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
- ( ) Latvian
- ( ) Lithuanian
- ( ) Maltese
- ( ) Polish
- ( ) Portuguese
- ( ) Romanian
- ( ) Slovak
- ( ) Slovenian
- ( ) Spanish
- ( ) Swedish

* I am giving my contribution as

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

* First name

Karsten

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Surname

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* Organisation name

255 character(s) maximum

Sustainable Finance Committee of the Federal Government

* Organisation size

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

Transparency register number

255 character(s) maximum

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

* Country of origin

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

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

- Andorra
- Angola
- Anguilla
- Antarctica
- Antigua and Barbuda
- Argentina
- Armenia
- Aruba
- Australia
- Austria
- Azerbaijan
- Bahamas
- Bahrain
- Bangladesh
- Barbados
- Belarus
- Belgium
- Belize
- Benin
- Bermuda
- Bhutan
- Bolivia
- Bonaire Saint Eustatius and Saba
- El Salvador
- Equatorial Guinea
- Eritrea
- Estonia
- Eswatini
- Ethiopia
- Falkland Islands
- Faroe Islands
- Fiji
- Finland
- France
- French Guiana
- French Polynesia
- French Southern and Antarctic Lands
- Gabon
- Georgia
- Germany
- Ghana
- Gibraltar
- Greece
- Greenland
- Grenada
- Guadeloupe
- Madagascar
- Malawi
- Malaysia
- Maldives
- Mali
- Malta
- Marshall Islands
- Martinique
- Mauritania
- Mauritius
- Mayotte
- Mexico
- Micronesia
- Moldova
- Monaco
- Mongolia
- Montenegro
- Montserrat
- Morocco
- Mozambique
- Myanmar /Burma
- Namibia
- 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
- Colombia
- Comoros
- Congo
- Cook Islands
- Costa Rica
- Côte d’Ivoire
- Croatia
- Cuba
- Curaçao
- Cyprus
- Czechia
- Democratic Republic of the Congo
- Denmark
- Japan
- Jersey
- Jordan
- Kazakhstan
- Kenya
- Kiribati
- Kosovo
- Kuwait
- Kyrgyzstan
- Laos
- Latvia
- Lebanon
- Lesotho
- Liberia
- Philippines
- Pitcairn Islands
- Poland
- Portugal
- Puerto Rico
- Qatar
- Réunion
- Romania
- Russia
- Rwanda
- Saint Barthélemy
- Saint Helena Ascension and Tristan da Cunha
- Saint Kitts and Nevis
- Saint Lucia
- United States Minor Outlying Islands
- Uruguay
- US Virgin Islands
- Uzbekistan
- Vanuatu
- Vatican City
- Venezuela
- Vietnam
- Wallis and Futuna
- Western Sahara
- Yemen
- Zambia
- Zimbabwe

* Field of activity or sector (if applicable):

at least 1 choice(s)

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

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

* Publication privacy settings

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

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

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

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

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

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

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

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

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

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

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

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

Only insufficient, little comparable and standardised information is made available as a regular service or standard; it is necessary to actively request or search for the information in most cases.
Analysis reveals that it is more regularly the case that financial advisers are little trained to provide precise and accurate answers on sustainability issues.
Even in case of savings that were specifically put in a sustainable savings account, the bank often cannot provide details in what projects the money is concretely and eventually invested in at a particular moment.
Further, the actual sustainability related risk exposure of the portfolio is not structurally analysed nor communicated, as is the case with the sustainability related impact the portfolio has on the external environment, society or ecosystems.

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

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

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

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

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

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

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

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

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

To provide clear guidance and to discourage investors from investing in or financing environmentally harmful activities, it is necessary to extend the EU-taxonomy regulation by defining clearly, potentially through a complementary taxonomy, what determines unsustainable economic activities in breach of the EU's ambition and legal commitments.

Social elements should also be strengthened, be it through tighter safeguards and/or a social taxonomy. Such a compeleted taxonomy should then be linked to sectoral legisla-tion (CRD, Solvency, …) ensuring that harmful activities are discouraged by correctly pricing the financial risks attached to them in an evidenced way.

A complementary way to achieve this is to require, as soon as possible, as part of the prudential rules, annual climate (and in a next step: environmental) scenario testing for financial institutions and publication of the results in due course.

The Commission should table a legislative proposal on sustainable corporate governance as soon as feasible (e.g. by 2021), requiring companies to set mandatory sustainability strategies and measurable, time-bound, science-based targets, and to mandatorily and substantially link the remuneration of executive staff to the achievement of such targets.

The Commission should prepare an ambitious environmental and human-rights-due-diligence legislation for corporates as of 2021.

The shareholder rights directive should be reviewed to strengthen shareholder engagement and stewardship in cases when shareholders ask for the alignment of investee companies' business models with agreed environmental and social public policy goals such as the Paris Agreement and the SDGs.

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.

C1. The risk that the COVID-19 crisis has some short-term oriented stakeholders side-lining sustainability issues to return to business as usual instead of accelerating the green transition;

C2. The lack of an accepted and adequate measurement framework of the sustainability impacts of investment products, i.e. how the underlying is supporting the real economy transformation. As of today, a large variety of definitions and methods are applied to assess sustainability issues. Mainstreaming sustainability in financial and corporate systems will require quantitative (next to qualitative) indicators. The EU-Taxonomy is a good starting point to continue working on consistent, robust, and comparable sustainability criteria and metrics to evaluate costs and benefits without discrimination of single industries.

C3. Insufficient and inappropriate development and implementation of the required infrastructure for a comprehensive supply and provision of relevant data (access, reliability, adequacy, availability, cost effectiveness, readiness to process).

O1. The European Green Deal together with the renewed sustainable finance strategy are major opportunities to accelerate the transition to a sustainable financial system and to foster essential, enabling and clarifying legislation, such as mandatory ‘do no harm’ environmental and human rights corporate due diligence for companies.

O2. The increasing willingness of retail investors to invest more in sustainability.

O3.The Commission’s planned 2021 initiative on sustainable corporate governance is an unprecedented opportunity to require large companies to set and publish sustainability strategies and measurable, time-bound, science-based targets, and substantially link the incentivisation / remuneration of executive staff to the achievement of targets. This should be linked to new means for investors to strengthen their shareholder engagement and stewardship on sustainability issues (e.g. accountability mechanism).

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.

1 Lack of clear definitions related to the transformation(s) in the real economy and a respective “fully developed” EU-Taxonomy that is applicable across the wider market. A legislative proposal should be tabled in 2022 (after review was concluded) to create an assessment framework that is more than a classification system.

2 Lack of corporate sustainability reporting standardisation makes sustainability performance comparison between companies difficult, and often impossible. Setting mandatory, sector specific KPIs on material strategic ESG issues will be necessary to inlcude in the NFRD update. Further to the deficits related to ESG reporting, missing integration with financial accounting is a substantial barrier for widespread adoption and scaled-up implementation.

3 Lack of clearly established and adequate sustainability requirements within investors’ duties, investor due diligence, and stewardship (including shareholder engagement): many pieces of legislation like AIFMD, IORP, UCITS, etc. need to be revised in order to integrate this aspect. The Disclosure Regulation will not be

sufficient.

4 Missing clarity on what constitutes material, systematic and science based “transformation-related effects”, which need to be measured and managed. Materiality needs to be defined based on science (i.e. understanding requirements of a successful transformation), not by stakeholder groups. Extension of timelines to forward looking estimates, accounting periods, etc., which in their current format do not extend beyond two years.

5 Policy coherence on the EU and national level is essential to reduce obstacles to the development of sustainable finance, streamlining is essential to ensure consistency, com-patibility, and effectiveness. Predictability and traceability of framework conditions are important to provide business enough time to adjust to necessary changes. Globally distributed value-creation chains should be taken into account in the work of the PSF.

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.

1 Minimum social safeguards should be developed and strengthened everywhere as a social ‘do no harm’ (like in the EU-Taxonomy that includes minimum social safeguards), and should be operationalised in a delegated act to support concrete implementation. Such safeguards should be mandatory across EU financial legislation and across EU budget funds, such as Cohesion Policy.

2 Ambitious EU legislative proposal on corporate human rights and environmental due diligence should be tabled in early 2021.

3 Social taxonomy should be developed to complement the environmental one. It will enable the identification of activities that are positive for climate, environmental and social objectives. It shall also define a procedure to deal with conflicts between environmental and social impacts. It shall also define a procedure to deal with conflicts between environmental and social impacts.

4 The EU should play a positive role to negotiate a binding UN Treaty on business and human rights so that all companies globally have the obligation to respect human rights (including social rights and living incomes) and remedy social harm. The EU shall increase support to legal systems and the execution of

regulations (environmental and human rights) in countries with known high risks for human rights abuses to support human rights due diligence activities of companies. The EU shall work towards strengthening the UN bodies for enforcing international treaties and regulations for environment and human rights.

5 In case of regions with industrial transition (e.g. from lignite or hard coal to renewable energies) the social transition shall be supported by future oriented professional training and industrial settlement support.

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

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

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

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

1 Ensure availability of scenario data with a sectoral and regional resolution for the most transition affected companies
2 Ensure there is manuals and supporting material developed and provided especially to smaller and resource limited FIs and companies.
3 Ensure a reliable and guaranteed updating process of such material as much as gathering and distribution of best practices and lessons learned.
4 Provide science-based technology roadmaps to guide and support intense company engagement.
5 In any case, avoid retroactive changes to renewable energy support schemes (what had happened e.g. in Spain and the Czech Republic on solar). Design support schemes and regulations, so that they can adapt dynamically and smoothly so that they neither put an unbearable burden on the government / society nor need to be dismissed on short notice (=> long term visibility is necessary for corporate as well as infrastructure investment).

Question 10. Should institutional investors and credit institutions be required to estimate and disclose which temperature scenario their portfolios are

financing (e.g. 2°C, 3°C, 4°C), in comparison with the goals of the Paris Agreement, and on the basis of a common EU-wide methodology?

- [ ] Yes, institutional investors
- [ ] Yes, credit institutions
- [x] 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.

1 The biodiversity section of the EU Taxonomy needs to be prioritized and DNSH criteria established in every piece of EU regulation related to sustainable finance.

2 As part of the NFRD review, an EU standardised reporting framework for corporate sustainability reporting should include mandatory sector-specific KPIs on material strategic ESG issues including biodiversity in all economic sectors or activities where it is a material issue - in particular agriculture and food, forestry, mining, energy, transport, tourism, fisheries, aquaculture. Mandatory sector-specific KPIs would substantially facilitate the comparison of the sustainability performance of peer companies.

3 EU should prepare an ambitious environmental and human rights due diligence legislation for all corporates for 2021, including specific biodiversity risks. The EU shall work towards strengthening the UN bodies for enforcing international treaties and regulations for environment.

4 EU should table a legislative proposal on sustainable corporate governance early 2021, requiring companies to set mandatory sustainability strategies and measurable science-based, time-bound targets, and to mandatorily and substantially link the remuneration of executive staff to the achievement of such targets. This should include biodiversity targets in the economic sectors or activities where it is material, building on the EU targets defined in the EU Biodiversity Strategy, and at the global level the current Aichi targets and the forthcoming targets in the Convention on Biological Diversity (CBD)

5 CBD should makeexplicit that financial flows should be aligned with biodiversity goals - like in the Paris Agreement. A global alignment requirement in the CBD is critical.

6 Biodiversity offsets are controversial and only an option of last resort. It is critical to ensure effective and ambitious implementation of sustainable strategies based on requirements of environmental regulation.

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.

1 A key place to do so is the forthcoming EU Platform on SusFin (PSF). It is meant not only to develop the technical screening criteria for the remaining environmental objectives of the EU Taxonomy, but also to tackle and discuss other sustainable finance issues, such as reporting, retail finance, etc. over the mid- to long-term. The PSF should be given a stronger and broader mandate and gradually become a sustainable finance observatory as recommended by the HLEG. It will be crucial to establish a reliable and accepted governance process of how review and adjustment of regulation will be conducted. The UK example of the Climate Change Committee overseeing the analysis and adjustment (ratcheting-up) of regulation (in the case of the UK the size of the available carbon budget, the allocation to sectors and companies and the structure to do so is defined for a total of 15years in three steps.

2 COM should encourage a strong collaboration between all relevant stakeholders, especially industry experts, investors, and policy makers. This applies also to the PSF, which should include actors from all relevant stakeholder groups to ensure Taxonomy criteria are taking into account complex economic structures going forward. Ultimately, market mechanisms need to be strengthened, as only these can ensure a sustainable long-term allocation of capital. Consistent national application of the Taxonomy regulation needs to be ensured. The focus should be on enabling all involved parties and to avoid undue administrative burden.

3 The EP should be more involved to increase parliamentary scrutiny.

4 In the European Semester, COM should put a much stronger emphasis on national environmentally harmful subsidies (such as fossil fuel subsidies), environmental taxation and the sustainability of national budgets, and issue country specific recommendations for eliminating harmful subsidies immediately and increasing environmental taxation and taxonomy-aligned budget spending.

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.

(IPSF, the EU sustainability reporting standard are all part of the Sustainable Finance Action Plan or included in other Q below.)

1 COM should work even more closely with the NGFS to accelerate awareness raising and urge financial regulators to take rapid, bold, and decisive action.

2 Member States, central banks, national and EU regulators (ESAs), where possible, should be active in all international financial fora (BIS, BCBS, IOSCO, FSB, IMF, World Bank, SBN, regional development banks incl. IIAB, NGFS, UN SIF etc.) to promote stringent sustainable finance regulation while at the same time ensuring enough flexibility to allow adaptation to specific conditions in different countries.

3 COM should identify where technical assistance would help to develop impact-oriented sustainable finance regulation in developing countries (e.g. for members of the NGFS and the Sustainable Banking Network). Promoting harmonisation while allowing flexibility would contain the ongoing proliferation of sustainable finance initiatives, voluntary standards and norms, policies, guidelines etc., which increasingly create counter-productive confusion.

4 EU should re-orient its trade and investment policy and renegotiate its trade and investment agreements so that the EU and partner countries have the flexibility to introduce more stringent regulation aimed at environmental risks and negative impacts. In the short term do-not-sue clauses could be negotiated with the countries with which the EU has trade and investment agreements, including the Energy Charter.

5 Support integration of international reporting and accounting standards to incorporate sustainability considerations.

6 The EU via the EIB and its funds should support sustainable investments by covering some of their risks and thus facilitating access to finance. External cost need either to be fully interalised or compensated by granting public support and by easing the path of investment.

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?

- (●) 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.

Centralization of reported corporate data in an open data format to enable direct and straightforward access to the information by all stakeholders is highly desirable. The Commission should ensure that:

1 All material sustainability information is published in the financial report (integrate the extra-financial statement into the annual report);

2 Tagging of sustainability information is required to ensure data is in a format that is machine-readable (saves cost);

3 A clear structure for reporting of sustainability information is organised;

4 Data-access is either freely or for a modest fee - apart from large investors very few stakeholders can currently afford access to a costly financial / corporate data, which perpetuates undesired information asymmetry.

Additionally, it should be considered:
a The value of the information is dependent on its reliability; thus verification of sustainability information is important;
b Available information should also include social information, e.g. payment difference ratio, gender diversity at different layers of the company, jobs lost or added (taking into account effects of M&As), etc.;
c Available information on governance (G) should be expanded to cover tax strategies and tax planning, corporate structure, etc.

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?

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

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

Please select as many options as you like.

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

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

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

So far, too little attention is dedicated to “inside-out” negative impacts (in the sense of the double materiality) in a forward looking way. Impairment and depreciation rules are looking at “outside-in” impacts and are for instance used by accountants to acknowledge “outside-in” claims, by reclaiming upon insurers.

Impairment rules insufficiently anticipate risks to the valution of assets that relate to changing regulation, technology and behaviour shifts, and physical stress. It should be evaluated how asset valuation could take into account compatibility of economic activities with transformation pathways.

The rules on goodwill have been so much liberalised that assets / intangibles might be currently overvalued, potentially leading to stranded assets and hampering adaptation to CO2-neutral operations.

Please explain why you think provision rules is an important area:

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

Asset provisioning should be linked to environmental risk to the valuation of assets to enable financiers to identify causes of negative impact and to put a price on environmental risk.

Please explain why you think contingent liabilities is an important area:

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

Contingent liablities should reflect destructive impacts on the environment and potential cost for remedy (e.g. environmental clean-up). see: https://www.iasplus.com/en/standards/ias/ias37

Please specify which other area(s):

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

Climate and environmental risk is still often not well understood. Therefore, it is not sufficiently integrated in financial accounting. For instance, a comprehensive overview of the issues and related risks and impacts can be referred to the “9 planetary boundaries” framework (https://www.stockholmresilience.org/research/research-news/2019-11-01-ten-years-of-nine-planetary-boundaries.html).

1.3 Sustainability research and ratings

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

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

- ○ 1 - Not concerned at all
- ○ 2 - Rather not concerned
- ● 3 - Neutral
- ○ 4 - Rather concerned
- ○

5 - Very concerned

Don’t know / no opinion / not relevant

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

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

1 There is possible concern related to the fact that most of the firms emerging form the consolidation are non-EU ones. With the increasing importance associated with ESG data in the near future and linked to the transformation in the real economy there is a robust likelihood of such data becoming an increasingly strategic issue for the future of finance. However, the sustainability principles underlying ESG research and ratings methodologies are internationally acknowledged standards (e.g. Paris Agreement, SDGs, UN Principles, ILO conventions) as well as well-established reporting standards (e.g. GRI, SASB, TCFD). In addition, regulatory requirements of each market are taken into account (e.g. taxonomies, principal adverse impacts, non-financial reporting obligations).

2 Some investors already use raw data provided by ESG data providers to feed into their own assessment models using their own methodology and approach. Standardised, freely accessible and comparable ESG data will allow more investors to follow this ESG integration approach. Nevertheless, this can lead to a larger variety of approaches and assessment results than currently observed in the market. It will therefore be even more important that investors are transparent about their methodologies and approaches.

3 The EU should consider how to use competition policy and regulation, Credit Rating Agency Regulation, and more, to prevent and if need be, reverse concentration of the ESG data, research and rating market in order to guarantee the integrity of this industry in the EU.

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

- 1 - Very poor
- (selected) 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.

1 Sustainability providers are usually using the information that is provided (e. g. through questionnaires) or disclosed by the companies themselves, which has been extensively demonstrated (including in the Alliance for Corporate Transparency 2019 Research). Compared to CRAs, the business model of SRAs reduces

conflicts of interest as it is not the rated entity that pays for the rating. The client is the investor.

2 The fact that corporates frequently complain about the large amount of diverse queries for ESG information from agencies and investors, indicates that there is a lack of harmonisation which should be solved by further standardising ESG metrics and disclosure (e.g. through software interfaces with existing accounting software).

3 ESG scoring is often based on companies' policies and processes, but the focus is on their adoption, not their impacts, implementation or mitigation. ESG ratings rely to a large extent on backward-looking information, which is not a reliable proxy for future performance. COM should foster development of a common standard to measure and disclose double materiality based on standard science-based methodology for assessing companies.

In addition, COM should:
a ensure that CRAs adequately disclose their methodologies and skills for discharging their duties;
b properly integrate ESG risks into their credit risk analysis and ratings, and provide information on the extent to which they integrate ESG risks and negative impacts and how they are able to measure impact;
c consider how to support provision of longer-term forward looking analysis (>=5 years).

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
- [x] 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.

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.

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

- (x) 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.

1 Ensuring relevant, open and comparable ESG data from corporates is made accessible and available should be a priority. The suggested EU Single Data Access Point (ESAP) is a welcome must to address this issue; it should rely on few mandatory sector-specific KPIs that are as strategic and material as possible for each sector or subsector;

2 As mentioned in Q18, based on evidence, COM should:
a ensure that rating agencies adequately disclose their methodologies and skills for discharging their duties and properly integrate financially material ESG risks into their credit risk analysis and ratings.
b HLEG recommended that CRAs set up ‘credit rating outlooks’, clearly differentiated from credit ratings, to take into account a longer-term perspective (>= 5y), during which ESG-related risks are more likely to materialise than in the short-term. This should be assessed by COM and integrated into the CRA Regulation.
c As the ECB recommends in their response to this consultation, ‘from the ECB’s supervisory perspective, transparent and effective integration of ESG factors into credit ratings is needed, as they translate into the risk models of many institutions and the related risk weights’.

3 Minimum standards regarding conflict of interest should be set, including for the integrity of the methodologies and business models, and transparency. Supervisors at national and EU-level should be have sufficient means at hand to properly enforce such EU regulation. Registration and licencing could be a first step in the short term, as recommended by the TEG. Special attention is required with respect to regulation and supervision of third-party / external reviewers of green / social / environmental bonds.

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?

- (selected) 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.

A critical requirement for ensuring the credibility of the GBS is to have its certifiers supervised and accredited by a financial supervisor (as is the case for CRAs).

Leaving this to the market would not bring a sufficient level of confidence. Given the state of the market, the best way to do it is to hand this responsibility to ESMA as EU-level financial supervisor.

Leaving it to national regulators would risk maintaining conflicts of interest and EU market fragmentation.

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?

- (selected) 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.

The link should be made to ensure coherence of market practice across asset classes.

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

- Yes
- (selected) 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.

The EU GBS is aimed at becoming the world’s most robust standard for green, social, and sustainability bonds, with the aim to avoid greenwashing and to foster investor confidence. Any issuer willing to reach this level of investor confidence needs to fully align with the standard.

Prospectus and green bonds

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

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

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

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

It is important that the requirement to disclose sustainability-specific information in the prospectus should be applicable to all(!) bonds.

Not requiring sustainability information for all bonds would put an additional, counter-productive burden on green, social, and sustainability bonds. A critical complementary element is to introduce a new, ambitious disclosure regime covering all bonds to disclose the proportion of their use of proceeds that is aligned with the EU-Taxonomy, in the same way the EU taxonomy regulation mandates disclosures for all financial products (including a disclaimer option for the time being).

The EU-Taxonomy regulation makes it technically feasible to disclose this type of information for all bonds including plain vanilla ones (i.e. annual taxonomy-eligible revenues, opex and capex).

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
- (x) 4 - Agree
- 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.

Measures that incentivise the use of the EU GBS are very welcome. Provided that the EU GBS is clearly defined, tight and unambiguous, and that EU GBS compliance means that the full bond is subject to the standard and aligned with the EU-Taxonomy, reference to the EU GBS compliance could replace specific disclosure requirements.

Other standards and labels

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

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

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

Question 28. In its final report, the High-Level Expert Group on Sustainable Finance recommended to establish a minimum standard for sustainably

denominated investment funds (commonly referred to as ESG or SRI funds, despite having diverse methodologies), aimed at retail investors.

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

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

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

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

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

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

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

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

As shown consistently by studies, consumers have different, to date more simplistic sustainability expectations than professional investors and the EU Ecolabel should aim to build a stricter set of criteria building on the EU-Taxonomy - if we stick to the conventional ESG understanding.

Consumer expectations make it hard to justify investments in transforming / controversial industries (nuclear, gas, weapons, alcohol, intensive agriculture, pesti-cides, mining, etc.) whereas these could be deemed acceptable to professional investors that can develop a more complex and sophisticated approach.

Likewise, consumers will very likely find it hard to understand that a fund which only invests 18% of its funds in taxonomy-compliant ('green') activities can be eco-labelled, whereas this could be deemed acceptable for professional investors as part of a broader strategy to help finance the transition of companies that want to become greener.

Professional investors might accept a “do no harm” strategy as sufficient for a fund to be labelled, whereas retail investors in many cases would expect above-average performance from portfolio firms (e.g. paying a living wage, not just the legal minimum wage; or avoiding supply chains using child labour even in countries where this is still legally allowed).

Bringing in products aimed at professionals under the EU Ecolabel will put undue downwards pressure on such standards, which increases the risk of consumer deception and perceived greenwashing, potentially harming the credibility of the Ecolabel.

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.

Sustainability-linked bonds in the sense of explicitly addressing the transformation become extremely relevant and powerful if they are linked to meaningful pre-determined corporate sustainability targets, as they provide a direct and visible financial reward for the company to achieve this target.

However, there is a significant risk that pre-determined sustainability targets are incremental in nature (hence largely business as usual) and inadequate to properly contribute to the achievement of EU sustainability goals (e. g. 2050 climate neutrality or EU Biodiversity Strategy targets).

To help both issuers - to set meaningful pre-determined sustainability targets - and investors - to check their robustness and to have confidence in these new types of bonds -, EU standards should be developed. They should

a) rely on EU sustainability goals (e.g. 2050 climate neutrality or EU Biodiversity Strategy targets and SDGs

more generally),
b) ensure that targets are time-bound and measurable, science-based wherever feasible, and as granular as possible (including physical asset-level where feasible).

To ensure a science-based approach they should use the EU-Taxonomy in a forward-looking way: mandatory corporate taxonomy disclosure as of 2022 should be used to set a baseline, enabling the company to set taxonomy-related targets e.g. in years 2025 / 2027 for both revenues and capex. Alternatively, the EU standards can replicate the science-based approach of market initiatives. In the cases where a science-based target is not deemed achievable by the company (that lags too far behind), a two-step approach might be relevant to put the company back on track, provided it is still timely to align with EU sustainability goals. It would be very relevant in such a case to use the two indicators of taxonomy-related revenues and taxonomy-related capex (see below in Question 31).

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

- [ ] 1 - Strongly disagree
- [ ] 2 - Disagree
- [ ] 3 - Neutral
- [ ] 4 - Agree
- [x] 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 is one of the most relevant tools that a EU standard for target-setting sustainability-linked bonds should use. Notwithstanding, the Taxonomy requires further development and adjustment.

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?

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

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

Please select as many options as you like.

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

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

Should the EU take action to create an ESG benchmark?

- [x] 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.

The creation of an ESG benchmark is consistent with the recommendation of the HLEG in its final report 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.

It remains very relevant to ensure that sustainably-denominated benchmarks reach a minimum level of ambition, in order to avoid greenwashing in the ESG benchmark market.

ESG benchmarking should focus on corporate impacts on the ground, not only corporate policies and processes.

As is the case for climate benchmarks, ESG benchmarks should reward underlying companies which are frontrunners in their industry (analogous to the Paris-aligned benchmarks) by giving them a way to differentiate themselves and attract a funding premium, while also creating incentives for less advanced companies to make their business more sustainable (in line with the Climate Transition benchmarks). This could be done using sector-specific metrics in the E (outside climate), S and G domains.

Attention should be paid to avoid creating benchmarks that stimulate one type of positive sustainable impacts to the detriment of others; granular 'do no harm' requirements are a proper way to fix this, provided that "doing good" and "doing harm" cannot be traded off against each other (e.g. if a company produces cobalt for electric vehicle batteries might do good on climate mitigation objectives at the cost of human rights, the 'do no harm' requirement should disqualify the company from being part of an ESG benchmark).

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

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

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
- (selected) 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.

The objective at hand is to integrate sustainability considerations holistically across the existing financial markets, hence a dedicated sustainability segment will be counterproductive to such a full integration.

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.

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:

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

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

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

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

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

To provide a reasonable incentive and to support the importance of non-financial performance, 50% of the variable remuneration should be linked to the achievement of a solidly and scientifically backed sustainability or non-financial performance target.

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 42.1 If yes, what action should be taken? Please explain or provide appropriate examples:

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

Long-term engagement between investors and investee companies is highly likely to need additional elements beyond the concept of stewardship which is a valuable component that requires further extension in the regulatory framework.

The duration of shareholding, especially for institutional investors is based on strategies to maximise return on investment, which need to take into account market conditions and dynamics.

It is important to consider how to reward and strengthen the influence of patient investors: This can be achieved for instance by
a) setting voting rights in proportion to the duration of investment,
b) providing the rewards of shares, e. g. dividends, on the basis of the duration that the shares have been held, and
c) decreasing or exempting capital gains tax on the basis of long-term shareholdings.

As regards engagement in terms of active interventions in corporate governance, rather than merely holding shares, the EU should adopt a taxonomy of unsustainable activities that would help large institutional investors with extensive portfolios to identify and prioritise cases for their active engagement. Such taxonomy should address both environmental sustainability as well as protection of human rights.

Transition segments in the existing taxonomy should be highlighted such that capital can be allocated to transition activities with ease and confidence, while causing little confusion.

While market-led initiatives are accelerating, they are still way too slow for the climate emergency. COM should therefore call for the obligation to formulate climate strategies and targets for companies (e.g. proportional to company size). It may be relevant to start targeting high-carbon sectors - and encourage other sectors to follow but not make it mandatory for them initially. Such sustainability strategies should include measurable and time-bound science-based targets, an asset-level transition plan.

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?

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

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

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

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

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

Institutional investors can have a very positive influence on the sustainability performance of corporates. Currently the ability to vote at AGMs and engage with investee companies is regulated or at least sometimes interpreted differently in the EU member states which can hinder efforts (e.g. implementation of acting in concert rules). There is a need for clarification to enable and promote shareholder action on ESG topics.

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.

Ppassive and index based investing is a means of linking the capital market with the real economy, hence the same requirements apply, in the sense that underlying indices need to meet the very same sustainability performance understanding and criteria as for active investing.

COM already engaged in this field with the benchmark regulation. The underlying logic and methodology should be consistent, for instance with the EU-Taxonomy.

It is essential for such adjusted or compliant indices to increase their uptake and to substitute existing benchmarks.

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

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

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

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

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

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

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

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

Question 48.1 If yes, please select your preferred option:

- ( ) All companies, including SMEs
- (x) All companies, but with lighter minimum requirements for SMEs

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

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

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

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?

- 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.

Reopening and adjusting several product regulations as from 2021-2022 (e.g. PRIIPs, UCITS or others, at level 1 or 2) is necessary to ensure a consistent EU approach and to develop a robust framework. Four complementary issues need to be ad-dressed:

1 Monitor whether financial advisers properly ask retail clients about their sustainability preferences, on the basis of the new MiFID II and IDD Delegated Acts. ESAs should produce a template questionnaire to provide more granular guidance to financial advisers, in order to improve compliance and reduce risks of liabilities.

2 Disclose sustainability information in a clear, standardised and accessible manner to non-expert retail investors, in the Key Information Document. For example, the climate temperature score of a given fund (showing whether the fund is aligned with a Paris-compliant 1,5°C or well below 2°C pathway, or is heading towards climate chaos above +4°C), with a thermometer-shaped indicator, should be systematically presented to retail investors. There are now tools in the market enabling such analysis.

3 Avoid greenwashing and risks of market abuse by establishing minimum standards for sustainably denominated funds, as recommended by the HLEG its in priority recommendation on retail investments.

4 Require that ambitious ESG and transition funds (ESG integration, sustainability themed, or impact investing) are systematically proposed as a default retail option, given the overwhelming majority of 70% or more of retail investors who want their money to be invested in a sustainable way, as found by many studies very consistently over the last years.

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
- 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.	○	○	○	○	◉	○
Stimulate cooperation between Member States to integrate sustainable finance as part of existing subjects in citizens' education at school, possibly in the context of a wider effort to raise awareness about climate action and sustainability.[1-5]	◉	○	○	○	○	○
Beyond school education, stimulate cooperation between Member States to ensure that there are sufficient initiatives to educate citizens to reduce their environmental footprint also through their investment decisions.	○	○	◉	○	○	○
Directly, through targeted campaigns.	◉	○	○	○	○	○
As part of a wider effort to raise the financial literacy of EU citizens.	○	◉	○	○	○	○
As part of a wider effort to raise the knowledge citizens have of their rights as consumers, investors, and active members of their communities.	○	○	○	○	◉	○
Promote the inclusion of sustainability and sustainable finance in the curricula of students, in particular future finance professionals.	○	○	○	◉	○	○
Other	○	○	○	◉	○	○

Question 51.2 Please specify what other action(s) should be prioritised:

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

Finance professionals are missing to a significant degree sustainability expertise and should be regularly trained.

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.

Various experts increasingly argue that financial products and services marketed as sustainable must make a clear and measurable difference to the transition to environmental sustainability. For example, Ben Caldecott, founding director of the Oxford Sustainable Finance Programme, stated: “You can have lots of green in a portfolio and have little or even no impact”.
He considers that 3 conditions need to hold for a green financial service or product to make a difference to the real econ-omy transition to environmental sustainability:

1. An activity the financial product or service is encouraging should be green and/or the activity it is discouraging should be brown;
2. An activity must also make a clear and measurable difference in one or more of the following ways:
a. reduce or increase the cost of capital for green or brown
b. reduce or increase liquidity for green or brown
c. provide or enable risk management of environment-related physical and transition risks
d. encourage or enable company adoption of sustainable practices
e. support systemic change through spill-over effects.
3. Additionality: Even if the green marketed financial product or service is having a positive impact, would that impact have happened anyway given a counterfactual baseline? This gets us into comparing baselines and is fraught with difficulty

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.

1 Financial instruments aimed at longer holding periods such as bonds and to a lesser extent equity (given today’s heavily reduced average holding periods for equity), might be better aligned with “sustainable projects and activities”.

2 Though, flexible redemption instruments such as ETFs or MMFs could still, through sustainability-themed filters and exclusions, and their increasing scale, provide meaningful financial incentives to improve sustainability.

3 Impact will also result from how capital provision links to enabling the transition and transformation in the real economy, which also is more relevant for some financial instruments rather than others, i.e. instruments linked to direct capital transfer and availability to enable actual investment.

2.3 Green securitisation

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

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

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- (x) 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.

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

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

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

- Yes
- No
- (x) 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?

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

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

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

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

Data is key for decision making.

Improved data access, data quality, data accuracy, data availability etc. are critical to make use of the enabling potential and power of information technology.

There are various legal references to data laws, accounting and infrastructure aspects where the EU needs to take an in-depth perspective to identify barriers and concrete actions.

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

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

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

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

Please list a maximum of 3 actions:

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

At the European level, the Commission or the ESA Joint Committee should develop a template for online assessment of retail investor sustainability preferences.

The Commission could develop standards for investment decision-making for online robo-advisors and apps.

National supervisors, who know their consumers and national preferences best, and are well-placed to help, advise and nudge consumers to more sustainable investment options , could develop methodologies to streamline disclosure of consumers money flow.

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
- (x) 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.

Key market obstacle:
1. Lack of comparable data

Key regulatory obstacles:
1. Lack of long-term, consistent policy and planning by Member States that frightens and/or demotivates project pro-moters.
2. Lack of EU sustainability reporting standard, harmonised metrics (the EU-Taxonomy should help) and a missing legal definition of materiality related to sustainability.
3. Lack of EU impact measurement framework for financial products.
4. Benefits of sustainable projects are not fully reflected in their financial numbers, e.g. when selling electricity from renewable sources to the free market (cf Q13).

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.

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.

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.

Permitting new business models (e.g. storing and trading energy among neighbours, participating of batteries on primary reserve AND providing emergency power supply).

Avoid placing high administrative or financial burden on small projects (e.g. requiring meters with rental costs above the produced energy).

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

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

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

	Yes	No	Don't know / No opinion

Bringing more financial engineering to sustainable R&I projects?	○	○	◉
Assisting the development of R&I projects to reach investment-ready stages, with volumes, scales, and risk-return profiles that interest investors (i.e. ready and bankable projects that private investors can easily identify)?	◉	○	○
Better identifying areas in R&I where public intervention is critical to crowd in private funding?	◉	○	○
Ensuring alignment and synergies between Horizon Europe and other EU programmes/funds?	◉	○	○
Conducting more research to address the high risks associated with sustainable R&I investment (e.g. policy frameworks and market conditions)?	◉	○	○
Identifying and coordinating R&I efforts taking place at EU, national and international levels to maximise value and avoid duplication?	◉	○	○
Facilitating sharing of information and experience regarding successful low-carbon business models, research gaps and innovative solutions?	◉	○	○
Increasing the capacity of EU entrepreneurs and SMEs to innovate and take risks?	◉	○	○

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

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

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.

Concern because of lack of environmental and social impact linked to those investments; still a green niche as there are many regulatory obstacles for sustainability mainstreaming.

Sustainable investments usually pay back after 8-15 years. Thus, they are exposed to a long time span of potential risks (political risks, market risks, inflation, etc.).

The debt and the equity sides have to take these risks while a significant part of the benefits is distributed to the public at no benefit to the financing entities (cf Q13).

This “not harvesting the benefits” frequently keeps the projects below the risk adequate return threshold and thus preventing physical execution.

Financing renewable projects outside of the EU carries excessive administrative burdens (e.g. imposed by European MDBs), preventing scalability.

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

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

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

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

a) Revenue-neutral subsidies for issuers:

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

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.

c) Technical assistance:

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

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

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

Provide support to access public loans (e.g. from government owned financing institutions) and to provide support with time- and resource intense burocratic procedures / requirements.

d) Any other public sector incentives:

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

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

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

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

- ○ 1 - Not effective at all
- ○ 2 - Rather not effective
- ○ 3 - Neutral
- ● 4 - Rather effective
- ○ 5 - Very effective

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

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

Please select as many options as you like.

- [ ] Revenue-neutral public sector incentives
- [ ] 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?

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

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

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

Support of SMEs in the “greening by” sector which have the potential for scaling up and generating a stronger positive impact will provide the best lever of public money invested. Support can be:
a) Easily accessible and affordable loans for expansion
b) Easily accessible support for R&I

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?

- (selected) 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.

As a general comment, the ambition level in the EU-Taxonomy is not fully aligned with the scientifically required ambitions level.

Public authority could you it by aligning all public policies and investments to the EU-Taxonomy ...
a) in industrial policy; MS and local / regional governments should commit to prefer investments helping taxonomy-compliant companies and industries;
b) when attracting foreign investments; the public sector should prioritize Taxonomy-compliant sectors;
c) public authorities should use the Taxonomy to inform their housing policies, including in social housing
d) in terms of government real estate, public authorities should use the EU-Taxonomy to green their investment and building decisions, in particular in the context of public procurement; when renting properties, public authorities should demand minimum performance against EU-Taxonomy indicators (eg on energy efficiency);

e) transport policy and transport taxation should favour industries and companies compliant with the EU-Taxonomy; in particular public transport investments should be compatible with the Taxonomy;
f) corporate taxation can be used as a tool by member states to reward taxonomy compliance;
g) public procurement: public authorities should make it a requirement or a quality criterion to suppliers to comply with the EU-Taxonomy.

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?

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

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?

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[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?

- [x] In the context of some EU spending programmes
- [x]

In the context of EU state aid rules

- [ ] Other

Please explain if the EU Taxonomy is suitable for the purpose of EU spending programmes and what role it should play in this context:

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

Please explain if the EU Taxonomy is suitable for the purpose of EU state aid rules and what role it should play in this context:

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

1 Regarding COVID-19 economic crisis, at least 50% of recovery packages should benefit climate and environment, using the EU-Taxonomy

2 Following the HLEG's recommendations on 'sustainability test' for legislation, it should be the same for EU spending programmes and state aid rules in terms of having a green /sustainability conditionality (linked to the EU-Taxonomy).

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

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

2.8 Promoting intra-EU cross-border sustainable investments

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

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

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

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

Please select as many options as you like.

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

Question 74.2 Please specify what other type(s) of services would be useful for this purpose:

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

Individual and profound (one stop) consultancy regarding available support mechanisms for interested companies.

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.

Even though the EU is leading on sustainable finance and the measures taken (especially the legislative ones) are the most ambitious worldwide, there is still quite a big effort necessary of mainstreaming globally.

However, the IPSF is the right place to coordinate with other initiatives such as the Network for Greening the Financial System (NGFS) and the Coalition of Finance Ministers on Climate Action (although it's only focused on climate change), to avoid duplication.

The IPSF has great potential to signal globally, once more countries join, and sufficient political attention and resource allocation is available. Under IPSF concrete recommendations should be developed, as opposed to it being a discussion forum, building on the successful experience of the NGFS.

The recent initiative taken by IOSCO to identify sustainable finance issues inside its constituency and create a Sustainable Task Force could be replicated by other international supervisors such as the BCBS and the IAIS, especially if over time the EU-Taxonomy is meant to influence financial supervision, capital requirements and financial stability.

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.

1 COM could create a similar type of body like the EU Platform on Sustainable Finance, but globally.

2 COM should ensure harmonisation at global level, building on EU sustainable finance measures, taking into account the national context (meaning if certain Regulations at EU level are mandatory (like disclosure for example), it should be harmonised at a global level to achieve impact). This should not result in weakening EU standards (about which the ECB also warns in its response to this consultation) due to pressure from global actors.

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

Please select all that apply:

Please select as many options as you like.

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

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

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

1 Developing countries will be affected by climate change by droughts and extreme weather events, which can result in damage and reduced profitability. By focusing on assessing ESG risks in EU laws rather than focusing on positive (long term) ESG impacts (as opportunities), less investments might be made in climate-vulnerable countries that need it most.

2 Some EM countries need to restructure away from heavy economic (and foreign exchange) dependence on non-sustainable resource extraction (e.g. palm oil, fossil fuels, minerals). This will require long term investments into economic transition, which volatile high return seeking investors might be unwilling to do.

3 Excessive administration burden during the financing process, bureaucratic approach to every detail, inflexibility.

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.

1 Coordinate with DG DEVCO in order to discuss how best to use funds to attract private investors (international and domestic) to use the recently approved EU tools on sustainable finance, such as for example the EU-Taxonomy, in potential sustainable projects in emerging markets;

2 In coordination with DG DEVCO, and other DGs, conduct a mapping exercise of existing best practices, to move forward in that direction.

3 In coordination with DG DEVCO, and other DGs and bodies, support on the creation of a pipeline of sustainable projects for international and domestic private investors in emerging markets and developing countries.

4 The EU's (incl. the EIB's) actions in the form of grants, blending, guarantees, budget support or other global initiatives should be aligned with ambitions on climate change, biodiversity and wider environmental protection and be screened for unintended negative environmental impacts.

5 The use of blended finance, public private partnership and other donor guarantees or subsidies should not be re-assessed since its cost cutting and effectiveness have not been proven nor its ESG positive impacts, but often benefited private financiers. Consideration of replacing such financing by grants and direct loans or grants with strict sustainability requirements.

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.

1 Depending on the country and its local specificities, the scope for Disclosure Regulation applied at EU level may not fit and should be adapted accordingly.

2 Regarding the EU-Taxonomy, the sectors selected for the two climate objectives at EU level, are not entirely covering the national context, thus those sectors should be added to a local taxonomy.

3 The EU-Taxonomy should be used to motivate the economic transition to ensure reaching science-based and path-dependent global climate and sustainability goals. Finding the right incentives will be a powerful tool.

4 It is important to better reflect human rights and biodiversity challenges linked to the development in less developed countries. A key element of this is the intended human rights and environmental due diligence legislation. COM should present a proposal which is sufficiently broad to cover all human rights and environmental challenges and industry sectors, and ensure that it includes effective accountability mechanisms. COM should also consider developing specification of due diligence with regard to particularly problematic environmental and social issues linked to European investments, such as deforestation and land grabbing.

In the context presented in this question, due diligence legislation should be applicable alongside other sustainable finance tools.

If execution of real projects is really the goal, it is advisable to talk to real companies and help resolving the real concerns(!).

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?

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

3. Reducing and managing climate and environmental risks

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

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

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

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

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

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

Please (select all that apply):

Please select as many options as you like.

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

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

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

Given the slow pace of financial flows diverting from activities that are changing climate and are environmentally and socially non-sustainable and the green bonds still being a niche market, a taxonomy of unsustainable activities will be useful in coming years to identify what activities' access to financing will need to be disincentivised.

To start with, such a taxonomy needs to be developed to facilitate investors, lenders and borrowers, policy makers and supervisors to identify potential stranded assets and financial transactions that are countering efforts to achieve the Paris climate goals.

Social and environmental issues are too interlinked to be neglected in the development of such an ‘unsustainable taxonomy’.

In a phased-in manner, this “unsustainable taxonomy” should be used to exclude assets from benchmarks and eventually to exclude activities from further financing.

The EU is already developing various approaches in four policy areas that can represent the foundations for an “unsustainable taxonomy”:
a) DNSH technical screening criteria of the EU-Taxonomy;
b) Exclusion criteria for the Paris-aligned benchmark and Climate transition benchmark categories
c) Exclusion criteria for the EU Ecolabel for financial products;
d) Potentially, a category of ‘high risk’ sectors as discussed under the NFRD review

An “unsustainable taxonomy” will provide a robust basis to ensure consistency for these various EU policy approaches and would notably contribute to:
a) facilitate identification of assets associated with activities exposed to transition risks;
b) assist the supervisors in their assessment of institutions’ unsustainable exposures;
c) harmonise the selection process of economic sectors and institutions’ exposures for scenario analysis and stress testing exercises;
d) ensure that disclosures and reporting by financial institutions are consistent.

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?

- (x) 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.

Such an additional level of granularity in the EU-Taxonomy can be supportive for the acceleration of the transition.

For example, for the huge building stock the EU energy efficiency label is structured in seven categories (A to G). The green and unsustainable taxonomies will tag the best (15%) and worst (say 30%-50%) segments of the building market. This still leaves a big third of the market that is positioned between the best and the worst segments, with no further granularity and indication to investors.

There is significant need to accelerate the energy refurbishment of the entire building stock to reach the goals of the Paris Agreement. More granularity (in that case, closely aligned with the existing EU energy efficiency label) would provide signalling to investors.

A more granular taxonomy can act as an incentive for companies (and an argument for improvement for investors) to reach the next better category where the “green” category would be unachievable in the first step.

An additional level of granularity should also be added for social and human rights issues and should also include activities such as social housing, health care, educational institutions, etc. (beyond purely economic activities).

3.2 Financial stability risk

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

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

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

Please select all that apply:

Please select as many options as you like.

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

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.

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
- [x] 2 - Rather insufficient
- 3 - Neutral
- 4 - Rather sufficient
- 5 - Fully sufficient
- Don’t know / no opinion / not relevant

Question 86.1 If you think the current macro-prudential policy toolbox for the EU financial sector is not sufficient to identify and address potential systemic financial stability risks related to climate change, what solution would you propose?

Please list a maximum of 3 solutions:

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

COM should assess how to integrate sustainability-related financial risks (starting with climate-related ones) in the prudential rules, especially the first pillar. It should be noted that the EBA report planned for 28 June 2025 on Pillar I, as per Article 501c CRR comes too late. COM should therefore explore choices how to produce financial evidence more rapidly.

CRR should require banks to collect specific sustainability data that are available in the market but are not systematically collected by banks, which severely impedes their utilization for greening finance. Climate adaptation should be integrated in the CRR review. Risks is increasing for many physical assets in various economic sectors (agriculture, power, tourism, forestry, mining, real estate, energy and transport infrastructure, etc.) – which translate into financial risks.

Climate stress testing at bank's portfolio level (including both climate transition and physical risks), incl. climate resilience of most-exposed physical assets should be mandatory to create a comprehensive and consistent risk understanding. Stress-testing the climate resilience of most-exposed physical assets should become mandatory when banks are issuing loans at least for new real estate, large-scale infrastructure (esp. transport and energy infrastructure) and significant refurbishment of existing real estate and large-scale infrastructure.

A common stress test scenario needs to be defined that allows for consistent reporting, initially from listed companies, on their exposure to an accelerated shift to climate neutrality. This would allow financial institutions to assess the real risks in their portfolio, and thus contribute to an efficient capital allocation in support of a just transition. Without, systematic assessments will continue to be based on aggregate modelling that ignores capability, strategy and actions of individual companies, reducing the quality of risk management and limiting access to capital.

Insurance prudential framework

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

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

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

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

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

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

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

COM should publish a report with analysis and potential Solvency II legislative changes by the end of 2020, building on an EIOPA opinion due next 30 June 2020.

It is an opportunity for improving Solvency II in at least two areas:
a) Mirror or improve in Solvency II the sustainability requirements of the prudential rules for banks, notably the disclosure requirement of ESG-related risks under Art 449a of the Capital Requirement Regulation;
b) Re-examine exemptions in the Solvency II scope that have become problematic under the European Green Deal, notably the exclusion of export credit insurance operations for the account of or guaranteed by States (Art 5.4), which creates problematic opacity and confusion;
Solvency II should be amended as well to better integrate the growing risks of physical climate impacts and the lack of resilience of certain physical assets to climate disruption.

Banking prudential framework

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

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

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

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

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

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

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

Analogous to Q86, COM should assess how to integrate sustainability-related financial risks (starting with climate-related ones) in the prudential rules, especially the first pillar.

It should be noted that the EBA report planned for 28 June 2025 on Pillar I, as per Article 501c CRR ('Prudential treatment of exposures related to environmental and/or social objectives') is significantly too late. The Commission should therefore explore choices how to produce financial evidence more rapidly (speed up timeline / different approach with EBA).

Stress-testing climate resilience of most-exposed physical assets should become mandatory, to create a comprehensive and consistent understanding where these risks lie and to mitigate them in a more informed way.

EBA report process should be expedited. Forthcoming implementation of Basel III should be used to advance ESG integration in all three pillars of banking supervision.

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

1. **take further action to mobilise banks to finance the transition?**
2. **manage climate-related and environmental risks?**

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

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

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

All sectors should contribute to financing the transition, including insurers and pension funds, not only banks and retail investors; the transition cannot afford not to mobilize these long-term resources.

Considering this, however, banks should be included in the scope of sustainable corporate governance reform and required to develop sustainability strategies that reflect planetary boundaries and supported by measurable targets.

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

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

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

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

1 Remuneration and promotion linked to sustainability objectives reached (but avoid bonuses and shareholdings as remuneration).

2 All top management has to be scrutinised by supervisors for their "fitness" to promote sustainable lending, underwriting and investment banking services.

3 Prohibition to provide credit or services in brown and "red" taxonomy activities.

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.

Based on the initial work on investor duties, COM should further clarify investor duties and due diligence by revising existing legislation (notably AIFMD, IORP, MiFIR, Solvency II and Shareholder Rights Directive) in 2020 and beyond to ensure consistency and stringency.

Content-wise, investor duties, investor due diligence and stewardship (including shareholder engagement) need to be further clarified and tightened in terms of sustainability-related risks, opportunities and impacts. More concretely:

a) Mandate that end-investors, including occupational pension beneficiaries, policyholders and retail investors, are consulted about their sustainability-related preferences;
b) Clarify the conditions under which the non-financial sustainability preferences of end-investors can be taken into account in mainstream investment decision-making;
c) Promote the alignment of investment time-horizons with the liabilities of end-investors and ensure an appropriate consideration of sustainability risks within that timeframe, particularly as those relate to future pension ben-eficiaries and insurance policyholders with long-term liabilities
d) Ensure the transmission of the financial and non-financial interests of end-investors throughout the investment chain by guiding the extension of mandates reflecting those interests from asset owners to asset managers, as well as other intermediaries;

Encourage the development of tools and methodologies to assess the impact of investments on communities and the environment, independently of whether these impacts are reflected in the value of a portfolio.

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?

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

Question 92.1 If yes, please specify what actions would be relevant, in your view:

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

As mentioned in Q91, based on the initial work on investor duties, COM should further clarify investor duties and due diligence by revising existing legislation (notably AIFMD, IORP, MiFIR, Solvency II and Shareholder Rights Directive) in 2020 and beyond to ensure consistency and stringency.

Content-wise, investor duties, investor due diligence and stewardship (including shareholder engagement) need to be further clarified and tightened in terms of sustainability-related risks, opportunities and impacts.

The IORP II Directive was a step forward, but has many flaws compared to the sustainable finance agenda today, many of the integration and disclosure requirements are not mandatory, they have a ‘comply or explain’ clause. These should be revised and tightened as mentioned in the first paragraph.

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.

Cf Q91
1 End-investors, including occupational pension beneficiaries, policyholders and retail investors, should be consulted about their sustainability-related preferences;

2 Clarify the conditions under which the non-financial sustainability preferences of end-investors can be taken into account in mainstream investment decision-making;
3 Promote the alignment of investment time-horizons with the liabilities of end-investors and ensure an appropriate consideration of sustainability risks within that timeframe, particularly as those relate to future pension beneficiaries and in-surance policyholders with long-term liabilities;
4 Ensure the transmission of the financial and non-financial interests of end-investors throughout the investment chain by guiding the extension of mandates reflecting those interests from asset owners to asset managers, as well as other inter-mediaries;
5 Encourage the development of tools and methodologies to assess the impact of investments on communities and the environment, independently of whether these impacts are reflected in the value of a portfolio.

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?

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

Question 94.1 If yes, how could this be achieved, taking into account that IORPs are collective schemes whose members may have different views on ESG integration?

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

Asset owners should be actively consulting with retail clients, policyholders and beneficiaries in ascertaining sustainability preferences, while implementing institutional arrangements to ensure these end-investors are able to influence investment decision-making, such as through board representation on pension funds.

Sustainability preferences should not be limited to those that are financially material, but include non-financial considerations, such as those related to quality-of-life or ethical concerns. The circumstances under which the latter category can or should be incorporated in mainstream investment decision-making, beyond designated "impact" or "ethical" products and services, must be better defined.

The integration of both risks and preferences should be aligned with the time horizon reflecting the liabilities of the end-investor, requiring renewed emphasis on issues of intergenerational equity when referring to classes of current and future beneficiaries are pooled together.

In order to account for the non-financial sustainability preferences of their clients, as well as to respond to the systemic, non-linear nature of some sustainability risks, investors should assess the impact of their investments on communities and the environment,

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.

Research done by ESMA and reflected in ESMA's advice on credit rating sustainability issues and disclosure requirements and related ESMA Guidelines on disclosure requirements indicate that there is insufficient transparency and inconsistency of standards in how far ESG risks and ESG factors have played a role in changing credit ratings. (The question is also in how far the new ESMA Guidelines are being applied as of April 2020, even for non-ESG factors, as some random examples of press releases of credit rating changes do not show the ESMA Guidelines are being followed as of then.

A regulatory and supervisory framework that ensures credit rating agencies incorporate sustainability risks in mainstream ratings must:
a) Specify sustainability-related disclosure requirements for credit rating agencies, in terms of their ratings and methodologies used in their creation;
b) Notably, ensure that credit rating agencies disclose whether the issuer's reporting is aligned with the TCFD Rec-ommendations.

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

- ( ) 1 - Not effective at all

- [x] 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.

A regulatory and supervisory framework that ensures credit rating agencies incorporate sustainability risks in mainstream ratings must:
a) properly integrate ESG risks into their credit risk analysis and ratings. This should be done in 2021.
b) It is to be noticed that the EU legislation often makes a difference between ESG risks (material) and ESG factors or impacts that also affect society, the environment and climate beyond the period of the financial product.

ESMA’s advice on credit rating sustainability issues and disclosure requirements related particularly about ESG factors to be included by CRAs: its research concluded that ESG risks and factors were hardly included in credit ratings, amongst other things because of lack of standardised methodologies and ESG information. ESMA concluded that ESG factors should be included in ESG ratings when affecting the creditworthiness, which is obvious. Given that IORP II, climate related stress and forward looking scenarios are being developed by supervisors and central banks, and the Directive on sustainability disclosures (DSR) is requiring investment institutions to assess the ESG risks, CRAs are not effective enough to develop and integrate those risks in their credit ratings. ESG risks will have a material impact from physical, regulatory and socially related issues much faster and stronger than current CRAs are taking into account. These ESG risks have not yet been sufficiently taken into account if one investigates the credit ratings of fossil fuel companies.

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

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

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

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

1 Mandate appropriate training and competence of all relevant staff employed by credit rating agencies;

2 The HLEG recommended that CRAs set up ‘credit rating outlooks’, clearly differentiated from credit ratings, to take into account a longer-term perspective during which ESG-related risks are more likely to materialize than in a short-term period. This should be assessed by the Commission and integrated in the CRA Regulation if deemed relevant (3-5 years at least, better 10 years).

3 The Commission should revise the CRA Regulation in 2021 to:
- ensure that CRAs adequately disclose their methodologies and skills for discharging their duties;
- properly integrate financially material ESG risks into their credit risk analysis and ratings.

4 The CRA guidelines by ESMA should be reviewed and be expanded, the best being through regulatory intervention for a sped-up process, through delegated acts or review of CRAR, to ensure that all CRAs operating in the EU:
- Have a methodology to integrate all ESG risks to rate creditworthiness of companies;
- Include in their assessment methodology ...
  (a) whether a company or financial institution is reporting according to the TCFD and in alignment with its own for-ward looking strategy and scenario, and
  (b) which ESG data or ratings the CRA is using (low ESG ratings could be included in reputational risks that might have financial consequences for the rated company. This should be transparent even if it the CRA estimate these ESG is-sues do not affect the credit rating.)
- As non-application of ESG factors might lead to reputational, regulatory and financial risks, the CRAs should disclose whether a company takes ESG factors into account (i.e. impact on climate, environment and society) and has an ac-tive policy to uncover ESG impacts.
- The CRAs should assess how far in the future a company’s ESG risks could turn into credit risks (e.g. restricted access to financing).

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. The EU Business@Biodiversity Platform.
2. EFRAG’s European Corporate Reporting Lab

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?

- (●) 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.

Belongs to both:

A forward-looking, standardised, comparable framework, that is aligned with the TCFD recommendations and con-sistent with the EU taxonomy and the various disclosure obligations of financial institutions is needed. Building on the laudable commitment from Vice-President Dombrovskis on 28 January 2020 to ‘support a process to develop Eu-ropean non-financial reporting standards’ and invite EFRAG to ‘begin preparatory work for these standards as quickly as possible’, we would welcome the rapid launch of a multi-stakeholder process including a public consulta-tion to provide inputs to the EFRAG and the Commission.

TCFD reporting should become mandatory by latest 2022 for listed companies in the EU. This would support ambition re questions 14, 17, 18, and 97.

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.

Financial management of physical risk

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

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

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

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

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

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

	1 (not at all helpful)	2 (rather not helpful)	3 (neutral)	4 (rather helpful)	5 (very helpful)	N. A.
Financial support to the development of more accurate climate physical risk models	( )	( )	( )	(x)	( )	( )
Raise awareness about climate physical risk.	( )	( )	( )	(x)	( )	( )
Promote ex-ante "build back better" requirements to improve future resilience of the affected regions and or /sectors after a natural catastrophe.	( )	( )	(x)	( )	( )	( )
Facilitate public-private partnerships to expand affordable and comprehensive related insurance coverage.	(x)	( )	( )	( )	( )	( )
Reform EU post disaster financial support.	(x)	( )	( )	( )	( )	( )
Support the development of alternative financial products (e.g. catastrophe bonds) offering protection/hedging against financial losses stemming from climate- or environment-related events.	(x)	( )	( )	( )	( )	( )

Advise Member States on their national natural disaster insurance and post disaster compensation and reconstruction frameworks.	◉	○	○	○	○	○
Regulate by setting minimum performance features for national climate-related disaster financial management schemes.	◉	○	○	○	○	○
Create a European climate-related disaster risk transfer mechanism.	◉	○	○	○	○	○
Other	○	○	○	○	○	○

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

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

Please explain why you think it would be useful for the EU to raise awareness about climate physical risk:

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

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

○ 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?

- (x) 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.

Three actions are suggested:
1. Application of the double materiality approach is crucial in this assessment. Integration of sustainability risks should be aligned to the time horizons of such factors (so avoiding only the short-term).
2. Encourage the development of tools and methodologies to assess the impact of investments on communities and the environment, including a mandatory EU investment due diligence framework
3. Demanding an integration of a targeted CO_2 price into the projected economics of the investment (cf Q38).

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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