



**FINANCE
DENMARK**

Additional information to Finance Denmark's response to the consultation on Renewed Sustainable Finance Strategy

Finance Denmark would like to provide more information regarding our response to the following questions.

Question 40

Several of our largest members have joined the Principles for Responsible Banking (PRB). As part of the self-assessment they have to: *"Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among employees. This should include a high-level overview of capacity building, **inclusion in remuneration structures** and performance management and leadership communication, amongst others"*. We think that this will gradually spread to other institutions as well. At this stage, any link between remunerations and non-financial performance for corporates and financial institutions should be voluntary, and not mandatory.

Question 50

Retail investors should be offered investment products that best meet their preferences and investment objectives. The market for sustainable investments is still growing and evolving and we believe that over time it will become mainstream to offer sustainable investment products to retail investors. We believe that the market for sustainable investments should be more mature before considering a specific obligation to systematically offer sustainable investment products. If and when such an obligation is introduced, it is important to ensure that the number of suitable investment options is not limited unnecessarily through a narrow definition of what constitutes "sustainable investments". A broad approach to sustainable investments should be ensured to cater clients' multiple and varied investment objectives.

For those clients that have expressed that sustainability considerations should not be taken into account in their investment preferences, the offer of sustainable investment products should only be made, when it is assessed to be in the best interest of the client.

Memo

July 14, 2020

Doc: FIDA-2060232074-688716-v1

Contact Anne Reinhold

Question 72

We have replied that the EU taxonomy should play a role in the context of public spending frameworks at the EU level as regards the taxonomy with climate and environmental objectives set out in the Taxonomy regulation. However, we do think that in the longer run the social objectives should also be included. However not to delay the use of the taxonomy in public spending frameworks we should start by using the taxonomy on climate and environmental objectives. We support that a taxonomy on social issues is developed as soon as possible.

Furthermore, we would like to highlight the following main messages in our response to the consultation:

- We support that the taxonomy should be extended to bank lending building on the work carried out by the EBF/UNEP FI banking and taxonomy project.
- Usability is key for making the taxonomy work in practice.
 - We suggest that assets keep the classification of taxonomy aligned throughout the lifetime of the loan financing the asset. We consider the grandfathering-recommendation of the EU Green Bond for their entire tenor to be equivalent to considering the underlying assets as taxonomy-eligible throughout the lifetime of the loans financing the assets.
 - The taxonomy in bank lending must be designed to fit the typical holistic assessment approach, when financing corporates – in particular not to hamper the sustainable transition of SMEs. Financing of companies (in particular SMEs) often takes place on the basis of a holistic view of the company's activities – some activities will thus be green, cf. the taxonomy, while other activities do not (yet) meet the taxonomy.
 - It is important that the taxonomy is continuously revised and adapted in a predictable and transparent manner. The taxonomy technical screening criteria (TSC) should undergo a "reality check" across jurisdictions to ensure a high degree of usability. At the same time, the governance of the TSCs, as well as rules related to products that are already on the market, must support a high degree of predictability and transparency for all involved stakeholders. It is important to ensure alignment in governance of the TSCs, the reporting requirements in the Disclosure Regulation, as well as, the NFRD.

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- Company financial data should incorporate sustainability factors and risks in financial forecasts and financial companies should incorporate ESG in risk management. Action is already being taken by the EBA from mandates in the CRR/CRD and we have members participating in workshops and data collection to the climate sensitivity exercise. The effects should be evaluated before further action is taken. But it will likely be warranted with Guidelines to clearly define how the assessment should be carried out. We would also support the development and standardization of scenario approaches, and guidance on decision-making horizons for different risk types in different geographies.
- We find it important to ensuring access to and availability of digital, standardized and reliable environmental and sustainability data. It is critical for a sustainable financial system, and a prerequisite for transparency. We support creating a central "EU sustainability data register".
- Lastly, we observe that methodologies of ESG rating and data are of varying quality and suffer from lacking reliability, transparency and even validity – all of which are critical elements for both investors and rated companies when relying on ratings and for agencies to achieve/maintain market confidence. There is an urgent need for standardization of definitions, increased transparency on methodologies in a way that leads to valid, reliable and transparent ratings criteria / methodologies in order to increase the quality of the ESG ratings.

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