be published, to what extent do you agree with the following statement: “Issuers that adopt the EU GBS should include a link to that standard in the prospectus instead of being subject to specific disclosure requirements on green bonds in the prospectus”?

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

### Question 26.1 If necessary, please explain your answer to question 26:

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The statement proposed to link the prospectus to a standard would facilitate the disclosure process as well as reinforce the legitimacy of the standard as the unique point of reference. We believe it makes sense that issuers that adopt the EU GBS should include a link to this in the prospectus to demonstrate to investors that it complies with this standard. However, as stated above, we do not think any further disclosure should be required in the prospectus as regards the specific green bond information, other than the information that is already currently required.

### Other standards and labels

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

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

- ○ Yes
- ● No
- ○ Don’t know / no opinion / not relevant

**Question 28. In its final report, the High-Level Expert Group on Sustainable Finance recommended to establish a minimum standard for sustainably denominated investment funds (commonly referred to as ESG or SRI funds, despite having diverse methodologies), aimed at retail investors.**

**What actions would you consider necessary to standardise investment funds that have broader sustainability denominations?**

- ○ No regulatory intervention is needed
- ● The Commission or the ESAs should issue guidance on minimum standards
- ○ Regulatory intervention is needed to enshrine minimum standards in law
- ○ Regulatory intervention is needed to create a label
- ○ Don’t know / no opinion / not relevant

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

- ● Yes
- ○ No
- ○ Don’t know / no opinion / not relevant

**Question 29.1 If yes, regarding green funds aimed at professional investors, should this be in the context of the EU Ecolabel?**

- [x] Yes
- [ ] No
- [ ] Don’t know / no opinion / not relevant

**Question 29.2 If necessary, please explain your answer to question 29.1:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

29: Minimum standards might support future comparability and transparency. We would support harmonised standards but consideration needs to be given to existing standards for (other)products: these standards would need to be aligned with other products or national standards. Investment funds may track products that also use a standard which may conflict or confuse in the “labelling” of the product. This initiative should reflect on the broader investment universe in order not to conflict or complicate the chain of offering products to (retail) investors across the board.

29.1: We consider that defining standards, labels and classifications is critical as it would bring about three pivotal changes:
• to encourage more rigorous disclosure/reporting to meet clearly defined expectations;
• to improve readability and comparability of performance;
• to reward high performers and thereby incentivising change.
These high performers could be identified based on planned and executed activities, in accordance with the taxonomy.

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

**Should the EU develop standards for these types of sustainability-linked bonds or loans?**

- [ ] 1 - Strongly disagree
- [ ] 2 - Disagree
- [ ] 3 - Neutral
- [ ] 4 - Agree
- [x] 5 - Strongly agree
- [ ] Don’t know / no opinion / not relevant

**Question 30.1 If necessary, please explain your answer to question 30:**

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The markets for sustainability of bonds and loans linked to sustainability are emerging and would benefit greatly from a European standard. This is especially true for loans that are based on internal practices and disclosures: a standard would increase the confidence level of all parties involved. In any case, any proposed standard should be voluntary, as for the GBS proposed by the EU.

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

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

**Question 31.1 If necessary, please explain your answer to question 31:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The Taxonomy must be the common definition for all sustainable economic practices across asset classes and financial products, therefore it should be used for target-setting sustainability-linked bonds or loans. However, the mechanism should be more precise: the key performance indicators should be defined in functions of the thresholds set by the EU Taxonomy for each economy economic activity.

**Question 32. Several initiatives are currently ongoing in relation to energy-efficient mortgages (see for instance the work of the EEFIG (Energy Efficiency Financial Institutions Group set by the EC and the United Nations Environment Program Finance Initiative or UNEP FI) on the financial performance of energy efficiency loans or the energy efficient mortgages initiatives) and green loans more broadly. Should the EU develop standards or labels for these types of products?**

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

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

Please select as many options as you like.

- [x] a broad standard or label for sustainable mortgages and loans (including social and environmental considerations
- [ ] a standard or label for green (environmental and climate) mortgages and loans
- [ ] a narrow standard or label only for energy-efficient mortgages and loans for the renovation of a residential immovable property
- [x] other

**Question 32.2 Please specify what other type of standard or label on sustainability in the loan market you would like to see:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In the one hand, energy-efficiency is a key sector for the ecological transition of the European Union. On the other hand, sustainable housing is a major issue of social well-being. As such, energy-efficient mortgages and loans for the renovation of a residential immovable property are a necessity that could be enhanced by a label. This label must encompass the environmental and social aspect on this economic sector, a key component of the "Just Transition". Other type of products that could benefit of such distinction in the loans market could be low CO2 emission cars/CO2 emission improving new cars or even education and formation in sustainability fields.

**Question 33. The Climate Benchmarks Regulation creates two types of EU climate benchmarks - 'EU Climate Transition' and 'EU Paris-aligned' - aimed at investors with climate-conscious investment strategies. The regulation also requires the Commission to assess the feasibility of a broader 'ESG benchmark'.**

**Should the EU take action to create an ESG benchmark?**

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

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

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Developing ESG benchmark could participate to the rise of sustainable finance. Several remarks, however:
- It should depend on market demand. In particular with regard to the ESG, many indices already exist and are successful. The creation of European standards should only be considered if there is an appropriate market need which does not have a negative impact on existing companies which are already contributing to sustainability.
- If the European Commission wishes to establish an ESG standard, it must do so on the basis of a common and simple definition of ESG in order to avoid greenwashing. The simplicity of such a definition is really important to allow the market to develop and extend the offer of such benchmarks.
- At the same time, minimum guarantees must be put in place on each ESG pillar. To be meaningful, these benchmarks should reduce their investment in activities that impede the achievement of the SDGs and, on the other hand, increase investment in activities that positively contribute to the achievement of the SDGs.
- Such an approach would require relying on European green / brown taxonomies, on the climate but also on other environmental and social issues.

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

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

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

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Instead of the multiplication of labels, we strongly support the strengthening certifications and labels that allow retail clients to better track the allocation of their "green" deposits: those tools are indeed really valuable for retail investors.

Furthermore, it should be possible for all labels to include all types of financial instruments. In particular, the French industry is organizing on the way to provide French authorities with guidelines under which structured products can be used in ESG/SRI labels for retail investors. Such a move is of particular importance in order to help the market of sustainable products gain momentum as well as provide a faire level playing fields for all financial actors in the sustainable finance ecosystem.

## 1.5 Capital markets infrastructure

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

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

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

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

- ○ Yes
- ● No
- ○ Don’t know / no opinion / not relevant

**Question 36.1 If necessary, please explain your answer to question 36:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Market infrastructures are supporting the transition to a sustainable European economy and offer products that contribute to sustainable development, facilitate management of climate risk and incorporate carbon reduction in investment strategies, as well as allow the tracking of sustainable companies’ performance.
The members of the Federation of European Securities Exchanges (FESE) actively engage in the UN Sustainable Stock Exchanges initiative (SSE) to promote sustainable capital markets, through which companies are encouraged to perform greater disclosures of relevant ESG issues.
The pan-European exchange Euronext has launched a number of products and services to promote sustainability and ESG reporting (see answer to Q35.1) and is working with FESE on a project to streamline ESG reporting guidelines for issuers on a European level.
Rather than having a specific trading segment dedicated to sustainable finance securities, an important measure would be to promote listing and make it an attractive option for innovative companies pursuing sustainable business objectives.
Furthermore, it is important to always keep in mind that financial markets reflect developments in other parts of the economy. As such, the sustainable finance agenda cannot, by itself, realise the goals of the Paris Agreement. Real change can be achieved by adopting sector specific regulations and tax incentives to promote the fight against climate change. Such policies would have an impact on the companies’ business models and either lead to a decline of certain businesses or a change of business strategy.

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

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In addition to our answer under Q36, we would also like to highlight that a working paper published by the ECB in 2019, titled "Finance and carbon emissions" which shows that for given levels of economic and financial development and environmental regulation, CO2 emissions per capita are lower in economies that are relatively more equity-funded. This is due to the role stock markets play in reallocating investment towards less polluting sectors and push carbon-intensive sectors to develop and implement greener technologies. Equity financing thus plays a crucial role in promoting sustainability.
Exchanges encourage capital flows to ESG projects and to the listing of companies, notably SMEs, with strong ESG characteristics. This approach can also be supported by strong educational programmes to incentivise these companies' access to capital markets. Exchanges' launch of labels and new initiatives facilitate the capital raising process by provided visibility to sustainable equity issuers and their respective projects

## 1.6 Corporate governance, long-termism and investor engagement

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

The ongoing COVID-19 outbreak in particular underscores that companies should prioritise the long term interests of their stakeholders. Many companies in the EU have decided to prioritise the interests of key stakeholders, in particular employees, customers and suppliers, over short-term shareholder interest (The European Central Bank also recommended on 27 March 2020 that significant credit institution refrain from distributing dividend so that "they can continue to fulfil their role to fund households, small and medium businesses and corporations" during the COVID-19 economic shock). These factors contribute to driving long-term returns as they are crucial in order to maintain companies' ability to operate. Therefore, institutional investors have an important role to play in this context. As part of action 10 of the Action Plan on Financing Sustainable Growth, in December 2019 the European Supervisory Authorities delivered reports, the European Supervisory Authorities delivered reports in December 2019 (ESMA report, EBA report and EIOPA report) that had the objective of assessing evidence of undue short-term pressure from the financial sector on corporations. They identified areas within their remit where they found some degree of short-termism and issued policy recommendations accordingly. For instance, they advise the adoption of longer-term perspectives among financial institutions through more explicit legal provisions on sustainability.

**Question 38. In your view, which recommendation(s) made in the ESAs' reports have the highest potential to effectively tackle short-termism?**

**Please select among the following options:**

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

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

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Even if the banking regulations already deal with this subject in depth, sustainability – which aims at ensuring medium and long term positive results regarding economic financial and social development notably through good governance and risk management - is a natural antidote to short termism. Therefore, legal provisions triggering more action and better reporting with respect to sustainability - adopted by the regulators and monitored by the supervisors - can be of great help to fight short termism provided they are clear, based on homogeneous and measurable criteria, and they can be easily integrated on a consistent fashion in the ESG reports. A common language based on the taxonomy and covering a maximum of aspects of ESG would help to achieve these objectives of better transparency, consistency, clarity and comparability.

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

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

**Question 39.1 If yes, please explain which barriers you see and / or what action(s) could help foster long-termism in financial markets and the way**

corporates operate.

**Please list a maximum of 3 barrier(s) and / or a maximum of 3 action(s):**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

With respect to limiting factors: the evolution of the banking regulation and the orientations developed in the so called Basel 4 works with notably the flooring of internal models and the leverage ratio make medium or long term lending more difficult and costlier for banks hence more scarce. Another area averse to long termism is the importance taken by the fair market value applied to the balance sheet of banks and corporates which increase the volatility of their financials and accordingly blurs their track record.
As regards possible further actions: To be efficient, financial markets must remain liquid, therefore ways to incentivize “long termism” are to be looked at on both the issuers’ side and the investors’ side
On the issuers/corporate side: More standardized and widely shared methods for corporates to report on ESG long term goals, stakes risks and rewards would also help (i) equity investors to take informed views as to the possible long term detention of shares (ii) lenders – be they banks of institutional investors – to better analyze the financial and non-directly financial risks associated to medium or long term lending
On the Investors/lenders side: Households investing in equities of ESG champion firms and ready to keep their shares could be incentivized. Funds managed with a long-term sustainability perspective should be labelled as such and communicate on a transparent fashion on the time horizon of investment recommended and the investment policy followed. “Transitional” labels or “alignment to a trajectory” labels would probably attract medium term investors. Other important measures could be to incentivize, households accepting to keep their shares during a certain period of time. Using a mark-to-market methodology, the IFRS 9 introduces volatility into the valuation of assets even though they are to stay within a company, which not consistent with the long-term investment approach which is needed for many industrial physical assets.

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

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

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

**Question 40.1 If yes, please indicate what share of the variable remuneration should be linked to non-financial performance:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Yes, for the largest companies, at levels varying upon the level of responsibility ad with clarity as to the KPIs selected and their respective weightings.

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

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

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

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

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

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

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

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

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

**Question 44.1 If yes, please explain your answer to question 44:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

It is already the case in some countries and it should be generalised at EU level, 1) to create a level playing field among member states 2) ESG is a key dimension of the strategy of a company and shareholders should always have the possibility to vote on it.

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

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

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

### Question 45.1 If no, please explain your answer to question 45, if necessary:

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Index investing is not necessarily detrimental to the long term interest of shareholders as asset managers handling this sort of funds can be fully engaged in voting and in doing so they can put pressure on the companies to have ambitious ESG targets and deliver and communicate on them, which is positive for the long term performance of the fund.

To foster more sustainable corporate governance, as part of action 10 of the [2018 action plan Plan on Financing Sustainable Growth] the Commission launched a [study on due diligence] (i.e. identification and mitigation of adverse social and environmental impact in a company’s own operations and supply chain), which was published in February 2020. This study indicated the need for policy intervention, a conclusion which was supported by both multinational companies and NGOs. Another study on directors’ duties and possible sustainability targets will be finalised in Q2 2020.

### Question 46. Due regard for a range of ’stakeholder interests’, such as the interests of employees, customers, etc., has long been a social expectation vis-a-vis companies. In recent years, the number of such interests have expanded to include issues such as human rights violations, environmental pollution and climate change.

**Do you think companies and their directors should take account of these interests in corporate decisions alongside financial interests of shareholders, beyond what is currently required by EU law?**

- (x) Yes, a more holistic approach should favour the maximisation of social, environmental, as well as economic/financial performance.
- ( ) Yes, as these issues are relevant to the financial performance of the company in the long term.
- ( ) No, companies and their directors should not take account of these sorts of interests.
- ( ) Don’t know / no opinion / not relevant

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

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

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

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

**Question 48.1 If yes, please select your preferred option:**

- ( ) All companies, including SMEs
- (x) All companies, but with lighter minimum requirements for SMEs
- ( ) Only large companies in general, and SMEs in the most risky economic sectors sustainability-wise
- ( ) Only large companies

**Question 48.2 If necessary, please explain your answer to question 48.1:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

F4T believes that the scope of due diligence requirements should be aligned to the scope of the new disclosures requirements after the review of the Non-Financial Requirements Directive (NFRD).
In line with the Commission's objectives to have all companies provide further transparency on their ESG activities, we believe that the scope of the NFRD should be extended to require non-listed companies with more than 500 employees to disclose non-financial information. This requirement should not be limited to public-interest entities (i.e. listed companies, banks and insurance companies with more than 500 employees) as provided by the current regulatory framework.
This implies that level of ESG disclosure obligations for companies will be harmonised at EU level with the creation of a European standard, as the current scope of the NFRD and companies' reporting standards differ in each respective EU Member State. Requiring all companies established in the EU with more than 500 employees would ensure an equal level playing field in the companies' disclosure obligations related to non-financial information on companies' activities regarding environmental, social or governance topics.

Therefore, in line with the new proposed scope for the NFRD, SMEs (companies that employ less than 500 employees) should not be burdened with due diligence requirements which would be too costly for them to comply with. However, SMEs should be allowed to voluntary disclose due diligence practices based on the EU framework that may be provided.

Supply chain due diligence must be comprehensive hence involve all sectors and sizes of companies but in this area as in many others, the principle of proportionality must apply as SMEs cannot afford having fully staffed teams specifically in charge of this issue, therefore the due diligence for them should be kept simple and actions to support them (training? Outsourcing? Subsidies?) could be contemplated.

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

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

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

## 2.1 Mobilising retail investors and citizens

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

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

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

**Question 49.1 If necessary, please explain your answer to question 49:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Detailed guidance for financial advisers would be useful when they ask questions to retail investors seeking financial advice, for various reasons. Firstly, studies show that advisers are not yet aware enough of the products and their ESG characteristics, which means this market practice must be supported. Secondly, retail investors are not yet informed enough to challenge their advisers or even to express themselves in the accurate way to share their preferences in a way that could lead to the best fitted product.

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

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

**Question 51. Should the EU support the development of more structured actions in the area of financial literacy and sustainability, in order to raise awareness and knowledge of sustainable finance among citizens and finance professionals?**

- ( ) 1 - Strongly disagree

- 2 - Disagree
- 3 - Neutral
- 4 - Agree
- 5 - Strongly agree
- Don’t know / no opinion / not relevant

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

| | 1 (strongly disagree) | 2 (disagree) | 3 (neutral) | 4 (agree) | 5 (strongly agree) | Don't know / No opinion |
|---|---|---|---|---|---|---|
| Integrate sustainable finance literacy in the training requirements of finance professionals. | | | | | X | |
| Stimulate cooperation between Member States to integrate sustainable finance as part of existing subjects in citizens’ education at school, possibly in the context of a wider effort to raise awareness about climate action and sustainability.[1-5] | | | | | X | |
| Beyond school education, stimulate cooperation between Member States to ensure that there are sufficient initiatives to educate citizens to reduce their environmental footprint also through their investment decisions. | | | | | X | |
| Directly, through targeted campaigns. | | | | | X | |
| As part of a wider effort to raise the financial literacy of EU citizens. | | | | | X | |
| As part of a wider effort to raise the knowledge citizens have of their rights as consumers, investors, and active members of their communities. | | | | | X | |
| Promote the inclusion of sustainability and sustainable finance in the curricula of students, in particular future finance professionals. | | | | | X | |
| Other | | | | | | |

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

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

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

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

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

### Question 52.1 What actions should the EU take in your view?

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The impact of investments is a subject that is gaining importance. The challenge is to match the impact of an investment to a given problem.

First point: coordination on social and environmental issues, with figures. While the time of the climate emergency is rather short, only certain projects are short (energy saving, building renovation plan).

Second point: transparency. There is a real need to publish indicators on positive investments. This should be the case for all investments, including negative investments. The EU should request an impact statement on all investments.

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

- ○ Yes
- ◉ No

Don’t know / no opinion / not relevant

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

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

No, because it’s not the same job. On the side market, the communication aspect is essential. Investors may have privileged access to entrepreneurs but they do not directly finance projects with positive impact. It is the opposite in the unlisted market. Sometimes there is refinancing. Everything that is marketed aside, we talk more of a dialogue (shareholder engagement). On the unlisted, we can go to targeted projects.

## 2.3 Green securitisation

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

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

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

### Question 54.1 If necessary, please explain your answer to question 54:

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Many reasons plead in favour of a safe but clear, accessible and user’s friendly securitization regime applicable to green assets:
- All economic agents - in particular households and companies but also public sector entities – will have to invest into sustainability (e g energy transition and energy efficiency, decarbonised individual or collective transport systems, etc.)

- In most cases these investments will need medium or long term funding
- Many of them (e g energy efficiency investment for household or SME equipment) will generate the need for a very large number of facilities of limited individual amounts.
- Commercial banks will be less and less able to hold long term assets in their balance sheets (see comment above)
- At the same time asset managers and their clients are starved of “green/ESG assets” to invest into.

An action to enable the development of green/ESG securitisations would therefore be particularly welcome and urgent.
Green securitisation could be an efficient tool for mortgage. It is the ideal product for securitization: small, formalized, stable counterpart.

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

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

**Question 55.1 If yes, please list the barriers you see (maximum 3):**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The unanimous opinion of experts is that the so called Simple, Transparent and Standard (STS) Securitization Regulation (entered into force in January 2019), whilst it had the ambition to create a label giving confidence to investors thus helping to re-launch this activity in Europe, is not going to fulfill its objectives as:
- It introduces a huge amount of regulatory and operational constraints
- Disclosure requirements, which are still work in progress within the EU Commission, which is a factor of uncertainty in the market, are too exhaustive and for some type of assets/transactions, not appropriate /adapted.
- Issuing a STS securitisation is a very costly and very demanding as it requires to be compliant with more than one around one hundred criteria. requires meeting more than a 100 criteria with very limited benefits in terms of cost and capital.
- For a bank holding STS securitisation notes assets on its balance sheet, the application of the LCRRC is punitive as these assets are classified as HQLA Level 2b, with a haircut of 25% (residential loans, fully guaranteed residential loans, auto loans) or 35% (loans to SMEs, other consumer loans etc.)
- The STS label is not available to synthetic securitisations which can be useful as a risk transfer tool.
- Only qualified investors can access STS whilst retail investors should have the possibility to access these products which would “speak” to them and increase both their awareness of green/ESG issues and their ability to act positively on them (a recent poll made in France revealed that families and individuals were sensitive to these topics but lacked information and products on which to invest their savings).

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

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

**Question 56.1 If yes, what regulatory and/or prudential measures should the dedicated framework contain and how would they interact with the existing general rules for all securitisations and specific rule for STS securitisations?**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

On top of the general need for improvement of the current STS scheme, it is absolutely necessary to create a safe but workable green/ESG securitisation framework and several steps should be contemplated in this respect:
- An efficient and affordable labelling process covering at the same the STS and the Green/ESG (based notably on the EU taxonomy) dimensions would be extremely useful to the development of the market
- Certification and verification should be streamlined, and in this is respect an accreditation regime for external reviewers could be envisaged in a similar way to the way to what is planned for the EU Green Bond Standard.
- The prudential treatment under CRR, Solvency II and the LCR should be recalibrated to be made less stringent and more commensurate to the real levels of risk and liquidity.
- A specific securitisation Mechanism for Green Loans with an additional Green European modified STS label, in a similar way to the Green Bond label, would also be extremely useful.
- If there is a strong political will to sustain the EU ambition regarding ESG (and in particular meeting the extremely ambitious objective of carbon neutrality in 2050), granting a "green securitisation supporting factor" should be contemplated (as it is for loans kept by the banks on their balance sheets) and tax incentives could also be envisaged.

Overall, the creation of this new regime of ESG/green securitization would:
- Free up capacities for the banks to originate, hold temporarily and distribute the considerable and diversified amounts of financings required in order to sustain the new green del of the EU
- Contribute significantly to the buildup of the Capital Market Union
- Mobilize the households – hence the public opinion - and their savings on the ambitious and legitimate ESG/Green objectives of the European Union

## 2.4 Digital sustainable finance

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

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

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

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

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

### Question 57.1 If yes, what kind of action should the EU take and are there any existing initiatives that you would like the European Commission to consider?

### Please list a maximum of 3 actions and a maximum of three existing initiatives:

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Considering public policy actions:

- Digital tools can be extremely suited to benefit economic and financial actors in the ecological transition, further from retail investment: consider ESG data management, climate risk analysis or satellite data use.
- EU policy action could support the development of the sector by clearly supporting this innovation, through innovation hubs providing help in front of regulatory processes or even with "innovation sandboxes" as used more broadly in the fintech sector.
- A key for the entry-to-market of sustainable fintechs is partnership with incumbent players: a policy framework could be useful enabling to share the regulatory burden and improving understanding among market players.

Considering existing initiatives:

- The annual "Challenge Fintech for Tomorrow" launched in 2018 by Finance for Tomorrow, rewards solutions able to transform financial sector practices and reorient capital flows. It provides concrete support to the development of sustainable fintechs in the French market: visibility, network and for the laureate, an incubation offer. Structured as a public-private partnership, with the support of ADEME, the state's key operator for the ecological transition, and EIT Climate-KIC, a major actor for climate innovation in Europe, the Challenge highlights promising French and international fintech projects, and connect them with the actors of the French innovation ecosystem to support their development.

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

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

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

**Question 58.1 If yes, please explain what actions would be relevant from your perspective and which public authority would be best-positioned to deliver it?**

**Please list a maximum of 3 actions:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In order to support the development of digital finance solutions that can help consumers and retail investors to better channel their money to finance the transition, various public policies could be considered:
- Improving ESG data for more transparency and reliability, in line with all European efforts in that domain. For example, a public-private database could help the structuration of the sector.
- In France, the state launched a label for “Crowdfunding for Green Growth” that help track data and builds confidence for retail investors.

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

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

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

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In France, state tariffs for renewable energy projects are improved when a substantial part of the capital is owned by retail investors through digital crowdfunding platform.
- The use of digital tools should be encouraged for energy efficiency projects. The Challenge Fintech for

Tomorrow rewarded the start-up “QLAY” that uses blockchain technology in order to enable micro-housing and to integrate renovation expenses into financial set-up.

## 2.5. Project Pipeline

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

## Question 60. What do you consider to be the key market and key regulatory obstacles that prevent an increase in the pipeline of sustainable projects?

## Please list a maximum of 3 for each:

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Sustainable projects involve a wide range of risk/return profiles, which makes them attractive for financing, both in equity and in debt. Certain sustainability sectors based on proven technology with an established supply chain attract abundant liquidity.
1. Understand all sectors relevant to sustainability, beyond energy.
a. Some sectors are bankable on their own merit like solar and wind technologies and attract a lot of liquidity
b. The focus in terms of procurement and financial support should be on less proven / less scalable technologies or projects where the business case is weaker, which are also necessary for a sustainable environment.
c. Access to information and improved borrower reporting would generally help to demonstrate the “sustainability angle” of financing and would generally support liquidity.

2. Support financial accessibility and improve the risk profile of certain projects, which are less suitable for attracting private funding. Projects need a credit enhancement mechanism to support their credit profile or grants / equity to support financial accessibility / reduce the financial amortization period. Thus, EU funding, subsidy and credit enhancement mechanisms should target less bankable projects for technological reasons (less proven / with a less stable performance risk profile).

3. Pipelines must be supported by clear objectives, a regulatory framework and direct purchasing: project developers and companies need long-term visibility to invest and innovate.
a. Regulation can be used to generate a long-term investment horizon for project developers and technology providers.
b. Public procurement and tariffs: certain investments must be carried out by direct public procurement or a program or be supported by a protective public procurement program.
c. The objectives and the underlying regulations should be very clear: since 2008, the EU's objectives have multiplied and are not always entirely clear.

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

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

## Question 61.1 If necessary, please explain your answer to question 60 and provide details:

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Through their National Energy and Climate plans, the main role for Member States is to define clear investment targets. Based on this targets, Member States could launch public tenders to incentivize companies to develop large-scale projects for energy efficiency, electric mobility, or sustainable agriculture. Member States should also support project development: one the one side, with financial public guarantees to facilitate financing and the other side, by structuring bankable projects based on a multi-partners dynamic (industry, local authorities, civil society). For example, such project could be validated by citizens when voting for local budgets.

Based on the NECPs targets, Member States should launch massive formation programs to ensure that workers skills are aligned with the needs for financing, project development and reporting on sustainability indicators.

More broadly, NECPs sould be used by Member States as tools and framework to develop industrial strategy for the ecological transition, supported by ambitious investments programs.

## Question 62. In your view, how can the EU facilitate the uptake of sustainable finance tools and frameworks by SMEs and smaller professional investors?

## Please list a maximum of 3 actions you would like to see at EU-level:

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Simplified reporting framework
- Guarantees and credit facilities
- Targeted information

As mentioned above, financing is generally available for “sustainable projects”. Liquidity is extremely significant in certain sectors such as renewable energy (wind and solar) given the underlying risk is well understood (proven technology). It is to be noted that SMEs have played a major role in renewable energy deployment and other technologies (smart meters etc.): public procurement and availability of tariffs have allowed some players to become national or European IPP;
SMEs can therefore be both players and recipient of sustainable programmes: energy efficiency, recycling,

energy from waste, can be implemented at SMEs across sectors but also as contractors in sustainable sectors, which need to be financially supported (creating an EU supply chain and sustainable eco-system).
- EU regulation to support pipeline/ grants and credit enhancement to support affordability and access to finance:
• For instance, energy efficiency could apply to SMEs across all sectors. Access to grants would ensure that, at a time where their cash-flows are restricted, they could make an investment which will create costs savings in the future;
• At the same time, energy efficiency contractors could benefit from credit enhancement that would allow them to secure financing to further expand.
• Programmes such as Mega-E for EV charging could be replicated for other sectors such as energy efficiency: players in the sector would therefore be able to develop further counting

**Question 63. The transition towards a sustainable economy will require significant investment in research and innovation (R&I) to enable rapid commercialisation of promising and transformational R&I solutions, including possible disruptive and breakthrough inventions or business models.**

**How could the EU ensure that the financial tools developed to increase sustainable investment flows turn R&I into investable (bankable) opportunities?**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Only proven technology is in essence bankable. Innovation should be supported by other financing products: see-equity, equity, mezzanine, grants. R&I priorities to be set to respond to clarified constraining EU targets / transposed into national regulation.

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

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

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

| | | | |
|---|---|---|---|

| | Yes | No | Don't know / No opinion |
|---|---|---|---|
| Bringing more financial engineering to sustainable R&I projects? | ◉ | ○ | ○ |
| Assisting the development of R&I projects to reach investment-ready stages, with volumes, scales, and risk-return profiles that interest investors (i.e. ready and bankable projects that private investors can easily identify)? | ◉ | ○ | ○ |
| Better identifying areas in R&I where public intervention is critical to crowd in private funding? | ◉ | ○ | ○ |
| Ensuring alignment and synergies between Horizon Europe and other EU programmes/funds? | ◉ | ○ | ○ |
| Conducting more research to address the high risks associated with sustainable R&I investment (e.g. policy frameworks and market conditions)? | ◉ | ○ | ○ |
| Identifying and coordinating R&I efforts taking place at EU, national and international levels to maximise value and avoid duplication? | ◉ | ○ | ○ |
| Facilitating sharing of information and experience regarding successful low-carbon business models, research gaps and innovative solutions? | ◉ | ○ | ○ |
| Increasing the capacity of EU entrepreneurs and SMEs to innovate and take risks? | ◉ | ○ | ○ |

## Question 65.1 If necessary, please explain your answers to question 65:

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In addition, F4T believes that promoting public equity capital markets goes hand-in-hand with promoting additional investments in environmental, social and governance (ESG) initiatives, as public markets provide transparency and accountability to all involved financial market participants. Stock-market based financial systems are tightly associated with better environmental quality.
The European Central Bank published a Working Paper to understand how financial market activity contributes to climate change through its impact on the real economy (ECB Working Paper Series No 2318 /September 2019). The results of this study show that carbon emissions per capita are significantly lower in economies where equity financing is more important to bank lending and confirm that:
a. Stock markets tend to reallocate investment towards more carbon-efficient sectors

b. Stock markets facilitate the adoption of cleaner technologies in polluting industries and tend to punish firms that perform badly in environmental terms
c. Deeper stock markets are associated with more green innovation and patenting in traditionally carbon-intensive industries
Public capital markets could therefore play an important role in making future growth greener, in particular by stimulating innovation which leads to cleaner production processes within industries.
The Commission's proposed initiatives to meet its Capital Markets Union (CMU) objectives may provide opportunities for the EU to develop public incentives for issuers to boost the market for sustainable investments.

## 2.6 Incentives to scale up sustainable investments

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

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

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

### Question 66.1 If necessary, please explain your answers to question 66:

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

EU financing would benefit from adopting a stricter "additionality" angle, focusing on
- Less proven / affordable technologies: for instance, energy storage;
- Affordability: for instance energy efficiencies for small businesses;
- Projects with less stable commercial business case: for instance, waste, energy from waste but also enhancing national grids;
- Granular projects, achieving scale through national/ trans-national deployment: EV charging, smart meters, etc.
- Support to public procurement at national and European level: waste, health and social infrastructure, power grid enhancements (in the context of deploying renewables and decentralising distribution)

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

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

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

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

### a) Revenue-neutral subsidies for issuers:

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

**Please specify the reasons for your answers to question 65.1 a) (provide if possible links to quantitative evidence) and add any other incentives you would like the Commission to consider:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Equity: 4 > less affordable assets (or whose contracts are not long enough to amortise the initial costs) e.g. Mega-E and Connecting Europe Facility)

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

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

**Please specify the reasons for your answers to question 65.1 b) (provide if possible links to quantitative evidence) and add any other incentives you would like the Commission to consider:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Bonds: 4 (> to compensate for the low credit of offtakers for instance, or the equivalent of traffic risk as is done for motorways)

Loans: 4 (> to compensate for the low credit of offtakers for instance, or the equivalent of traffic risk as is done for motorways)

**c) Technical assistance:**

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

| | | | | | | |
|---|---|---|---|---|---|---|
| **Other** | ○ | ○ | ○ | ○ | ○ | ○ |

**Please specify the reasons for your answers to question 65.1 c) (provide if possible links to quantitative evidence) and add any other incentives you would like the Commission to consider:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Equity: 4 (> to identify relevant sustainable initiatives, to structure financing)

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

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

**Please specify the reasons for your answers (provide if possible quantitative evidence) and other incentives you would like the Commission to consider:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Question 68. In your view, for *investors* (including retail investors), to what extent would potential financial incentives help to create a viable market for sustainable investments?**

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

**Question 68.1 Since you see a strong need for incentives for investors, which specific incentive(s) would best support an increase in sustainable investments?**

Please select as many options as you like.

- [x] Revenue-neutral public sector incentives
- [x] Adjusted prudential treatment
- [x] Public guarantee or co-financing
- [ ] Other

**Please specify the reasons for your answer (provide if possible links to quantitative evidence) and the category of investor to whom it should be addressed (retail, professional, institutional, other):**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

- Revenue-neutral public sector incentives : yes, for certain projects, where granularity / affordability needs to be enhanced (for instance if typical contractual tenor is less than what would be required to financially amortise the initial capex costs)
- Adjusted prudential treatment : yes, today the definition of qualifying infrastructure by EIOPA does not suit certain sectors which are key to sustainability (smart meters, energy efficiency, EV charging), due to fragmented contractual structure for revenues. “Sustainable projects” according to the EU taxonomy for instance could be deemed “Qualifying infra” or benefit for an adjusted prudential treatment, which would support liquidity at a better pricing;
- Public guarantee or co-financing : yes, subject to application of additionality principle. In certain sectors, EU financing is crowding-out private financing which can be done at very competitive terms (PPPs, Solar and wind projects)

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

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

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

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Access to EU technical assistance: what can /should be done, including putting in place reporting mechanism on ESG aspects (which can unlock financing)
- EU dedicated financing: grant or debt finance. In the current context, it is to be expected it is expected that, for instance, energy efficiency would not be priority, but would allow cost savings in the future, therefore supporting the business itself but also EU targets (directly energy efficiencies but also indirectly GES)
- Preferential access to finance for SMEs involved in the supply chain or acting as contractor / operator.

F4T believes that the EU should consider putting in place specific incentives that are aimed at facilitating access to finance for SMEs carrying out sustainably activities, or those SMEs that wish to transition.
The EU can provide for a voluntary ESG non-financial disclosure standard for SMEs, that would not impose additional administrative burdens or costs but incentivise SMEs to disclose their ESG-related activities.
In addition, the EU could facilitate the ESG disclosure of SMEs, notably for their assets’ issuances on public markets. Companies that wish to disclose ESG standards may be faced with high compliance costs for their issuance of equity or bonds. These costs are higher than ‘standard’ issuances due to the additional disclosures related to these activities. As SMEs should be subject to a proportional and voluntary non-financial information standard for the disclosure of their ESG activities, we see a role for the Commission to provide support in SMEs’ ESG disclosures.
More specifically, there may be merit for the Commission to partially fund the advisory or compliance services SMEs’ need for the issuance of their assets, either as a loan or via a rebate mechanism. The SMEs would then be able to pay back its ESG related upfront costs following the issuance of its assets and the amount it was able to raise from public capital markets.

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

**Even though the potential scope of sustainable finance is broad, it is often viewed as being only confined to the ambit of private financial flows within capital markets**. Nevertheless, the boundary between public and private finance is not always strict and some concepts that are generally applied to private finance could also be considered for the public sector, such as the EU Taxonomy. This is recognised in the European Green Deal Investment Plan and the Climate Law, where the Commission committed to exploring how the EU Taxonomy can be used in the context of the European Green Deal by the public sector, beyond InvestEU. The InvestEU programme, proposed as part of the EU’s Multiannual Financial Framework 2021 – 2027, combines public and private funding and once the taxonomy is in place (from end-2020 onwards) will serve as a test case for its application in public sector-related spending.

**Question 70. In your view, is the EU Taxonomy, as currently set out in the [report of the Technical Expert Group on Sustainable Finance](), suitable for use by the public sector, for example in order to classify and report on green expenditures?**

- [x] Yes
- [ ] Yes, but only partially
- [ ] No
- [ ] Don’t know / no opinion / not relevant

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

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Yes, but only partially - please explain which public authority could use it, how and for what purposes, as well as the changes what would be required to make it fit for purpose.

The EU taxonomy could be used in order to classify public investments, especially when channeled through NPBs or from direct national investments. Nonetheless, its structure is not directly fitted to public expenses (for instance: social infrastructure) that would not fully fit into the taxonomy.

Besides, it could have a distorting bias towards some ways of managing the expenses for instance favouring direct spending and subsidies against guarantees or public private partnership whose accounting principles are different. It could create an important prejudice since guarantees are key to blended finance, and PPPs are an efficient way to increase investments in the sustainable field.

**Question 71. In particular, is the EU Taxonomy, as currently set out in the [report of the Technical Expert Group on Sustainable Finance](), suitable for use by the public sector in the area of green public procurement?**

- [ ] Yes
- [x] Yes, but only partially
- [ ] No
- [ ] Don’t know / no opinion / not relevant

**Question 71.1 If "no" or "yes, but only partially", please explain why and how those reasons could be best addressed in your view:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The TEG report is a suitable tool to use in the context of the public procurement policy of most local authorities. In addition, it helps support territories that wish to develop an ambition in terms of low-carbon, resilient and resource-efficient economy.

Part C of the technical annex is directly usable because it provides for a full list of case studies, the technical selection criteria making possible to mitigate the impact of climate change and to adapt to it.

**Question 72. In particular, should the EU Taxonomy[2] play a role in the context of public spending frameworks at EU level, i.e. EU spending programmes such as EU funds, Structural and Cohesion Funds and EU state aid rules, where appropriate?**

[2] The six environmental objectives set out in the Taxonomy Regulation are the following: (1) climate change mitigation, (2) climate change adaptation, (3) sustainable use and protection of water and marine resources, (4) transition to a circular economy, (5) pollution prevention and control, (6) protection and restoration of biodiversity and ecosystems.

- ( ) Yes, the taxonomy with climate and environmental objectives set out in the Taxonomy Regulation
- (x) Yes, but only if social objectives are incorporated in the EU Taxonomy, as recommended by the TEG, and depending on the outcome of the report that the Commission must publish by 31 December 2021 in line with the review clause of the political agreement on the Taxonomy Regulation
- ( ) No
- ( ) Don’t know / no opinion / not relevant

**Question 72.1 If yes, but only if social objectives are included; what role do you see for a social, climate and environmental taxonomy?**

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

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

- (x) Yes
- ( )

No
Don’t know / no opinion / not relevant

### 2.8 Promoting intra-EU cross-border sustainable investments

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

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

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

**Question 74.1 If yes, please specify what type of services would be useful for this purpose:**

Please select as many options as you like.

- [x] Information on legal frameworks
- [x] Individualised advice (e.g. on financing)
- [x] Partner and location search
- [x] Support in completing authorisations
- [x] Problem-solving mechanisms
- [ ] Other

### 2.9 EU Investment Protection Framework

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

**Question 75. Do you consider that the investment protection framework has an impact on decisions to engage in cross-border sustainable investment?**

**Please choose one of the following:**

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

### 2.10 Promoting sustainable finance globally

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

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

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

## Question 76.1 What are the main missing factors at international level to further promote sustainable finance globally and to ensure coherent frameworks and actions?

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The impact is still insufficient. Indeed, the allocation of financial assets has not yet switched to durable assets. Furthermore, passive management at the global level is still very widely indexed on purely financial market indices and not on sustainable development indices compatible with the Paris Agreement. Beyond proclamations of principles (OECD, UN, G20), multilateral development banks and national development banks must make efforts to accelerate the financing of sustainable investments, given their knowledge of local contexts, their role in strengthening national investment frameworks and their capacity to provide blended finance.
Several initiatives are to be welcomed:
• The creation of an international platform on sustainable finance to avoid the risk of international fragmentation and incompatibility of jurisdictions between them or standards and labels and the risk of crowding out international funding;
• NGFS for the harmonization of rules between regulators;
• The common MDBs and IDFC principles for accounting for climate finance;
• The G7 / OECD / UNDP working group "aligning private finance to support the SDGs"

There is a need for an EU wide harmonised standard of non-financial information to enhance transparency and promote investments in ESG activities. F4T supports the Commission' review of the NFRD framework with a view to facilitate investors' access to such information. This would also allow companies to avoid duplicative disclosure requirements and any additional administrative costs and burdens.

A EU harmonised standard of non-financial information would attract funding to EU companies undertaking sustainable activities. This would ultimately benefit listed companies, by increasing their visibility on their respective ESG initiatives, the capital markets would benefit from increased investments and provide additional liquidity.

## Question 77. What can the Commission do to facilitate global coordination of the private sector (financial and non-financial) in order to deliver on the goals of the Paris Agreement and/or SDGs?

## Please list a maximum of 3 proposals:

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The European Commission has a key position to facilitate global coordination of the private sector. Three main tracks can be proposed:
• Establish a system of recognition of other taxonomies adapted to the decarbonization trajectories of countries, sectors or geographical areas outside the EU by establishing an equivalence system of level of ambition.
• Publish a brown taxonomy that would be complementary to green activities.

• Create a classification allowing analysis of the balance sheet of financial institutions in a more systematic and transparent manner in order to be able to classify the portfolios and different balance sheet items according to their NACE codes.

**Question 78. In your view, what are the main barriers private investors face when financing sustainable projects and activities in emerging markets and developing economies?**

**Please select all that apply:**

Please select as many options as you like.

- [x] Lack of internationally comparable sustainable finance frameworks (standards, taxonomies, disclosure, etc.)
- [x] Lack of clearly identifiable sustainable projects on the ground
- [x] Excessive (perceived or real) investment risk
- [x] Difficulties to measure sustainable project achievements over time
- [x] Other

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

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

- Lack of long-term financing in local currency, ‘or additional exchange rate risk.
- Lack of information on the financial and extra-financial data of companies, and other actors to finance.

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

**Please provide a maximum of 3 proposals:**

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

First, it is necessary to recognize that the success of the energy and climate transition at the global level rests on the capacity of actors intervening in emerging markets to integrate the objectives and constraints linked to the SDGs and the Paris Agreement (the emerging markets represent 90% of global challenges).
Hence the need for European public actors to prioritize this dimension in their action and funding.
Three specific actions can be carried out as a priority:
a / organize and finance capacity building for national administrations
b / de-risking: provide the 1st layer of risk absorption in blended finance tools to make available to the market (on IFC-MCPP model)
c / offer TA to companies to support them in improving transparency and the publication of extra-financial information. The publication of information making it possible to declare an activity aligned with taxonomy requires a degree of transparency that most private and national players in emerging or developing countries do not have. In order not to discourage investors or lenders, it would be interesting to support players in these countries to increase their degree of transparency on the financial and non-financial aspects of their activities.

**Question 80. How can EU sustainable finance tools (e.g. taxonomy, benchmarks, disclosure requirements) be used to help scale up the financing of sustainable projects and activities in emerging markets and/or developing economies?**

**Which tools are best-suited to help increase financial flows towards and within these countries and what challenges can you identify when implementing them?**

**Please select among the following options:**

- ○ All EU sustainable finance tools are already suitable and can be applied to emerging markets and/or developing economies without any change
- ○ Some tools can be applied, but not all of them
- ● These tools need to be adapted to local specificities in emerging markets and /or developing economies
- ○ Don’t know / no opinion / not relevant

**Question 80.1 Please explain how you think these tools could be adapted:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Taxonomy is a relevant tool for creating a common framework for green and sustainable finance in an area of economic policy convergence like the EU.
Its model can inspire the establishment in other countries of similar taxonomies (with the aforementioned

defect of a solely technological focus), but equivalence systems will have to be developed to gradually converge standards. In the absence of equivalence, the risk is that the EU standards set are too ambitious for developing countries and emerging markets and that the prevailing standards remain national standards, which are sometimes too unambitious to achieve carbon neutrality.

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

- ◯ Yes
- ◯ Yes, but only partially
- ◉ No
- ◯ Don't know / no opinion / not relevant

### Question 81.1 If "no" or "yes, but only partially", please explain why and how the obstacles you identify could be best addressed:

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

• Taxonomy is relevant on EU soil but may initially be, in certain sectors at least, too ambitious compared to the standards of developing countries, which could create a crowding-out effect. A system of equivalence or progressive convergence would be necessary but seems complex and tedious to set up country by country, sector by sector.

• The taxonomy does not consider the incomplete reporting in extra-financial terms of actors in developing or emerging countries.

• Furthermore, the taxonomy does not lend itself very well to a reading of "financial intermediation". However, a significant part of development banks' interventions goes through direct or indirect financing (guarantees, etc.) of banks and financial institutions. There is therefore a lack of a tool or a reading grid for this support via financial institutions.

## 3. Reducing and managing climate and environmental risks

Climate and environmental risks, including relevant transition risks, and their possible negative social impacts, can have a disruptive impact on our economies and financial system, if not managed appropriately. Against this background, the three European supervisory authorities (ESAs) have each developed work plans on sustainable finance[3]. Building, among others, on the ESAs' activities further actions are envisaged to improve the management of climate and environmental risks by all actors in the financial system. In particular, the political agreement on the Taxonomy Regulation tasks the Commission with publishing a report on the provisions required for extending its requirements to activities that do significantly harm environmental sustainability (the so-called "brown taxonomy").

[3] More information on the ESAs' activities on sustainable finance is available on the authorities' websites. See in particular ESMA's strategy, EBA Action Plan, and EIOPA's dedicated webpage.

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

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

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

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

**Please (select all that apply):**

Please select as many options as you like.

- [x] Help supervisors to identify and manage climate and environmental risks
- [x] Create new prudential tools, such as for exposures to carbon-intensive industries
- [x] Make it easier for investors and financial institutions to voluntarily lower their exposure to these activities
- [x] Identify and stop environmentally harmful subsidies
- [x] Other

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

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The EU taxonomy has focused on positive environmental impact. Extending the scope of the EU taxonomy to all activities to cover brown impacts is an important step. We strongly encourage the Commission to determine a more granular approach (several thresholds), which will determine a transition pathway for each sector and hence allow the economy and the markets to reward compagnies that engage on this pathway.

We must avoid a situation where a different taxonomy is developed only for carbon intensive activities, and that taxonomy is also binary. The objective of creating a common classification system that is granular and covers all levels of carbon intensity is to create a transition pathway with intermediate bearings that would be used as a reference for companies in their transitioning strategies but also financial institutions in their risk assessments.

In contrast to the Green Taxonomy, taking into account the end-use does not seem relevant for a Brown taxonomy. However, the purpose of such a taxonomy needs to be made clear from the beginning by the Commission. The Commission needs to be very careful when it comes to the use of such Taxonomy as a penalizing tool: when it comes to banking portfolios, a penalization of brown assets might have huge repercussions on the financing of the real economy, and hence have an important social cost.

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

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

**Question 83.1 If yes, what should be the purpose of such a taxonomy?**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As indicated in question 82, the priority should be to make the existing EU taxonomy more granular in order to take into account all sectors and all levels of carbon intensity (covering different shades).

Such an intermediate taxonomy would open the way to the possibility for all stakeholders (investors, lenders), but also more broadly citizens and civil society to monitor the efforts of businesses and financial institutions in the long term.

The establishment of a "neutral" taxonomy becomes irrelevant in this context: once different thresholds have been defined for each TSC, the granularity will be sufficient to consider activities that have a negative or positive impact on the environment more limited than "green" and "brown" activities.

## 3.2 Financial stability risk

The analysis and understanding of the impact of climate-related and environmental risks on financial stability is improving, thanks in particular to the work done by supervisors and central banks (see for instance the Network of Central Banks and Supervisors for Greening the Financial System (NGFS)), regulators and research centres. However, significant progress still needs to be made in order to properly understand and manage the impact of these risks.

**Question 84. Climate change will impact financial stability through two main channels: physical risks, related to damages from climate-related events, and transition risks, related to the effect of mitigation strategies, especially if these are adopted late and abruptly. In addition, second-order effects (for instance the impact of climate change on real estate prices) can further weaken the whole financial system.**

**What are in your view the most important channels through which climate change will affect your industry?**

**Please select all that apply:**

Please select as many options as you like.

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

**Please specify, if necessary, what are these physical risks:**

**Please provide links to quantitative analysis when available:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Please specify, if necessary, what are these transition risks:**

**Please provide links to quantitative analysis when available:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Forward-looking studies to assess how different climate scenarios can affect different kinds of activities and assets were performed at the portfolio level by twelve respondents (22%). Of these forward-looking studies, scenario analyses and stress tests are the most common.

These types of analyses are typically at an early stage and often stem from international initiatives such as the TCFD and the UNEP FI pilot, in which some respondents participated.

## Please specify, if necessary, what are these second-order effects:

## Please provide links to quantitative analysis when available:

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

## Please explain through what other channel(s) climate change will affect your industry?

## Please provide links to quantitative analysis when available:

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

All channels are important and closely linked between them.

In the "Status Report on Financial Institutions Experiences from working with green, non green and brown financial assets and a potential risk differential", the NGFS has performed a survey to assess whether a risk differential could be detected between « green », « non-green » and « brown » financial assets.

57% of the respondents declared undertake commitments by limiting their exposure to brown assets or by setting green or positive-impact targets.

But the underlying justification is not based on an attested financial risk differential between green and brown assets but rather on a more diffuse perception of risks.
Most banks tend to consider their actions to be part of their corporate social responsibility or mitigation measures for reputational, business model or legal risks. Backward-looking studies on a potential risk differential have only been performed by less than a quarter of the panel, and limited to sub-sectors and performed on a project-basis rather than at counterparty level.
Overall, they failed to reach strong backward-looking conclusions on a risk differential between green and brown assets. An important reason for this is that the prerequisites, e.g. a clear taxonomy and available granular data, are not yet in place in most jurisdictions.
Yet, the increasing magnitude of climate change and its impact on the financial system, forward-looking methodologies are necessary to assess the impact on individual financial institutions.
Forward-looking studies to assess how different climate scenarios can affect different kinds of activities and assets were performed at the portfolio level by twelve respondents (22%). scenario analyses and stress

tests are the most common.
These types of analyses are typically at an early stage and often stem from international initiatives such as the TCFD and the UNEP FI pilot, in which some respondents participated.

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

**Please identify a maximum of 3 actions taken in your industry**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In the industries represented within the Financial center of Paris, it seems that these three actions could be relevant and impactflu : data sharing, stress tests, climate scenario.

**Question 86. Following the financial crisis, the EU has developed several new macro-prudential instruments, in particular for the banking sector (CRR /CRDIV), which aim to address systemic risk in the financial system.**

**Do you consider the current macro-prudential policy toolbox for the EU financial sector sufficient to identify and address potential systemic financial stability risks related to climate change?**

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

### Insurance prudential framework

Insurers manage large volumes of assets on behalf of policyholders and they can therefore play an important role in the transition to a sustainable economy. At the same time, insurance companies have underwriting liabilities exposed to sustainability risks. In addition, the (re)insurance sector plays a key role in managing risks arising from natural catastrophes though risk-pooling and influencing risk mitigating behaviour. The Solvency II Directive sets out the prudential framework for insurance companies. The Commission requested technical advice from the European Insurance and Occupation Pensions Authority (EIOPA) on the integration of sustainability risks and sustainability factors in Solvency II. The Commission also mandated EIOPA to investigate whether there is undue volatility of liabilities in the balance sheet or undue impediments to long-term investments, as part of the 2020 Review of Solvency II. The Commission also mandated EIOPA to investigate whether there is undue volatility of their solvency position that may impede to long-term investments, as part of the 2020 Review of Solvency II. EIOPA is expected to submit its final advice in June 2020.

In September 2019, EIOPA already provided an opinion on sustainability within Solvency II. EIOPA identified additional practices that should be adopted by insurance companies to ensure that sustainability risks are duly taken into account in companies' risk management.

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

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

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

### Question 87.1 If yes, please specify which actions would be relevant:

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

On prudential aspects, an answer could only be given on the basis of the yet to come Commission's inception impact linked to the review of Solvency II. The public consultation will give an opportunity to answer to this.
In practice, based on the mandatory non-financial reporting produced by the investees, Insurance companies should be obliged to produce a negative statement, explaining why some investments are maintained in companies not in line with EU policy regarding climate (including Paris targets), biodiversity and resource exhaustion issues.
Beyond prudential regulation, based on a "brown" taxonomy, the investments in companies conducting environmentally harmful activities that are not in line with environmental objectives and the EU-wide trajectory for greenhouse gas emission reductions should be penalized one way or another. In the same way, "green" investments should be assisted.
In any case, the constraints linked to long-term structure of insurance portfolios must be taking into account.
In practice, based on the mandatory non-financial reporting produced by the investees, Insurance companies should be obliged to produce a negative statement, explaining why some investments are maintained in companies not in line with EU policy regarding climate (including Paris targets), biodiversity and resource exhaustion issues.

### Banking prudential framework

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

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

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

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

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

### Question 88.1 If yes, is there any category of assets that could warrant a more risk-sensitive treatment? Are there any other prudential measures that could help promoting in a prudentially sound way the role of the EU banking sector in funding the transition to a more sustainable economy?

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

> If the EBA answers to the three mandates which have been defined, the prudential regulation provides already necessary tools to deal with sustainability issues, in particular through the Pillar 2 and the SREP process. As far as Pillar 1 is concerned, it should prove to be more difficult as there are no strong backward-looking conclusions on a risk differential between green and brown assets. (output of the "Status Report on Financial Institutions Experiences from working with green, non green and brown financial assets and a potential risk differential" released by the NGFS on May 27, 2020, already mentioned in question 84).
>
> Some representatives of the companies consulted had a more nuanced position because banking regulations already include the need to address all the risks of a bank, including the risk of transition. In addition, banks already allocate capital to this risk in SREP exercises. The usefulness of adding more is low.

### Question 89. Beyond prudential regulation, do you consider that the EU should:

1. **take further action to mobilise banks to finance the transition?**

2. **manage climate-related and environmental risks?**

- (x) Yes, option 1. or option 2. or both options
- ( ) No
- ( ) Don’t know / no opinion / not relevant

**Question 89.1 If yes, please specify which action(s) would be relevant:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Beyond the prudential approach, and in parallel of what is suggested in the Insurance field, based on the mandatory non-financial reporting produced by their corporate clients, banks should be obliged to produce a negative statement, explaining why some credits are granted to companies not in line with EU policy regarding climate (including Paris targets), biodiversity and resource exhaustion issues.

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

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

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

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In theory, ESG disclosures have a virtuous effect, forcing firms to release non-financial information in a timelier manner, which increases information transparency and reduces financial risk. But academic research mentions also possible negative effect if “in the face of mandatory disclosure, firms have the tendency to hide profitable but environmentally detrimental projects, which motivates managers to distort ESG information revelation, thereby exacerbating financial risk” (Grantham Institute, “Building the analytical foundations for greening the financial system reprt to the NGFS, June 2020)

Because of their systemic dimension, financial institutions’ responses to non-financial issues are particularly important in terms of financial stability and global impact on the society.

In this context, Board and C-level executive - and more broadly on all personnel - knowledge and accountability should be encouraged through mandatory obligations.

### Asset managers

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

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

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

## Question 91.1 If yes, what solution would you propose?

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

• Proposal to support the interest of action n ° 7 of the action plan which proposes to redefine the fiduciary responsibility of asset managers and asset owners. A clarification may be welcome, especially in the light of the latest advances. In this respect, fully integrating the concept of ESG risk would be an effective way to progress
• Need to differentiate responsibilities: even when managing on behalf of third parties, this does not prevent AMs from being able to offer ESG solutions adapted to asset classes, management styles, etc. who deliver performance and be able to report on how they integrate the management of sustainability risks and downpour impact, but also the search for positive impacts (taxonomy, etc.).

### Pension providers

Pension providers' long-term liabilities make them an important source of sustainable finance. They have an inherently long-term approach, as the beneficiaries of retirement schemes expect income streams over several decades. Compared with other institutions, pension providers' long-term investment policies also make their assets potentially more exposed to long-term risks. Thus far, the issues of sustainability reporting and ESG integration by EU pension providers have been taken up in the areas of institutions for occupational retirement provision (IORPs) ("Pillar II" - covered at EU level by the IORP II Directive) and private voluntary plans for personal pensions ("Pillar III" – covered at EU level by the PEPP Regulation) already in 2016 and 2017 respectively. The Commission will review the IORP II Directive by January 2023 and report on its implementation and effectiveness.

However, according to a stress test on IORPs run by EIOPA in 2019 and assessing for the first time the integration of ESG factors in IORPs' risk management and investment allocation, only about 30% of IORPs in the EU have a strategy in place to manage ESG-related risks to their investments. Moreover, while most IORPs claimed to have taken appropriate steps to identify ESG risks to their investments, only 19% assess the impact of ESG factors on investments' risks and returns[3]. Lastly, the study provided a preliminary quantitative analysis of the investment portfolio (with almost 4 trillion Euros of assets under management, the EEA's Institutions for Occupational Retirement Provision (IORPs) sector is an important actor on financial markets.) which would indicate significant exposures of the IORPs in the sample to business sectors prone to high greenhouse gas emissions.

In 2017, the Commission established a High level group of experts on pensions to provide policy advice on matters related to supplementary pensions. In its report, the group recommended that the EU, its Member States and the social partners further clarify how pension providers can take into account the impact of ESG factors on investment decisions and develop cost-effective tools and methodologies to assess the vulnerability of EU pension providers to long-term environmental and social sustainability risks. The group also pointed out that, in the case of IORPs which are collective schemes, it might be challenging to make investment decisions reconciling possibly diverging views of individual members and beneficiaries on ESG investment. Moreover, in 2019, EIOPA issued an opinion on the supervision of the management of ESG risks faced by IORPs.

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[3] The analysis shows that the preparedness of pension schemes to integrate sustainability factors is widely dispersed and seems correlated to how advanced national frameworks were. IORP II directive sets minimum harmonisation and was expected to be transposed in national law by January 2019 (and hence could not necessarily be expected to be implemented by end-2018 for the EIOPA survey for the 2019 stress test).

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

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

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

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Pension providers may contribute to the achievement of environmental goal by (re)allocating their assets to project/issuers that contribute positively to environmentally goals. First, the EU must take action to harmonize issuer non-financial reporting (NFRD). Secondly, the EU may want to facilitate these investments in the real economy.

## Question 94. In view of the planned review of the IORP II Directive in 2023, should the EU further improve the integration of members' and beneficiaries'

**ESG preferences in the investment strategies and the management and governance of IORPs?**

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

### 3.3 Credit rating agencies

Regulation 1060/2009 requires credit rating agencies (CRAs) to take into account all factors that are ‘material’ for the probability of default of the issuer or financial instrument when issuing or changing a credit rating or rating outlook. This covers also ESG factors. According to ESMA’s advice on credit rating sustainability issues and disclosure requirements, the extent to which ESG factors are being considered can vary significantly across asset classes, based on each CRA’s methodology.

Following the 2018 Action Plan on Financing Sustainable Growth, in response to concerns about the extent to which ESG factors were considered by CRAs, ESMA adopted guidelines on disclosure requirements for credit ratings and rating outlooks. ESMA’s Guidelines on these disclosure requirements will become applicable as of April 2020. Pursuant to the guidelines, CRAs should report in which cases ESG factors are key drivers behind the change to the credit rating or rating outlook. Consequently, the current landscape will change in the coming months. The Commission services intend to report on the progress regarding disclosure of ESG considerations by CRAs in 2021.

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

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

**Question 95.1 If necessary, please explain your answer to question 95:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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

- [ ] 1 - Not effective at all
- [ ] 2 - Rather not effective
- [x] 3 - Neutral
- [ ] 4 - Rather effective
- [ ] 5 - Very effective
- [ ] Don’t know / no opinion / not relevant

**Question 96.1 If necessary, please explain your answer to question 96:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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

- [x] Yes
- [ ] No
- [ ] Don’t know / no opinion / not relevant

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

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In addition to the answers to questions 19 to 21, the possibility of reviewing the CRA regulations could be considered in order to address the new challenges and problems raised by the integration of ESG factors. More specifically and beyond the guidelines, the following provisions of the CRA regulation concerning (i) the knowledge, experience and skills of rating analysts (ii) the key rating methodologies, models and assumptions - and in particular the question of validation based on historical experience and vice versa - tests (iii) the disclosure and presentation of credit ratings could be reviewed. This review should be based on extensive consultation with rating agencies, rating users and rated companies. We also believe that the key question is the integration of ESG factors in prudential regulations and more broadly in the EU regulatory framework (including the prospectus) and how this could have an impact on risk assessment (how do you match the assessment of the counterparty credit risk over a time horizon of 1, 5 or 7 years with an assessment of an environmental risk with a potential impact in 30 or 50 years?).

## 3.4. Natural capital accounting or “environmental footprint”

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

### Question 100. Are there any specific existing initiatives (e.g. private, public or other) you suggest the Commission should consider when supporting more businesses and other stakeholders in implementing standardised natural capital accounting/environmental footprinting practices within the EU and internationally?

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

### Question 98.1 If yes, please list a maximum of 3 initiatives:

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In France, two main initiatives support the mainstreaming of natural capital accounting:
- The Ecological Accounting Pulpit (« Chaire de la Comptabilité Ecologique ») which a research program led by Harold Levrel and Alexandre Rambaud. It aims to understanding natural capital - or rather natural capitals - as the recognition of the capital character of the natural entities to be preserved and an obligation to preserve them.
- The Global Biodiversity Score (GBS) tool developed by CDC Biodiversité. It is a digital tool enabling institutions and businesses to calculate their impact on biodiversity. It uses internationally recognized references, such as the Biodiversity Protocol and the GLOBO model, and expresses the impact in MSA / km2 (Mean Species Abundance). It is structured to be easily used by market players and can be mobilized for analysis linked to the EU Taxonomy.

## 3.5. Improving resilience to adverse climate and environmental impacts

*(Please note that the Commission is also preparing an upgraded EU Adaptation Strategy. A dedicated public consultation will be launched soon).*

### Climate-related loss and physical risk data

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

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

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

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

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

Please select as many options as you like.

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

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

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Yes, today, these data are too incomplete (often regional coverage due to the complexity of calibration) and are subject to model bias. Beyond the uncertainty of this data, the comparability of the results between actors is key.

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

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

> Yes, today, these data are too incomplete (often regional coverage due to the complexity of calibration) and are subject to model bias. Beyond the uncertainty of these data, the comparability of the results between actors is key.

## Financial management of physical risk

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

Furthermore, the ongoing COVID-19 outbreak is highlighting the growing risk arising from pandemics in particular, which will become more frequent with the reduction of biodiversity and wildlife habitat. UNEP's Frontiers 2016 Report on Emerging Issues of Environment Concern shows that such diseases can threaten economic development.

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

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

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

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

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

**Please explain why you think it would be useful for the EU to provide financial support to the development of more accurate climate physical risk models:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Beyond a financial support, and similar to the prudential regulation, a standard approach to climate risk modelling is key to see a broader assessment of physical risks.

**Please explain why you think it would be useful for the EU to promote ex-ante "build back better" requirements to improve future resilience of the affected regions and or/sectors after a natural catastrophe:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Please explain why you think it would be useful for the EU to facilitate public-private partnerships to expand affordable and comprehensive related insurance coverage:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Please explain why you think it would be useful for the EU to reform EU post disaster financial support:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Yes, the COVID19 crisis may be the only "good" example to learn from.

**Please explain why you think it would be useful for the EU to support the development of alternative financial products (e.g. catastrophe bonds) offering protection/hedging against financial losses stemming from climate- or environment-related events:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Yes, but the development of climate risk modelling should be supported beforehand (to assess both the underlying covered risk and the issuer risk).

**Please explain why you think it would be useful for the EU to advise Member States on their national natural disaster insurance and post disaster compensation and reconstruction frameworks:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Please explain why you think it would be useful for the EU to regulate by setting minimum performance features for national climate-related disaster financial management schemes:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Please explain why you think it would be useful for the EU to create a European climate-related disaster risk transfer mechanism:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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

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

**Question 101.1 If yes, which actions you would consider to be useful?**

**In particular, is there scope for EU action to improve the offer of products and services for climate-related disaster risk reduction, enhance insurers’ potential to promote increased resilience of their policyholders beyond a mere compensatory role?**

**For instance, [EIOPA in its opinion on sustainability on Solvency II] talks about “impact underwriting which includes the development of new insurance products, adjustments in the design and pricing of the products and the engagement with public authorities without disregard for actuarial risk-based principles of risk selection and pricing”.**

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

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

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

High: support to the development of more accurate climate physical risk models without which insurers will not take the risk.

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

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

**Question 102.1 what action should the EU take?**

**Please list a maximum of 3 actions:**

*2000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

If environmental risks are not captured by conventional analysis, then prudential regulation is necessary.

## Additional information

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) here.

Please be aware that such additional information will not be considered if the questionnaire is left completely empty.

The maximum file size is 1 MB.
You can upload several files.
Only files of the type pdf,txt,doc,docx,odt,rtf are allowed

## Useful links

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

Consultation document (https://ec.europa.eu/info/files/2020-sustainable-finance-strategy-consultation-document_

More on sustainable finance (https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance_en)

Specific privacy statement (https://ec.europa.eu/info/files/2020-sustainable-finance-strategy-specific-privacy-statement_en)

More on the Transparency register (http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)

## Contact

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