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Consultation on the renewed sustainable finance strategy

Fields marked with * are mandatory.

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.

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
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- ( ) Lithuanian
- ( ) Maltese
- ( ) Polish
- ( ) Portuguese
- ( ) Romanian
- ( ) Slovak
- ( ) Slovenian
- ( ) Spanish
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* 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

Ulrik

*

Surname

Poulsen

* Email (this won't be published)

ulp@fida.dk

* Organisation name

255 character(s) maximum

Finance Denmark

* Organisation size

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

Transparency register number

255 character(s) maximum

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

* 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

- Andorra
- Angola
- Anguilla
- Antarctica
- Antigua and Barbuda
- Argentina
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- Aruba
- Australia
- Austria
- Azerbaijan
- Bahamas
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- Bangladesh
- Barbados
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- Belgium
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- Bermuda
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- Bonaire Saint Eustatius and Saba
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- Germany
- Ghana
- Gibraltar
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- Mozambique
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- Nauru
- São Tomé and Príncipe
- Saudi Arabia
- Senegal
- Serbia
- Seychelles
- Sierra Leone
- Singapore
- Sint Maarten
- Slovakia
- Slovenia
- Solomon Islands
- Somalia
- South Africa
- South Georgia and the South Sandwich Islands
- South Korea
- South Sudan
- Spain
- Sri Lanka
- Sudan
- Suriname
- Svalbard and Jan Mayen
- Sweden
- 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
(x) Denmark	( ) Liberia	( ) Saint Lucia	

* Field of activity or sector (if applicable):

at least 1 choice(s)

- [ ] Accounting
- [ ] Auditing
- [x] Banking
- [ ] Credit rating agencies
- [ ] Insurance
- [ ] Pension provision
- [x] 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
- [ ] 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 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
- [x] 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			X			
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			X			

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.

CHALLENGES
1. Making the taxonomy work in practice: The taxonomy should be continuously revised and adapted in a predictable and transparent manner. Alignment in governance of taxonomy TSCs, reporting requirements in SFDR as well as NFDR must be ensured. The Usability is key. In this regard, we suggest that assets keep their 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.
2. Ensuring access to sandardised and digitalised sustainability data to increase transparency is critical for a sustainable financial system: We support creating a central EU ESG data register as a public good. It is important that the taxonomy is usable for digital and automized processing.
3. Making the EU sustainable finance global to secure level playing field: EU's standards and approach must be applied to the global financial markets through e.g. IPSF.

OPPORTUNITIES
1. Extend the taxonomy to apply to bank lending: Must be designed to fit the typical holistic assessment approach when financing corporates in order not to hamper the sustainable transition of SMEs. Important that the use of the taxonomy and the documentation of levels of sustainability is not too difficult or expensive.
2. Incorporate ESG in risk management: Company financial data should incorporate ESG factors and risks in financial forecasts and financial companies should incorporate ESG in risk management.
3. Continue to develop the taxonomy and making a taxonomy on social issues: First, the taxonomy for climate and environment must be fully developed. Extending the taxonomy to cover social and governance issues is important and a prerequisite for thorough integration of sustainability in investment advice.

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.

The taxonomy regulation provides for a binary taxonomy, which means that an economic activity is either taxonomy-compliant or not. While this approach provides a clear definition of what is to be considered environmentally sustainable and not, the transformation of the society is more complex, and it increasingly becomes clear that certain incentives for becoming more sustainable are lost in strictly binary approach. A more nuanced approach to sustainable economic activities in the taxonomy would contribute to driving forward a more broadly based and effective transition (see also answer to question 83).

The European long-term investment fund (ELTIF) constitutes a specific pan-European fund product (an AIF) for both retail- and professional investors aimed to increase the amount of "patient", non-bank finance available. Today UCITS funds can neither invest in AIFs, nor ELTIF funds. Furthermore, different practices of NCAs towards AIFs are an obstacle for retail markets. Thus, large volumes of retail investor funds are not readily available for certain sustainable investments. We believe that AIFs and ELTIFs could play a crucial role for the transformation towards a sustainable path of growth. However, only very few ELTIF funds have been brought to market, indicating that they are not yet sufficiently attractive for commercial purposes, and that regulatory adjustments are warranted. We would recommend:

1. Review and adapt the ELTIF framework in order to ensure the availability of commercially attractive investment funds, and to simplify the management of ELTIF
2. Adapt the UCITS Directive to allow Solution Funds to invest in ELTIF and similar AIFs, e.g. within a certain limit
3. Support the establishment of secondary markets for illiquid AIFs
4. Furthermore, we suggest harmonizing NCA practices to remove further AIF distribution obstacles, and to consider making AIFs available in general for UCITS investments (within certain limits).

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.

We find it important that the current focus on climate and environmental protection does not ultimately contribute to social exclusion. We find it positive that the Commission has focus on a just transition by proposing a Just Transition Fund as part of the Green Deal. The socio-economic challenges require a policy response e.g. by scaling up the efforts and incentives to increase continuous training and retraining of workers in carbon-intensive industries to decrease potential unemployment effects of the green transition to a more sustainable, just and carbon-neutral European economy. Moreover, initiatives such as new regulation on ESG benchmarks could help to standardize and increase the trust in and focus on the broad societal (rather than narrow climate-related) impact of sustainable investments.

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
- (x) 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.

For financial institutions and corporates long term stability, predictability and clarity of the regulatory environment and public policy are very important to be able to engage in long term business relationships. Especially regarding the high-emission sectors of importance for the economy need to have a clear long term policy framework to be able to make the necessary adjustments. Again, consistent reliable data is very important for credit institutions to facilitate the transition. Furthermore, a sustainable supporting factor based on risk differentials could be a good instrument.

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?

- (x) Yes, institutional investors
- Yes, credit institutions
- 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?

- (x) 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.

We agree with EU prioritizing climate adaption and climate mitigation in the taxonomy first. As biodiversity is part of the taxonomy environmental objectives as number 6 (Protection and restoration of biodiversity and ecosystems) it makes good sense to now prioritize this important area. Expert opinions on whether it should come before the 3., 4. and 5. environmental objectives would be recommended.

In the disclosure regulation (SFDR) biodiversity is put in focus through concrete indicators in the impact assessment. It is important that the focus in the disclosure regulation is followed up by regulation in the NFRD so that large companies in EU will not only assess, monitor or control pressures of biodiversity because of engagement from investors. In the agricultural sector the new ECO schemes could be used as a tool to monitor sustainability.

We welcome the higher focus on nature/ecosystem/biodiversity risks, but we still think that climate risk should have a higher priority as it will have greater impact on financial institutions. We also notice that there is already focus on biodiversity in current legislation and new initiatives (e.g. Farm to Fork initiative).

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.

We find it very important that the sustainable finance agenda is governed in a manner that is characterized by a high degree of predictability and transparency for all involved stakeholders and companies. This requires a predictable timing of revisions, involvement of all relevant stakeholders, public hearings with enough time to respond (min. 3 months), transparency in technical working groups etc.

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.

Succeeding with the sustainable transition of the European society and reaching the political objectives necessitates private investments of an unprecedented scale. This requires a transformation, not only of the way the financial sector works, but the way the economy works.

The efforts of the financial sector must be underpinned by the necessary fiscal and economic frameworks. Taxes, subsidies and guarantee funds should help promote sustainable production methods and investments and limit activities that are not compatible with a sustainable future. The scope of the climate challenge clearly emphasises an increasing need for taxes and subsidies to reflect the macroeconomic costs and gains in terms of the climate footprint and sustainability in the broad sense. When socio-economic gains from sustainable activities are valued and reflected in market conditions, entrepreneurs and businesses can obtain financial viability of their projects. At the same time, it will strengthen banks' capacity to fund them.

Furthermore, a more concrete suggestion is for the EU to develop an EU model for measuring carbon footprint on first investments and later lending as part of the next steps in accelerating the Sustainable Finance Agenda. Creating a voluntary EU model for measuring the carbon footprint would be useful for setting reduction targets by the sector, and thereby accelerating green investments (and lending) and would help reduce market fragmentation.

Different methods and disclosures already exist such as the 2-degree investment project's Paris Agreement Capital Transition Assessment (PACTA) Project, the Dutch sector initiative Partnership for Carbon

Accounting Financials (PCAF) and the recommendations of the FSB's Task Force on Climate-related Disclosure (TCFD).

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?

- (selected) 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.

Yes. The EU should support the development of a centralized database that would facilitate building of ESG disclosures and the access to relevant and reliable data at the EU level (ideally in a standardized form but also providing access to disaggregated raw data).

The Commission should build or support, based on existing solutions, an EU infrastructure that could collect periodically, with the help of new reading technologies, existing climate change mitigation and adaptation data of companies that publish non-financial statements under the NFRD and other available relevant information, ESG metrics and relevant data points. It should also be possible to upload information to the register on a voluntary basis. Data should be collected in a central EU database and made available digitally to users of non-financial information, not only investors, but also lenders and other users in order to ensure that data is widely accessible across member states in an open source format. The EU should also open its databases that collect environmental reporting data and make those re-usable for finance providers via the central repository. Eurostat data sources should be made re-usable for finance purposes. However, it must be kept in mind that the usefulness of data for financial institutions requires that the data is standardized, reliable, easy to access and not least of good quality.

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.

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

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?

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

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
- (x) 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.

Current levels of concentration with recent mergers between credit rating agencies and ESG rating providers will professionalize the market for ESG ratings and data. However, concentration in and of itself does not address the fundamental concerns regarding ESG quality. To us it is not a question of the level of concentration but at matter of quality.

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.

With an increasing investor and stakeholder focus on ESG factors, in large part also driven by other EU regulatory actions following the EU Action Plan on Sustainable Finance, we believe it is similarly important to accelerate market developments, to increase the quality of ESG ratings.

Existing ESG-ratings in the worst-case risks misleading investors and other stakeholders. The typical report and its associated rating actions are almost invariably backward looking, and we observe a conceptual lack of tools to express forward-looking analysis.

Furthermore, we observe a general lack of enough resources within the ESG rating agencies, both in terms of skills and staff numbers, in order to be able to produce high-quality analytical output. It is not uncommon that teams are only a handful of analysts managing hundreds of counterparties.

To accelerate market maturity, maintain investor confidence and support ESG based investments, 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 ESG ratings and data.

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

- (x) 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.

Lack of resources and limited earnings potential under the existing set-ups can lead to simplistic and formulaic analyses, which may be undertaken by low-skilled labour in low-cost countries. This will frequently lead to misunderstandings as ESG analysis is complex and require substantial knowledge of local conditions that in turn require local language skills as well as understanding of how to access information.

In addition, the raters build their business on subscription models from investors who define the ‘investment universe’. Couple that with the methodology/model scope and you find a great variety. An in-depth company analysis model will always have a smaller scope as compared to a screening model which scans the internet for anything that fits with the search string.

Comparability is poor due to different methodologies across providers. Quality is poor as the sources of information vary considerably, with weighting to parameters within ESG data undisclosed to the public and therefore unchallenged. Reliability of ESG data is also questionable as it is almost invariably backward looking and lacks methodologies for forward looking analysis.

The comparability, quality and reliability of ESG data from sustainability providers currently available in the market could be increased by improving the transparency in rating methodologies and data. This will make ESG ratings more useful to market participants and it would be possible to compare ESG data or ratings.

For instance, if ESG rating providers offer visibility into the metrics they evaluate and the level of materiality they assign to each metric, market participants could get a better understanding of, if some measures are considered more material in some sectors than others or what specific elements should be present in the company's policies, sustainability report etc. to be considered best in class/robust. This is currently not possible.

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

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

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

2000 character(s) maximum

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

We observe that methodologies 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.

Quality of ESG research is poor as ESG information is not integrated into sell side research. ESG research material also has a lack of standardized processes, research processes vary and are often carried out ad hoc.

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.

Findings from different providers of ESG data and ratings are difficult to compare (very diverging ratings from different providers on the same company or product) and thus difficult to rely on exclusively. This is due to different methods for assessments (lack of uniformity of rating scales, criteria and objectives as well as lack of standardized disclosures. Also, there is no uniform definition of what an ESG-rating signifies). It takes a great deal to understand the various methodologies, including finding enough information on these (lack of auditable information to analyze and compare). The rating process is primarily based on 'issuer engagement', however, the degree to which research providers engage with issuers lacks transparency, often with issuers being unable to clarify any issues of misunderstanding. ESG rating providers do not always enter into dialogue with the companies they rate, which sometimes results in factually incorrect analyses and misleading/incorrect conclusions. There is an urgent need for standardization of definitions and increasing transparency around methodologies to push the industry towards a higher quality standard, which is crucial to enhance the reliability and usability of ESG ratings.

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

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

Question 21.1 If yes, please explain why and what kind of action you consider would address the identified problems.

In particular, do you think the EU should consider regulatory intervention?

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

The ESG-rating industry is often – as opposed to the existing credit rating industry – characterized by lack of structure, process and standardisation to the detriment of both investors, companies and even rating agencies themselves.

At present, credit rating agencies are integrating with ESG-rating agencies (S&P + Robeco SAM; Moody's + Vigeo Eiris; DBRS Morningstar + Sustainalytics). This trend illustrates that ESG or sustainability assessments have a natural link to credit ratings. In fact Sustainalytics is defining its rating as the impact from E, S and G factors on the financial flexibility of a company, which in practise implies a credit rating. This serves to illustrate that ESG-ratings should fall under the same type of regulation as credit rating agencies. This would require more consolidation and would likely result in viable size agencies capable of maintaining necessary administrative and compliance resources as well as skills in enough quantity.

We therefore believe that an EU taxonomy and existing regulation applying to credit rating agencies should guide the Commission's deliberations going forward.

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.

> If it is a requirement to use verifiers when issuing EU Green Bonds, verifiers should be under the same authorization/supervision as credit rating agencies. It is important that an accreditation regime is efficient and does not lead to significantly increasing cost for verifiers/issuers. Also, evaluating whether the bonds are green or not, could be done by the supervisor (FSA or coverpool monitor). The supervisor already verifies the bonds in other matters – verifying whether the bonds are green could be a natural extension of their duties.

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.

> Third-party providers shall adhere to the same rules.

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?

- [x] 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.

Non-European issuers should be able to use the voluntary EU GBS. However, it is then necessary that the EU taxonomy can be applied outside EU and that non-European issuers need to fulfill the same requirements for verification and transparency.

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
- (x) 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.

Requirements to disclose specific information would prevent greenwashing. It does not necessarily have to be a requirement in the prospectus. Requirements of bonds being green is already stated in the Green Bond Framework, which is verified by a third-party.

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
- (selected) 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.

A link to the EU GBS in the prospectus should suffice as declaration of the bonds being green. However, project description or category description could be described in the framework disclosed in the prospectus.

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?

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

Question 27.1 If yes, once the EU Taxonomy is established (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 EU Taxonomy in your investment decisions (i.e. invest more in underlying assets that are partially or fully aligned with the EU Taxonomy)?

- 1 - Not likely at all

- 2 - Not likely
- 3 - Neutral
- (selected) 4 - Likely
- 5 - Very likely
- Don’t know / no opinion / not relevant

Question 27.1 If necessary, please explain your answer to question 27:

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

There are members that do not market financial products with ESG characteristics due to the uncertainty around how the taxonomy will impact investment decisions going forward. Other members have investment products with some degree of ESG characteristics that they anticipate will become article 8 or 9 products (cf. article 8 and 9 in Regulation (EU) 2019/2088 (SFDR)). They, however, find it difficult to make this assessment without further guidance on e.g. to what degree of sustainability a product should have to qualify as an article 8 and 9 product, respectively. EMT data for product governance will likely be linked to article 8 and 9 products. It is important that two very similar products do not qualify for different product categories, i. e. one being an article 8 product and the other being an article 9 product.

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

Question 29.1 If necessary, please explain your answer to question 29:

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

For the time being, we see no immediate need for labels for investment funds aimed at professional investors. Labels are most important for retail consumers to provide them with enough information to take informed decisions. When the EU taxonomy is fully developed, the feasibility of labels aimed at professional investors could be further explored. A label could be based on an EU Ecolabel, if this is further developed to not only focus on environmental objectives, but to also cover social objectives.

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

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

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

Question 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.

Transition towards a more sustainable production system requires more flexible and different sustainable goals to be set. In terms of EU GBS, we see merit in exploring whether use-of-proceeds and sustainability-linked loans could be pooled together and thereby allowing both elements to be in the EU GBS. This would be of benefit to especially smaller issuers, as a system with multiple standards would divide liquidity into different bonds and make it difficult for smaller issuers to use the standards.

That said, we do see it as a logical next step after the development of the EU GBS to develop criteria for general corporate purpose lending. To increase investors participation, having a fully operational taxonomy is key, if the taxonomy is used as one of the key performance indicators. Furthermore, standardization of definitions for reporting purposes is also key. Establishing clear standards and guidance for such products would help counter the risk of green washing allegations, facilitate the set-up of respective facilities and facilitate market access.

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
- (selected) 3 - Neutral
- 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 EU taxonomy could indeed be a good key performance indicator for target-setting sustainability-linked bonds or loans. It is important, however, that other indicators can be used as well, such as ESG-ratings, Poseidon principles indicators, climate action 100 measures and so on. Transparency should be ensured so that investors know whether the target is a transparency target or an indicator that has a more direct positive effect, such as by example a target based on the EU taxonomy.

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?

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

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?

- (selected) 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.

An ESG benchmark should have a broader focus than climate capturing also the social objectives. Such a benchmark could be difficult to design, if the EU taxonomy doesn’t capture the social objectives. Focus should be on developing minimum criteria for social impact before considering the development of an ESG benchmark. If by an ESG benchmark the work would be more towards a benchmark with negative screening of tobacco, weapons, solid fossil fuel etc., then this does not have to wait for the social objectives to be developed and incorporated in the EU taxonomy. We do, however, not experience problems with the negative screening benchmarks and would instead prefer work on a more positive impact ESG benchmark linked to the EU taxonomy.

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?

- (selected) 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.

There is a potential to extend labelling to equity products. For example, companies that are defined as ‘pure play’ and entirely green could have related equity products labelled as green. Disclosure standards could also be introduced for issuers of e.g. covered bonds and government bonds, with EU taxonomy and carbon emissions as indicators to be disclosed as a minimum.

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.

It is key to mainstream sustainable finance securities across segments. Further liquidity concerns could be raised, if alternative marketplaces or trading segments are created. It should be noted that in relation to the above 'foster' is interpreted as either: imposing more burdensome regimes for issuers wishing to enter the “green” market infrastructure, only one "green" exchange approved for sustainable bonds to be listed at or additional legislation (on top of the many initiatives already embedded in legislation applicable to bond issues).

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.

Please see our response to question 36.

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)
- (x) 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.

We believe that EBAs recommendation on improving information flows and data access has a high potential to effectively tackle short-termism. Development of a platform or a centralized database on ESG data would create a better understanding among all players of the long-term risks and opportunities that could affect the solidity of business models of companies. Please see our response to question 14 on a central database.

Furthermore, we support the suggestion made by EBA in its report to improve the communication channels between the public and private sectors in order to facilitate the dissemination of information, especially on the public regulatory roadmaps and long-term governmental policies, as this could provide incentives for longer term thinking.

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?

- (x) 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.

Actions that could reduce barriers and foster the supply of sustainable lending long term are:
o Development of a uniform definition of ESG risk and criteria for understanding the impact of ESG risks on corporations.
o Development of analysis methods and tools that can help to assess the impact of

ESG risks on lending.
o Strengthen ESG goals accountability towards all stakeholders.
o Addressing transition finance to allow all companies to transition to have access to sustainable finance.

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

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

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

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

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

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

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

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

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

- ( )

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

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

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

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?

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

Question 45.1 If yes, in your view, what do you think this impact is, do you think that the EU should address it and how?

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

Passive management does not necessarily imply a passive attitude towards the management of companies in which passive managers invest. Greater involvement with sustainability objectives by passive investment fund managers could lead to greater pressure on companies to raise their ESG data reporting and to work more proactively with sustainability issues.

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?

- ○ 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?

- ◉ 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?

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

Question 48.1 If yes, please select your preferred option:

- ○ All companies, including SMEs
- ◉ All companies, but with lighter minimum requirements for SMEs

- Only large companies in general, and SMEs in the most risky economic sectors sustainability-wise
- Only large companies

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.

The requirements for SMEs should be developed in a proportionate and simplified way. The implications for larger companies will have to be taken into consideration, as they are reliant on information from SMEs, if SMEs are part of their supply chain, which affects their ability to fulfil their disclosure obligations.

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?

- (selected) 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.

High-level guidance as a tool to support investment firms in identifying which topics to cover, when discussing sustainability preferences with clients, could be helpful. The guidance should, however, not be prescriptive by formulating a list of questions that as a minimum should be discussed with clients on sustainability preferences. It is important to maintain full flexibility in terms of what questions should be asked and topics to be discussed to ensure a proper discussion with individual clients about their preferences and main preoccupations, when it comes to sustainability.

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?

- (selected) Yes
- No
- 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
- (selected) 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.

It is important that the industry and the academia gain more knowledge in this area. The EU could take part in this by providing guidelines on how to measure the environmental impact of corporate actions and financial products.

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.

Not all financial products have the same ability to allocate capital to sustainable projects and activities equally. Instruments that would be more impactful include alternative investment funds that have an ability to ring fence assets and for instance target renewables. Further, green bonds are issued more frequently that equity (i.e. with shorter duration and frequent renegotiation of terms) that would be more effective in allocating capital and initiating a dialogue on sustainability.

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.

Green securitisation does have an important role to play to increase the amount of capital allocated to sustainable projects and activities. It will provide information to the market via pricing between green and non-green assets. Further green securitization structures will allow SMEs and micro companies to gain access to capital markets with the purpose of funding green initiatives, allow for green initiatives to be funded at a competitive price and allow for green illiquid assets (loans) to be more liquid (large scale listed notes).

However, due consideration must be given to learnings from the financial crisis in relation to securitization and the quality of underlying assets.

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

- [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.

Some members see no general barriers created by the regulatory framework while others do. Current STS for synthetic securitisation poses challenges for non-EUR countries due to difficulties to avoid FX mismatch (e.g. in relation to exposures in DKK and SEK) without restricting investor universe to domestic investors. On a more general note, consistency around what green investments constitute would further promote the usage of securitisations.

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

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

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?

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

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

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

- (selected) 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.

The increase of digital finance solutions is clearly positive in order to raise financing for sustainable projects, as well as to raise awareness among consumers and investors. Digital tools have a clear potential to:

- strengthening projects and corporates' ESG goals accountability towards all stakeholders (shareholders; customers; communities can check and compare ESG metrics);
- easing of burdensome and complex process processed related to verifying taxonomy compliance of activities and/or investment and check KPIs;
- fostering innovative and sustainable financial instruments. For example, digital tools could allow citizens / consumers to participate via crowd funding to the financing of ESG projects; interest rate on projects loans could be linked to ESG KPIs, which retail investors /lenders could check online.

Public authorities such as central banks and supervisors should take actions to stimulate the mobilization of private capital in order to achieve sustainability goals by new forms of investments in sectors with social impact (as education and medical research) and to support the adoption of sustainable business plan or green solutions for SMEs.

These initiatives should include the use of new technological instruments as new forms of participatory financing via internet-based platforms. In this context, authorities could create a framework for the integration of crowdfunding platform in banking to support organizations or individuals through enlisting the cooperation, and funding from large number of angel or 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?

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

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.

As many new projects, sustainable projects are characterized by high risk. This calls for shared risk through increased Public-Private Partnership. Especially in the proof of concept phase primarily for capital-intensive business models more public funding is needed.

The general unclarity about the usability of the taxonomy is also a challenge in respect of sustainable projects for start ups, who in turn are important in developing new sustainable projects and solutions. There is lack of incentives for green labelling of existing assets.

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

- ◉ 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.

Member States should create a stable long-term outlook for climate work to increase investment opportunities. This could be done for example via fixed quota tenders. In Denmark, work is currently undertaken in the 13 Climate Partnerships between the Danish government and 13 sectors within the economy.

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.

1. Improve financial incentives for SMEs for green issuances as the reputational benefits for SMEs are often limited.
2. Standardised high-profiled labelling to potentially improve reputational benefits.

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.

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

- Yes
- No
- (selected) 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?		X	
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)?	X		
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?	X		

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.

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.

The biggest challenge is lack of good quality data. With the standardization and creation of sector-specific green criteria the uptake of sustainable investments is starting to become more widespread. However, benefits are largely still reputational, which is mainly relevant to larger companies.

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 (selected)
- 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			X			
Loans			X			
Equity			X			
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.

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.

Creation of a specific European Sustainable Finance Guarantee Fund could be a way to provide guarantees for several “de-risking mechanisms” linked to sustainable finance in latter stages of the “financing chain”, for financing entities and end clients (for example, SMEs), creating incentives for commercial leveraging and crowding in. The focus of the Fund should be on guarantees provided to financial institutions (private banks or medium/long term investors such as funds or insurance companies) to support sustainable lending and investments, thus increasing additional sources for these projects as opposed to substituting existing lending sources with cheaper funding for the ultimate beneficiaries (i.e. SMEs and MidCaps).

In this way a greater risk taking by banks and financial investors would be ensured given a more even distribution with a guarantee in place, and, effectively help mainstreaming sustainable finance.

c) Technical assistance:

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

	X					
Loans		X				
Equity	X					
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.

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
- (x) 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.

- [ ] 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.

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

- (•) Yes
- ( ) No
- ( ) 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.

> SMEs will especially benefit from increased use of standardisation and sharing of data. Giving SMEs incentives to provide the most important data on e.g. CO2 emission could be an option which could make it easier to invest/lend to SMEs to support sustainability.
>
> In Danmark the financial sector has promoted e.g. a common certification of energy advisers which could limit the costs for SMEs. Possibilities of creating a common certification of energy advisers at EU level could be explored.

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?

- (•) 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.

Appropriate for most public authorities (National Energy and Climate Plan), although the taxonomy's starting point from economic activities could mean that some alterations are needed (e.g. in regards to corporate reporting requirements).

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

- ( ) Yes
- (•) Yes, but only partially
- ( ) 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.

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.

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

Question 72.1 If yes, what role should it play and is the taxonomy, as currently set out in the report of the Technical Expert Group on Sustainable Finance, suitable for the following purposes?

- [ ] 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?

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

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 global nature of these issues as well as the global nature of financial markets justify a global response and global public-private partnership. We support EU coordination efforts at global level and encourage expanding the use of the EU taxonomy as a common language outside the EU once enough progress at the EU level has been made. The global use of taxonomy is important to remove uncertainty, ensure comparability and allow competitive solutions on a level playing field. The success of the taxonomy will however mainly depend on its usability and its potential to be applied in an automated way into IT systems and processes. Furthermore, if an EU framework for supply chain due diligence related to human rights and environmental issues is developed to ensure a harmonised level-playing field in the EU, it would require coordination at an international level.

The recent IIF-EBF survey https://www.ebf.eu/wp-content/uploads/2020/01/Global-Climate-Finance-Survey-2020.pdf showed that the regulatory fragmentation is a big source of concern. Many firms remain concerned about the increasing number of new initiatives with similar goals. Many of these frameworks overlap and it can be difficult to distinguish between the goals of the initiatives. Over 65% of survey respondents believe that current regulatory initiatives will have a material impact on the market environment for sustainable finance. Citing the EU Action Plan for Financing Sustainable Growth as the single most common factor shaping global trends at the moment, we believe EU should reinforce its efforts to drive the agenda globally. The NGFS workstreams and the TCFD recommendations on climate-related financial disclosure are other common factors highlighted by survey participants.

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 Commission could potentially facilitate a platform with the largest global companies, as these actors are less dependent to political differences on a national level. In particular, heavily globalised companies may be more progressive in setting the agenda. There is also clear potential to build on the developments from Davos discussions. Furthermore, the Commission should facilitate and support, together with UN in most cases in order to get global focus, private initiatives like Principles for Responsbible Banking and other sector oriented initiatives like Poseidon within Shipping.

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.)
- [ ] Lack of clearly identifiable sustainable projects on the ground
- [x] Excessive (perceived or real) investment risk
- [ ] Difficulties to measure sustainable project achievements over time
- [x] Other

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

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

Lack of investment vehicles.

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.

A mechanism that would ensure / guarantee a certain amount of the investment made in sustainable projects and activities in emerging markets and developing countries (reduce the financial risk for investors).

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.

Once the taxonomy is finalized and adopted by EU companies, it has the potential to become a reference worldwide. The taxonomy is primarily designed for EU countries and it could prove difficult for emerging markets and developing economies to adopt the taxonomy one-to-one. It may be useful to consider through discussions in the EU International Platform on Sustainable Finance, how the EU taxonomy could be adapted as a template for other markets, including how ESG benchmarks could also play a role in better understanding and integrating ESG activities at both the EU and global level.

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 (selected)

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?

- Yes (selected)
- 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
- [ ] 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
- [ ] Other

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.

A more nuanced approach to sustainable economic activities in the taxonomy could contribute to driving forward a more broadly based and effective transition. However, it is important to strike a balance to avoid creating a very complex taxonomy that will be making it difficult to use and prolong substantially the time before we have a taxonomy for the environment. A solution would be to start with a brown taxonomy and later supplement with a subset of the “neutral” activities e.g. light green. In developing a brown taxonomy involvement of experts from the different sectors will be very important. Furthermore, on some areas more factors than CO_2 emissions can be relevant.

3.2 Financial stability risk

The analysis and understanding of the impact of climate-related and environmental risks on financial stability is improving, thanks in particular to the work done by supervisors and central banks (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
- [ ] Second-order effects
- [ ] 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.

For real estate valuation a judgement of longer term physical risk is necessary e.g. if higher frequency of damages on the property due to flooding. Physical risk assessment / economic quantification is yet to be made – we would prefer an academic / standardised approach to this challenge rather than the banks each developing their own models. The Danish National Weather Service has published a 'climate atlas': An assessment of future (year 2050 and 2100) expected extreme weather scenarios in different regions in Denmark. Furthermore, geological data are available (e.g. risk of flooding due to rising sea level or heavy rain fall).

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.

Transition risk is also important and will among other things be affected by adoption of a Danish Climate law. There is an increasing awareness in all sectors of changing operation or products in order to maintain 'license to operate' – an issue our members discuss with their corporate customers. In shorter time horizon, transition risks could have a more immediate impact on the financial system, especially if the transition is abrupt resulting in widespread disruption. Industries that might be impacted by climate pricing/tax legislation could indirectly impact the financial system, e.g. the oil and gas sector, logistics and transportation, beef industry, etc. However, currently, the international community is not on track with regards to climate goals or pledges, and hence physical risks could affect the financial system the most in the longer term. Regardless, the financial system is likely to face both risks, as even a successful transition will bring about rising temperatures compared to today, resulting in more extreme weather which can pose a risk to the financial system.

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.

1. Identify high risk sectors by specifying which sectors are most exposed to climate and environment related risks.
2. Improving the resilience of relevant portfolios: e.g. help existing customers to transition or ensure that new customers are more resilient than today (stricter selection criteria).
3. Set lower risk appetite or re-assess ESG guidelines for sectors, where the risk is deemed too high and/or direct capital flows to sustainable investments, either through green lending or sustainability focused investments.

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?

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

Banking prudential framework

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

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

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

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

- (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.

To further improve banks funding capacities by aligning investment decisions with sustainable finance goals and develop attractive and competitive financial solutions for sustainable clients and projects, we propose to relax prudential rules for certain sustainable assets which are classified as sustainable under the EU taxonomy and at the same time meet additional eligibility criteria set by EBA. A Sustainable Finance Supporting Factor (SFSF) for certain sustainable assets could be an interim measure, pending the development of methodologies for incorporation of the ESG factors into IRB/IRBA models and in the standard supervisory framework. We suggest that EBA accelerates the evaluation of the possibility of introducing a SFSF. Using forward looking methodologies, we suggest that EBA investigates whether there are groups of assets/activities under the EU taxonomy that show a lower financial risk, and, specifically, a lower credit risk profile by virtue of their sustainability. SFSF(s) would apply to both STA and IRB/A-IRB approaches but once banks applying IRB/IRBA approach will have embedded the sustainability profile in their models, the SFSF can no longer be used for IRB/A-IRB and it will be embedded in changes to the STA.

Examples of potential eligible asset classes, whose RWAs could be multiplicated by a single SFSF or by different SFSF factors, are:
a. Green or energy efficient mortgages as for the European Mortgage Federation proposal
or energy efficiency device production.
b. Green covered bonds where lower risk compared to other funding, not collateralised by
sustainable assets, could be reasonably demonstrated. We support the
recommendations of the TEG suggesting that EBA, as part of its mandate, also
assesses the possibility of developing a segment of green bonds that would define the
conditions to be met by the EU-GBS in order to benefit, potentially, from a preferential
prudential treatment.
c. Green securitization.

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?**

- (•) 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.

> We think banks will to a larger extend finance the transition, if access to digital, standardised and reliable environmental and sustainability data is improved.
>
> A common approach for measuring carbon emissions is important to ensure comparable and transparent communication about the carbon footprint of the economic activities that are financed or invested in. We suggest that the Commission sets up a Task Force to develop a common model. Creating a voluntary EU model for measuring the carbon footprint would be useful for setting reduction targets by the sectors.
>
> Furthermore, the creation of a central ‘EU sustainability data register’ would facilitate the building of sustainability disclosures and ensuring access to relevant and reliable data at the EU level. Such a database as well as the collection of existing sustainability data, including information related to physical risk, could be administered by the Commission.
>
> In addition, finance activities related to the transition will accelerate, if they are bankable, which means that they are economically viable and technologically mature. Hence, the EU should target to ensure that the economic incentive structures in the relevant sectors in the real economy are supportive of the transition. If they are, economic activity and finance and investment will follow.

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

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

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.

Guidelines could be developed to address expanded fiduciary duties. Such guidelines should build on the impact statement from the disclosure regulation and the delegated act issued pursuant to this regulation. No new requirements should be built on top of the requirements coming from the disclosure regulation and the delegated acts.

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.

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?

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

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

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

It seems that ESG factors affect credit ratings in substantial cases where a particular ESG factor is substantial and critical to a company. These cases often have high attention in the general media, and it is relatively transparent, when a case of substantial magnitude affects a credit rating.

On the other hand, we do observe a low degree of transparency on the effect on credit ratings of the more low profile ESG factors and their development. It is not very transparent, how the normal operation of companies and their work on improving ESG factors like e.g. lowering carbon emissions a few per cent year by year impacts credit ratings.

A reason for this difference in transparency can be that the ESMA's Guidelines and disclosure requirements are relatively new and that we might not have seen the full effect. Also society is on a journey, where ESG is becoming more and more important in every aspect, but it takes time to develop and define ESG factors, measure the factors, incorporate them in methodologies, assess their importance and impact etc.

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

- [ ] 1 - Not effective at all

- (selected) 2 - Rather not effective
- 3 - Neutral
- 4 - Rather effective
- 5 - Very effective
- Don’t know / no opinion / not relevant

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

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

The transparency on the integration of ESG factors into credit ratings by CRAs is not on a level, where we can assess the effectiveness of the integration. Please also see our response to question 95.

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

- (selected) 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.

The ESG-rating industry – as opposed to the existing credit rating industry – characterized by lack of structure, process and standardisation to the detriment of both investors, companies and even rating agencies themselves.

We see very little that indicates that market participants actively are driving change in a more responsible direction. The increasing cross-market integration between credit and ESG-rating agencies may lead to higher standards given the greater resources available to credit rating agencies. However, the compliance and regulatory structures that are applicable to credit rating agencies are not likely to be introduced in ESG ratings on a voluntary basis. Also, an increased market push or demand for greater transparency and higher quality could perhaps move things in the right direction.

We cannot at this point answer if the EU should consider regulatory intervention, but it is important that requirements or regulation applying to ESG-rates and CRAs are uniform and converge against the level applicable to CRAs.

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.

1. TCFD
2. PRB
3. PCAF

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.

To be able to calculate future values of e.g. real estate portfolios by using same assumptions and data across the EU on how much property values are/can be affected by extreme weather. We need robust loss data with aligned definitions and methods.

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.

1. To ensure that there is more available physical risk data, e.g. have a broad range of flooding data available covering different flood return periods.
2. To ensure that similar types of physical risk data is available across EU countries in order to allow for comparability of climate risk assessments.

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.						
Facilitate public-private partnerships to expand affordable and comprehensive related insurance coverage.						
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.						
Advise Member States on their national natural disaster insurance and post disaster compensation and reconstruction frameworks.						
Regulate by setting minimum performance features for national climate-related disaster financial management schemes.						
Create a European climate-related disaster risk transfer mechanism.						
Other				X		

Please explain what other action(s) the EU should take in this regard:

2000 character(s) maximum

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

Comments to "Financial support to the development of more accurate climate physical risk models": Today, publicly available physical risk data is often not granular enough to sufficiently account for the actual size of the risk. E.g. more availability of different flood return periods could ensure more precise quantification of flooding risk.

Comments to "Raise awareness about climate physical risk": Covid-19 will be an eye opener for general awareness, but efforts should be made so that general public is more aware of theses risks when taking financial decisions.

Comments to "Reform EU post disaster financial support": The financial sector finances sustainable projects and activities and helps to move society in a sustainable direction. Many initiatives have been taken to support this development. However, implementation of the Basel III output floor into EU legislation will work in the opposite direction and will undermine the ability of European banks to finance the transition through significant increases in capital requirements, thus also harming the European economy already in a severe situation. Risk sensitivity in the allocation of capital for loans is important for efficient, low cost funding of e.g. low risk green projects. Implementation of the output floor can make projects, which are beneficial for society and investors more expensive to finance or even make them economically unattractive for banks and investors meaning lower social welfare for society. In the current Covid-19 crisis context, it is even more evident that serious and careful consideration should be given to the implementation of the output floor in the EU context.

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

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

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

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

Question 102.1 what action should the EU take?

Please list a maximum of 3 actions:

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

We think it will be done gradually by the development of stress tests and extension of credit risk models for large institutions with ESG risks, which will affect credit policy. Action is already being taken by the EBA from mandates in the CRR/CRD and 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.

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)

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