Contribution ID: 8a2c8952-55aa-4b09-9db9-ec6355cd8b24
Date: 15/07/2020 13:38:01

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

---

* Language of my contribution

- Bulgarian
- Croatian
- Czech

- ◯ Danish
- ◯ Dutch
- ◉ 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
- ◯ Other

*First name

Giovanni

*

Surname

Betti

* Email (this won't be published)

giovanni.betti@eacb.coop

* Organisation name

255 character(s) maximum

European Association of Co-operative Banks

* Organisation size

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

Transparency register number

255 character(s) maximum

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

4172526951-19

* Country of origin

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

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

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

* Field of activity or sector (if applicable):

at least 1 choice(s)

- [ ] Accounting
- [ ] Auditing
- [x] 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
- [ ] 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

---

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

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

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

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

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

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

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

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

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

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

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

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.

Active engagement allows driving conversations and monitoring improvement over time. Only when such dialogue fails to trigger significant action, divesting should be considered. The EU should however refrain from establishing strategies for private investment but should provide incentives to stimulate the desired behaviors.
The current EU legislative framework (+ national standards) already provides the necessary tools for investors to influence companies' environmental strategies.
We believe there should be an incentivizing approach rather than a penalising approach. While it remains still not clear the meaning of "discouraging investors", we think that as the majority of the economy is currently brown, penalising investments in environmentally harmful activities may be detrimental to companies that are on a transition path but carry on activities, which are still brown today, by preventing them access to investments they need to operate that transition, Investments in sustainable business activities should be incentivized instead of penalizing investments that are (probably) not in line with certain sustainability targets. For this reason a discouraging approach may also not be efficient in reducing brown activities as the latter may still find other sources of funding (self-funding; third-country investors).
We believe that overtime market forces will push companies conducting environmentally harmful activities to adapt & transition or disappear (at least in the EU), so there is no need for policy intervention. Pricing externalities will rise costs of unsustainable activities and the market will penalize the related investments.
Finally we believe that Investors react best to the attractiveness of business cases: it would therefore be more efficient to promote the attractiveness in the real economy by setting a corresponding sustainability framework opening up business opportunities than trying to drive this indirectly through the financial market.

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.

The three main challenges for mainstreaming sustainability in the financial sector over the coming 10 years are:
-1) The complexity of the regulatory framework and the complexity of implementation of the various and interconnected regulations (TR, SFDR, CRR/D) and other initiatives (ECB guidance, GL, Ecolabel) on sustainable finance. Moreover, regulatory differences between Europe and the rest of the world can affect the competitiveness of companies in Europe in external markets. The need for globally applicable and

comparable metrics and standards is likely to increase.
-2) The availability, collection, processing, reliability of data reporting and accessibility from the perspective of financial market participants and the difficulty to provide such sustainability-data from the perspective of companies.
-3) The lack of investor-awareness and acceptance about the EUs sustainable framework.
Those main challenges coexist together with the more general pressure on the financial sector to deliver on the economic transition while the financial sector mainly plays an intermediary role. The entire economy and society need to embark on a transition path.

The three main opportunities for mainstreaming sustainability in the financial sector over the coming 10 years are:
-1) To standardize data reporting, and then digitize data reporting and access (see EACB position on the NFRD review consultation).
-2) To make the European economy and financial markets more resilient by focusing on sustainability and long-termism, while making the EU the main market for sustainable finance. This target can be reached mainly thought the development of certain initiatives such as the finalization of the EU taxonomy with its social sphere.
-3) To set the right incentives (such as public policy tools to drive sustainable projects still limited in number) to encourage sustainable investments.

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. At this point of time it is not clear, what effect the EU-Taxonomy and the Disclosure Regulation will have in practice once they enter into force. While the Taxonomy regulation will provide a clear definition of what is to be considered environmentally sustainable or what is considered enabling the transition through an environmentally sustainable economy, the transformation of the society is more complex. More in general, the complexity of the regulatory framework for sustainable finance & time pressure to comply with that framework as well as uncertainty as to what the effects of these regulations will actually be once they are implemented represents one of the biggest obstacles in current EU policies and regulations.
2. Lack of projects for green investments and lack of incentives for all economic players, both public and private, to make their transition towards sustainability. EU public expenditure represents 45% of EU GDP, which shows the important potential of public investments in sustainability. Public authorities need to lead by example and develop public green projects and assets, which the financial sector will then finance.
3. Data issues: availability, collection, processing, reliability of data / standardisation of data reporting / digitisation of data reporting and accessibility / concentration of US ESG data agencies and lack of supervision and oversight of ESG data providers. A clear and precise definition of climate, environmental and social risks still needs to be developed at European level – otherwise it is not feasible to consider these risks in the risk management procedures.

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.

When the effect of decarbonisation on any of the issues or groups mentioned in the title is appreciable, measures, such as subsidies (and especially the equal redistribution of proceeds from environmental taxes, cf. the example of the carbon tax in Switzerland), should be taken in order to alleviate the effects.
This could be ensured by implementing the following initiatives:
-Implementing the foreseen financial tools in a gradual (step by step) way, allowing businesses who are especially (negatively) affected by the decarbonization agenda to adapt their business models to the extent possible (and thereby securing as much workplaces as possible).
-We would suggest to incentivise the transition: refraining from introducing penalising factors or any penalising requirements that would discourage investments in specific sectors, which are starting their transition.
- The entire budgetary, fiscal and regulatory framework could be revised so that it is geared towards a sustainable and just transition. With 45% of the EU GDP in public expenditures, public authorities have a considerable lever for increasing sustainable investments while also having the policy tools to avoid negative social and economic impacts.
- Use the European Just Transition Fund to achieve limited negative socio-economic impacts.
At the same time only such a gradual approach would ensure that transitional risks are kept as low as possible and don’t emerge in a disruptive way. Due to their widespread presence in local areas and often in rural or less urbanized regions, co-operative banks would propose to accompany and stimulate this with the help of instruments to be put in place to specifically address the social risk related to the transitioning element. This could be done, for example, in partnership with EIB with specific measures, incentivizing clients via public incentives (i.e. Just transition fund) that would translate in more favorable terms and conditions via the local banks.

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.

As a financial institution, it is very important that policy-makers create a predictable and well-communicated policy framework. Legal clarity and stability are essential for banks and companies to engage in long-term business strategies.
Such a policy framework should be transparent, appropriate to the size and business model of the financial institution, focus on realistic climate targets and take into account the possible detriments, which might occur in the transition period (in the form of increasing transitional risks).
- Public authorities should take the lead in establishing a predictable transition framework across their policies (budgetary, fiscal and regulatory) and thus to make sustainability the dominant and structuring inspiration. This would give the signal that structural and long-term changes are coming, and financial institutions would know what to finance and how.
- The phasing-out of certain assets or sectors should follow a clear and predictable transition path to limit negative economic and social impacts and give companies time to adapt, time to find new technologies to avoid negative impact on profitability and then credit risk.
In addition to the regulatory framework, the measures to be taken by companies to achieve these objectives should be provided. Especially regarding the high-emission sectors of importance for the economy need to have a clear long term policy framework to be able to make the necessary adjustments. Again, consistent reliable data is very important for credit institutions to facilitate the transition. In relation to the mechanisms that should be put in place, for our case as a financial institution, there could be certain benefits of achieving a sustainable and well-managed portfolio in relation to climate risks and balanced by considering green assets. These benefits could be translated, for example, into lower capital requirements by the supervisory bodies.

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
Yes, both

No

Don’t know / no opinion / not relevant

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

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

(selected) Yes

No

Don’t know / no opinion / not relevant

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

2000 character(s) maximum

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

The EACB believes that climate risks should always have a higher priority position in the EU sustainable finance agenda. The development of the delegated acts to the taxonomy regulation on climate change mitigation and adaptation will represent the first step in this direction, providing clear definitions and a categorization of environmentally sustainable economic activities. Having said this, we do welcome the focus on nature/ecosystem/biodiversity risks. We acknowledge that the new EU Biodiversity strategy for 2030 will be a very ambitious part of the Green Deal.
Biodiversity loss has undoubtedly a huge negative impact on the abovementioned sectors (for example the death of pollinators has severe negative effects on the agricultural sector).
However, since neither the EU-Taxonomy nor the Disclosure Regulation have yet entered into force it is hard to say (at this point of time) whether the EU’s sustainable finance agenda adequately reflects the growing importance of biodiversity loss.
As Biodiversity is addressed in the 6th environmental objective established in the taxonomy regulation (Protection and restoration of biodiversity and ecosystems) it will be further developed according to the delegated acts to the regulation that will be released by the Commission in 2021, with the assistance of the Platform on Sustainable Finance, that will take office before the end of 2020.
In the disclosure regulation biodiversity is put in focus through concrete indicators in the impact assessment.

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

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.

In our opinion, the best way for the sustainable finance agenda to be properly governed in the long term at EU level is to have good, clear and workable taxonomy and reliable metrics that allow us to differentiate what is green from what is not.
This could (possibly) be achieved by setting gradual (step-by-step) targets and measuring the EU's progress against those targets, including the taxonomy performance thresholds. This requires a predictable timing of revisions, involvement of all relevant stakeholders, public hearings with enough time to respond (min. 3 months), and transparency in technical working groups.
Public funding: a strategy is needed for a sustainable transition of public funding. At EU level, public funding represents 45% of the EU GDP and, as such, an important source of funding. The transition of public funding would boost the emergence of green projects, which the financial sector could co-finance.

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.

In the EU: A clear communication by the EU-Commission towards private investors (the private investment sector), what the EU-Taxonomy is, what the EU-Green Bond Standard and the EU-Ecolabel for Financial Products stand for etc. The efforts of the financial sector must be underpinned by the necessary fiscal and economic frameworks. Taxes, subsidies and guarantee funds should help promote sustainable production methods and investments and limit activities that are not compatible with a sustainable future. The scope of the climate challenge clearly emphasizes an increasing need for taxes and subsidies to reflect the macroeconomic costs and gains in terms of the climate footprint and sustainability in the broad sense. When socioeconomic gains from sustainable activities are valued and reflected in market conditions, entrepreneurs and businesses can obtain financial viability of their projects. At the same time, it will strengthen banks' capacity to fund them.

Fiscal benefits and incentives would be very helpful in the EU and national Member States. We believe there is no need for further regulatory actions at this stage but rather for a pause for all existing initiatives to be implemented and bear fruits.
However, on the public sector side, there is a need for public policies to make sustainability the dominant and structuring objective. Financial institutions would then know what to finance and how. Public authorities also need to introduce financial and non-financial incentives for all economic actors, and not financial institutions only, in particular the real economy to change their economic behavior. Finally, public actions are necessary at national level to educate both individuals and companies and raise awareness about what part they may play in the sustainability transition.
At international level: An overarching international Taxonomy, creating a unified understanding of sustainable economic activities globally.

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.

The EACB calls the EU to take the lead to start to establish a database where corporates in the EU can insert – on a voluntary basis ESG raw data in electronic form. This EU database or register could be based under one of the main statistics centers in the EU. The European register should first and foremost focus on registering the taxonomy based information as first building block (according to the Taxonomy Regulation). As a further step it should aim at the collection of the broader category of ESG raw data from non-financial companies whose reporting is based on the NFRD and which are willing to publish their ESG data in the new database. Moreover, the database should include relevant ESG information already collected by governments or central banks at EU and Member States level. Member States are already reporting environmental expenditures by the government and by market participants, and applying the classification for monitoring trade and environmental reporting under the System of Environmental Economic Accounting - SEEA 2012. The EU should open up its databases that collect environmental reporting data and make those re-usable for finance providers and other users alike via the central register. Goods and Services (activities) EGSS under the UN System for Environmental Economic Accounting should be complementary to the data that companies and financial institutions report. Since not all data that is reported under the NFRD is financially material from investors' point of view, it would be useful to supplement the methodological core by a best-practice investor materiality framework. Data should be provided to users for free or at a reasonably affordable cost. Users would include financial institutions, universities, researchers, supervisory authorities, rating agencies, observers and all relevant stakeholders. The availability of raw harmonized ESG data would allow for comparability, increase transparency, lower barriers and costs and attract new players.

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

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

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

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

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

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

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

It is very likely that the EU Taxonomy will be the relevant legal framework for the definition of sustainable activities and investments on the European level. However, the workload related to this should also be highlighted: since the EU taxonomy is not a fixed construct and is being developed successively, companies need not only additional resources for the adaptation and integration process but also a corresponding reaction time. Moreover, we believe that the extent to which banks will use the taxonomy will depend on the availability of data and on the final screening criteria as some of those proposed by the TEG seem to be quite ambitious and difficult to operationalize in practice (i.e. climate change adaptation). In the same vein, we need a review of the transitional activities category which, as currently designed, is very restrictive and only covers activities which have already transitioned ("best performance in the sector" criterion). If the transition category is not made more accessible, the taxonomy will be of limited use. The transition category must be broader and create incentives for companies to transition, rather than set criteria, which are unrealistic and thus discouraging.

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.

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

Please specify which other area(s):

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

We see a need for adjustments to IFRS but oppose a solely European approach as this would be problematic and contradict the objective of uniform IAS. For sustainable projects, other incentives (e.g. taxation, guarantees) might be more efficient. Instead, we support targeted adjustments to IFRS9 to integrate ESG aspects regarding securities. We urge the EC to advocate at the IASB for the following modifications:
a) The SPPI test should be enhanced for ESG purposes. Financial assets can only be measured at amortized cost if the contractual terms of a loan comply with the basic lending arrangement (i.e. interest only includes restricted elements). If the loan agreement included thresholds on borrowers' carbon emissions, this might no more be seen as basic lending arrangement and require banks to measure such loans at fair value, but that would not be adequate for banks' bookkeeping. Clarifications in the Basis for Conclusions might be helpful.
b) An amendment for "Held to Collect" debt securities is needed so that they may be sold before maturity without compromising their future classification under the HTC Business Model if ESG-related ratings change. 2 examples:
-Risk indicators: in case of downgrade of the issuer's long-term rating by at least 3 notches by a CRA (or in internal rating) after the purchase of the instrument, an amendment would be necessary to allow early sale. As ESG indicators are considered by credit rating agencies in the credit risk rating model, the criteria for early maturity sale under the HTC business model should be amended to include them.
-Concerning the communication (issued by the Risk Department of a level 1 and 2 "Do not deal") on the ESG instrument, IFRS 9 could be amended that the sale before maturity should be allowed if the

communications went through a validation process involving the bank's governance and risk opinions similar to the banking group's risk department (and require an action plan for the sale of securities).

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.

We support the initiative according to which raw corporate ESG data collection should be done as a strategic public infrastructure and materiality should be standardized and included into the NFRD (financial and stakeholders' materiality) or incorporated into the ESG database as a screen along with the EU Taxonomy screen.
We already see consolidation tendencies in the market for ESG ratings and data. This trend will likely continue. There are benefits of having a number of different ESG rating and data providers, such as showing different aspects and broadly speaking, the complexity of the topic. Therefore, it is important not to lose the breadth of available knowledge through these concentration developments. At the same time, the high level of concentration in the market for ESG ratings and data has a real impact on the cost of the data and its redistribution. We need to avoid monopoly situation (as with financial data).
Finally, we would like to highlight the fact that currently most of these agencies (or at least the largest ones) are US-owned, creating in some cases issues related to the availability of data and different culture in elaborating ESG considerations. For this reason, we would like to encourage the development and growth of European players in this field: Europe should take the lead also in this important sector.

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.

The answer to this question strongly depends on the definition of ESG data. If this is just the quantitative data on ESG topics that is provided on the basis of the NFRD, the answer is more to a 3 as, in the very end, most of the sustainability rating providers are using the same (publicly available) databases. If the question refers to ESG data in the sense of a more forward-looking (qualitative) assessment of the sustainability of companies the answer is more a 2 for the following reasons:

- There is lack of methodological and data robustness transparency. There is also deficient environmental impacts & environmental external costs' of companies' operations' quantification. For environmental issues to be accounted for properly there needs to be clear disclosure for companies of their natural resource use "external costs".
- Comparability is poor due to different methodologies across providers. In fact, despite using similar KPIs and similar pillars (E, S and G) for an ESG rating, the rating itself can vary from one ESG agency to another rather drastically - as they for example use different weightings for different sectors.
- Quality is poor as the sources of information vary considerably, with weighting to parameters within ESG data undisclosed to the public and therefore unchallenged. Reliability of ESG data is also questionable as it is almost invariably backward looking and lacks methodologies for forward looking analysis.
- The comparability, quality and reliability of ESG data could be increased by improving the transparency in rating methodologies and data. This will make ESG ratings more useful to market participants and it would be possible to compare ESG data or ratings.

For instance if ESG rating providers offer visibility into the metrics they evaluate and the level of materiality they assign to each metric, market participants could get a better understanding of if some measures are considered more material in some sectors than others.

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

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

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

2000 character(s) maximum

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

The quality differs significantly depending upon the depth and also the methodology used (relevance is a subset of quality because research without relevance doesn’t make sense).
Having said that, more and more asset managers are implementing ESG criteria in their investment decision processes.
The publicly available ESG research material is primarily not data driven. For this reason to collect ESG raw data it is necessary, normally to pay for the access to an ESG agency data hub. This constitutes one of the main barriers for the implementation of ESG into the investment decision processes. Hence, it is more about accessibility than about quality.

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.

The market for ESG ratings and data is very fragmented and does not allow an easy comparison. The methodologies used vary from one provider to the other and can result in different ratings for the same company.

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.

Our members consider that action is necessary in the field of ESG data.
EU should ensure public collection & distribution of ESG raw data as reported by corporates in the electronic "single access point" - under a major EU statistics office, e.g. Eurostat. This will improve ESG Data accessibility, transparency, standardisation and ability to screen it automatically for EU Taxonomy eligibility & financial materiality. This is justified by corporates gaining access to financing via ESG disclosure & transparency (for further details please consult the Joint industry letter - http://www.eacb.coop/en/news/eacb-news/joint-industry-letter-call-for-eu-action-a-centralized-register-for-environmental-social-and-governance-esg-data-in-the-eu.html). In this regard, we welcome the initiative of Vice President Dombrovskis to issue a request for technical advice mandating EFRAG to undertake preparatory work for possible EU Non-Financial Reporting Standards in a revised NFRD. The EACB would like to be involved in the development of such a standard.
The current ESG rating and data market lacks transparency which is why concentration would be beneficial in setting industry-wide standards. At the same time, the high level of concentration in the market for ESG ratings and data has a real impact on the cost of the data and its redistribution. We need to avoid monopoly situation (as with financial data).
Finally, we would like to highlight the fact that currently most of these agencies (or at least the largest ones) are US-owned, creating in some cases issues related to the availability of data and different cultures in elaborating ESG considerations. For this reason, we would like to encourage the development and growth of European players in this field: Europe should take the lead also in this important sector. The Commission could take into consideration the possibility to develop a simple framework for European ESG rating agencies, in order to increase transparency and clarity.

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

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

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

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

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

EU Green Bond Standard

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

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

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

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

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

- [x] Yes, at European level
- [ ] Yes, at a national level
- [ ] No
- [ ] Don’t know / no opinion / not relevant

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

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

The idea of a verification regime with certification of taxonomy-compliant activities to be provided by companies has been raised by the EACB in several occasions. Indeed, the EACB is in favor of the creation of a “mandatory verification regime”. Pre- and post-impact & allocation reporting and pre-verification are already market practice today, even if not with reference to EU Taxonomy/GBS, but to ICMA. However, post-verification is one of the most important novelties of the TEG proposals and it will likely become market practice. An accreditation process of external verifiers will be necessary to increase the credibility of the standard and simplify the current situation of a market where it can be difficult to determine what sets different players apart. However, it is our impression that although the market is new, there are some consolidations currently going on that will affect the market in the future and divert those players who do not live up to a credible verification process. We believe that an ESMA setup represents a good proposal, but it will be important to ensure that the related legislative framework be flexible enough to allow and adapt to development opportunities. ESMA could align the current practices with Credit rating agencies and bring credibility to the process. It is important that the accreditation process doesn't “take over” and builds on standards already developed in the market - so the issuers don’t end up being charged with higher costs. The EACB believes that a simple, centralised process that would be accessible to any kind of players, including smaller issuers, should be the right way to follow.Since the EU Green Bond Standard is a European label (scheme), verifiers of EU Green Bonds should be supervised/accredited on a European level. This would ensure a consistent verification process (by verifiers), a consistent supervision of verifiers, transparency, credibility and comparability (same accreditation process for all EU verifiers

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?

- [ ] Yes
- [x] 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 measures taken by the Commission concerning verifiers of EU Green Bonds should not be linked to future action to regulate the market for third-party service providers. While a framework at EU level is needed, the two regimes should not be linked as ESG providers do not have the same approach as companies that can license Green Bonds. Green Bond verification (the focus is on the bond itself and the alignment of the project with the taxonomy) and sustainability data / ratings (the issuer is the focus of the analysis) are two different things It is therefore appropriate to avoid any misunderstanding by distinguishing the two regimes although potential alignment could be considered for issues such as independence, transparency of methodology or qualification.

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

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

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

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

In terms of full alignment, might be cases where all requirements are not met. e.g. may contribute to an EU environmental objective, but compliance with minimum safeguards may be challenging e.g. in non-OECD countries. At the same time, this doesn't make taxonomy irrelevant outside of Europe. Using taxonomy should improve comparability as well.
Non-European issuers should be able to use the voluntary EU GBS. However, it is then necessary that the EU Taxonomy can be applied outside EU and that non-European issuers need to fulfill the same requirements for verification and transparency.

Prospectus and green bonds

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

- ( ) 1 - Strongly disagree
- ( ) 2 - Disagree
- (x) 3 - Neutral
- ( ) 4 - Agree
- ( ) 5 - Strongly agree

- Don’t know / no opinion / not relevant

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

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

Disclosure of green bond data in the prospectus is essential to achieve a high level of transparency and data availability for investors. It would also help to prevent greenwashing. However, requirements of green bonds are already stated in the EU Green Bond Standard, which are also verified by a third-party. Therefore, it may be more suitable to include a general link to the current framework on EU green bonds (as we explain in our answer to Q26) rather that specific information as it is proposed in this question. Alternatively, issuers could have the discretion to choose between specific disclosures or general disclosure but this might not be conducive towards consistent and comparable information on green bonds.

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
- (x) 3 - Neutral
- 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.

We would favor a lighter approach by providing a link to the:
- Green bond framework; and
- Green bond framework's external verification report.

A statement explaining the application of the standard could also be included (if deemed necessary).

The reason for such approach is because these documents are mandatory under the EU Green Bond Standard, so that every issuer will have them prepared by the time of issuance, and they include a vast range of information regarding the green bond information.

Repeating the same kind of information (i.e. copying already existing and public documents) would involve more red tape and bureaucracy and should be avoided in terms of the Better Regulation agenda.

It could be added that if the EU Green Bond Standard is in the future extended to Social and Sustainability bonds, the procedure should be similar (Framework + external verification).

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?

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

Question 27.1 If yes, once the EU Taxonomy is established (assuming that for climate change mitigation and adaptation, it would be based on the recommendations of the TEG for the EU taxonomy), how likely is it that you would use the EU Taxonomy in your investment decisions (i.e. invest more in underlying assets that are partially or fully aligned with the EU Taxonomy)?

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

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

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

Very likely, as the EU Taxonomy will be the relevant legal framework for the definition of sustainable activities and investments on the European level. Some of our Members have already a broad SRI process in place that tackles all ESG factors. The EU Taxonomy is focused only on "green activities" and will be considered by us in respect of such investments.
The extent to which our organizations will use the taxonomy will largely depend on the following prerequisites that remain to be addressed at legislative level:

- The ability to access the relevant data. In that respect, regulatory forbearance will be required by national competent authorities (similar to that provided on the provisions of the Low Carbon Benchmark Regulation) in relation to compliance with (at least) the EU Disclosure Regulation applicable from 10 March 2021.

- A review of the transitional activities category, which is currently very restrictive and only covers activities, which have already transitioned (“best performance in the sector” criterion). If the transition category is not made more accessible, the taxonomy will be of limited use. The transition category must be broader and create incentives for companies to transition, through gradual performance thresholds.
- The final technical screening criteria as some of the criteria recommended by the TEG are overly ambitious (e.g renovation and acquisition of building).

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 necessary, please explain your answer to question 29:

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

The EACB believes that before establishing a new label for investment funds (e.g. ESG funds or green funds aimed at professional investors) we should wait for the Sustainable Finance Disclosure Regulation and the Taxonomy Regulation to be fully applicable in the EU, in order to better understand their implications, impacts and effects.

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
- (x) 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.

Loan Market Association's guidelines for sustainability-linked loans offer sufficient guidance for the process and are currently used as common market practice. In terms of sustainability performance targets (SPTs) used in the loan agreements, there remains a risk of greenwashing, but rather than developing new standards, the EU could encourage SPT alignment with existing standards. Ultimately, the ambition level of the targets remains the weakest link and is rather difficult to be guided by a standard albeit LMA is trying to address this issue as well.
The market for sustainability-linked bonds (SLB) is developing (no other example than Enel so far) and ICMA has just released the key principles for the SLB standard. We believe that it is too early for the EU to intervene with a regulation on this market. We would rather recommend to the EC to monitor these developments, and just like for the EU GBS, possibly set a standard based on identified best practices in a second stage.

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
- (x) 3 - Neutral
- 4 - Agree
-

5 - Strongly agree
- Don’t know / no opinion / not relevant

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

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

The potential standard could use the taxonomy as reference for environmental target setting e.g. aiming to align the company’s business activities to a certain degree by a certain year. However, sustainability-linked loans may cover also social and governance targets, hence a broader sustainability framework would be required.
The EU taxonomy could indeed be a good key performance indicator for target-setting sustainability-linked bonds or loans.
It is important, however, that other indicators can be used as well, such as ESG-ratings, Poseidon principles indicators, climate action 100 measures and so on. Transparency should be ensured so that investors know whether the target is a transparency target or an indicator that has a more direct positive effect, such as by example a target based on the EU taxonomy

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

- (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.

- [ ] a broad standard or label for sustainable mortgages and loans (including social and environmental considerations
- [x] 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?

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

Question 33.1 If no, please explain your answer to question 33:

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

There is a lack of established approach to ESG, and there would be a risk in our view for the EU to appear prescriptive in using one approach for an ESG benchmark, hence possibly hampering future improvement and the multiplicity of approaches that we believe are needed. Therefore, although the idea of having an "ESG benchmark" label sounds appealing, it is extremely important not to standardize ESG approaches and leave investors choose the ESG approach that best suits their needs. As a result, in case of the creation of such ESG benchmark, it would be very important to define minimum standards and general guidelines /standards in benchmark methodologies to allow for a high flexibility in the design of "ESG benchmarks".
In addition, the "EU Climate Transition BM" and the "EU Paris aligned BM" have been implemented just recently. It remains to be seen how these two benchmarks will be adopted in practice. Furthermore, the suggestion to establish a broader "ESG benchmark" is quite ambitious considering there is not yet any social or governance taxonomy. Against this background it seems too early to create a broader 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

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

2000 character(s) maximum

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

From a cooperative banking perspective, the Ecolabel could allow banks to develop sustainable products in general, including bonds, and increase consistency.
Furthermore, the EACB supports the proposal to define a green savings or deposit account in relation with the credit provided to green projects or companies engaged in green economic activities. However, the EACB suggests to further investigate the feasibility and practicability of this proposal in order to avoid the creation of a framework that could not work for all the financial market participants. Essential to being able to verify the extent to which a deposit account is 'green' is the possibility to identify and trace the link between the money that is placed in deposit and how that money is then used by a credit institution to provide (green) loans to applicants for credit. We need to test and define how this could function in practice. It would be worth thinking about the implementation of a transition period in this regard.

1.5 Capital markets infrastructure

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

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

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

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

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

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

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

Overall, the liquidity in the bond market remains currently weak. The liquidity of the Sustainable segment is suffering, among others, from the same regulatory pressure as the non-sustainable bond market. The benefits and feasibility of such a specific trading platform or segment are unclear to us for two reasons:-
(i) there isn't a sufficient amount of sustainable financial products that could be traded on such a sustainable-finance oriented exchange in any case;
(ii) All financial instruments should have transparency as regards their climate and environmental plus other ESG impacts. Over time ESG will be integrated to all financial instruments to some degree and there will not be need for a separate exchange.
Therefore, ESG segments on stock exchanges or quotation pages will not change dramatically the landscape of their investments. Investors have already their own ESG research and can use the ESG sell side research. We would like to emphasise that it is key to mainstream sustainable finance securities across segments. Further liquidity concerns could be raised, if alternative marketplaces or trading segments were to be created. It should be noted that in relation to the above question the term 'foster' could be interpreted as either: (i) imposing more burdensome regimes for issuers wishing to enter the "green" market infrastructure, (ii) only one "green" exchange approved for sustainable bonds to be listed at, or (iii) additional legislation (on top of the many initiatives already embedded in legislation) applicable to bond issues.

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

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

Please refer to our reply to question 36 where we do not advocate for the creation of a sustainable finance oriented exchange.

1.6 Corporate governance, long-termism and investor engagement

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

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

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

Please select among the following options:

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

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

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

We do not see the need for more measures to foster long-termism in coop. banks’ governance and risk management. As for the prudential framework significant changes are on the way. We only see very limited room for complementary adjustments. The current framework on governance of cooperative banks already reflects ESG aligned long-term horizons and sustainability: long-term view of cooperatives: Art. 54 of the Treaty, Reg.(EC) No 1435/2003, national laws) is an advantage from an ESG perspective; its mitigating effects should be reflected for future measures i.e: to enhance (not duplicate) its elements: the main objective of a coop is the satisfaction of its members’ needs, the development of its economic activities, profit is relevant but not pivotal, the democratic principle “one member, one vote”; normally, membership requires the acquisition of a limited amount of cooperative capital, remuneration of capital is limited, members acquire shares at face value and when leaving the cooperative never get more than the face value. The interaction of these factors provide for a governance which favors long-term view and customer-focus. Cooperative banks are not driven by investors to maximize profit (rather ensure long-term profitability, high-quality services for a large number of owners at reasonable prices. The performance of coop. bank-managers is not be measured by the share price (never changes). There is no pressure by a profitability expectations of shareholders. We believe that enhanced reporting and disclosure, integration in SREP process, as envisaged in CRR2/CRD5 (Art.449a CRR2, Art.98(8) CRD5), and the reviewed NFRD will have relevant implications on conduct and governance. SRD2 already invites institutional investors to disclose long-term objectives and asset managers to comply with such long-term policy. In the same vein, setting-up platforms (access to data on ESG) by the EC (recommendation 4) could play a role in promoting a focus on sustainability.

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?

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

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

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

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

The framework which is being developed on risk management takes into account ESG aligned long-term horizons and sustainability:
CRR2 & CRD5 (Art.98 CRD5), shall result in the presentation of a complete ESG-framework in 2021. The SSM Guide on environmental risks will be in force by the end 2020(expect to consider adopting a 5-year forward-looking time horizon for environmental risks in the ICAAP).
Beyond this, there are some very specific areas and provisions, where the current regulatory framework does not seem sufficiently aligned to support a long-term perspective:
- The current accounting treatment for equity instruments under IFRS 9 discourages companies from undertaking new long-term investments in equities.
- The prudential framework (Basel 4, CRR2 and S2) also discourage Long Term investments/financing by imposing high risk-weight for long term exposures (including equity). In particular, the Basel 4 treatment of specialised lending will be detrimental to project finance.
- We believe that the conditions of Article 501a CRR2 (so-called infrastructure finance factor) are far too restrictive and are not in line with market realities. We thus advise to review this provision. See Q60.
Adequate information from all corporates would allow banks to assess customers' progress along the transition path, incentivising a longer term perspective also on borrowers' side. This however requires a much differentiated framework for micro-companies, small companies, and medium/larger companies, based on a common methodology. For smaller companies, this should in a first phase remain a voluntary exercise; a phased approach could ensure that gradually they are able to produce relevant data on a permanent basis.

Finally,Solvency II is sensitive to markets and interest rates levels (mark-to-market), discouraging long term investing particularly when rates are at or close to the zero bound (i.e. small shifts in the interest curve can have a proportionally larger impact).

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

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

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

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

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

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

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

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

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

- ○ Yes

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

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

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

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

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

While we believe that shareholders should have the right to vote on a company's environmental and social strategies/performance, we equally want to stress that the legal frameworks and corporate culture in the EU MSs foresee that it is the management body (with supervisory board in some MSs i.e. two-tier approach), guided by the company's interests, who defines the business strategy in view of long-term interests of shareholders, employees, also a broader business and social context, i.e. interests of its partners and of local communities. Any votes of general assemblies on these issues should therefore fit into this context and provide nothing more than orientations for the management body.
EU action in this area would be beneficial but cannot be possible without standardization of environmental reporting transparency for investors to be able to vote on these issues. As long as there are methodological discrepancies, there can be endless discussions on the quality of data, which can impact voting decisions.
The proposal to link shareholder voting to ESG factors brings to mind the questions about whether passive index investing decreases investor/shareholder incentive to participate in governance matters or to engage with companies regarding their long term strategies(Q45). If right to vote on ESG issues is put in place, we assume:
-The information is already foreseen in the NF statement;
-Duplication of burdens should be avoided. Art.3g SRDII requires institutional investors and asset managers to develop and publically disclose a policy which describes how shareholders are engaged in their investment strategy, including with respect to the monitoring of social and environmental impact and corporate governance of investee companies.
-Care should be taken not to create unnecessary burden on intermediaries who are already obliged under Art.3(c) SRDII to facilitate the exercise of shareholders' rights, i.e.the right to participate and vote in general meeting.

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.

The impact of passive index funds on long-term shareholder interests can be illustrated by their large and granular ESG exposures/intensity, using voting and engagement, for investors to decide what product better suits their needs. The considerable rise of AuMs of such funds shows significant investor appetite for passive allocation bricks based solutions. Indeed, ESMA’s Report on undue short-term pressure on corporations ESMA30-22-762 suggests that the impact on long-term investments may not be directly due to the passive investment strategy itself, but rather, the composition of the respective index. The report explains that many respondents advised that portfolio allocation in such cases follows a certain index /benchmark that is not decided by a portfolio manager. This could be an issue in factoring in long term ESG objectives. Therefore, we believe that the EU should clearly establish which ESG factors comply with these indexes as a first step, particularly regarding the greater likelihood of negative impacts to the achievement of the Paris climate goals if these factors are not considered.That said, we think that the need to take ESG factors in investing is an opportunity to underline the value added by active investing, as opposed to passive vehicles that might be associated with a more short-term approach to investing due to the above-mentioned index/benchmark issue. Most co-op groups have their own investment/pension fund subsidiaries, which typically specialise in active investing, by offering a human-team based knowledge and assessment of the long-term strategy of the companies (or even the funds, in the case of funds of funds) in which they invest, including ESG factors. We see the emergence of ESG investment as an opportunity to develop cooperative banks' networks capabilities in the field of collective investment, investment advice and portfolio management, and to defend ourselves against big investment fund companies specialised in passive investing.

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

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

Do you think companies and their directors should take account of these

interests in corporate decisions alongside financial interests of shareholders, beyond what is currently required by EU law?

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

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

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

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

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

Question 48.1 If necessary, please explain your answer to question 48:

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

First, we believe that such a supply chain due diligence requirement should apply to companies exclusively with regard to their business activities which are carried out outside the EU and only with regard to the business relations maintained with partners established in third countries.
There should be a general presumption that companies established in the EU act in line with the national law (constitutional/labour law) and EU framework and that they comply with the relevant human rights and environmental standards. In the same vein, activities with partners established in countries on a „positive list “ from human rights/labour/environment standards perspective should not be covered by the due diligence requirements (e.g. New Zealand).
Measures of a wider scope (covering all business relationships) would implicitly contest the existing EU

framework which as such is based on the principles of respect for human rights, civil and labour rights and liability and includes also range of regulatory measures aimed at the protection of environment. A correct implementation of the EU law including the environmental legislation is guarded by the EC and its enforcement is done by the national authorities, supervisors and EU institutions.
We think that the scope of application should be limited by several materiality thresholds such as: turnover, transaction value, business profile (whether it is exposed to risks in the areas of human rights and the environment) and number of employees (i.e. the French Loi de Vigilance).
The needs of SMEs (unless they operate in high-risk sectors such as the mining sector or those companies who trade in raw materials or tropical wood i.e. the Swiss Responsible Business Initiative) should be taken into account as especially in the light of the Covid-19 crisis imposing extra requirements may result counterproductive and may effectively demotivate small enterprises to engage in taking up and pursuing an economic activity.

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

- [x] 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.

The consideration of retail investors' sustainability preferences will require a dedicated guidance to financial advisers so that they can answer questions from clients, where relevant. Such guidance could, for instance, be part of the continuous training of advisers. However, what is essential is that such guidance remain non-binding, sufficiently general and at the discretion of each bank. Financial advisers must be able to adapt and respond to the specific needs of each client, on a case by case basis. A binding and detailed guidance would only increase the burden on the business relationship. Furthermore, a binding list of questions to ask the client could result in focusing more on compliance to avoid the risk of sanctions than on adapting to the respective client's profile. For all these reasons, we would not favour such detailed guidance at an EU level.

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?

- [x] 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
- [x] 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.

We believe that one of the action that could be implemented in the strategy is the integration of sustainable finance literacy in the training requirements of finance professionals. But raising the awareness of clients of sustainable finance must be done before the client seeks financial advice.

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.

Measuring the impact of financial products is important. The SFDR should allow measuring the impact of financial products on ESG factors. We should wait for that regulation to bear fruits before considering any EU action.
In the context of double materiality approach the EU Commission should open a dialogue with already existing initiatives and academics.

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 (selected)
- 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.

On one hand, some of our members admit that bonds, funds, and ETFs may have the least impact on the allocation of capital to sustainable projects and activities.
In contrast, other members argue that proceeds from bonds, funds and ETFs are often targeting specific economic activities (i.e. sustainable projects in companies) whereas shares are "just" part of the general capital base of a company. There is a suggestion that bonds might have higher ability to allocate capital to sustainable activities and projects, because sustainable (green and social) bonds are directly linked to sustainable activities and projects and thus use of proceeds are generally reported, measured and verified. Therefore, one could say that shares and equity investments are relevant but not so effective as bonds. Investments in shares aim at financially supporting companies that may promote sustainable as well as unsustainable activities. This means that uncertainty remains about how the capital increase impacts the sustainability of the company or of the company's activities. Finally green infrastructure funds remain rarely used while MMFs are short-term instruments which are of limited use for sustainable projects.
Nevertheless, all financial products could potentially provide the same ability to allocate capital to sustainable projects and activities but is not generally the case for not just the above reasons but also depending on the differences due to the accessibility to the different sources of capital: E.g. a listed company can issue shares, bonds and take out credit, which is contrary to, for example, a startup company.

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
- (selected) 4 - Rather important
- 5 - Very important
- Don’t know / no opinion / not relevant

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

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

Securitization may in general unlock capital for investments if shortfalls in the current framework are sufficiently addressed (see Question 55). Investments in sustainable and green projects should be incentivised in principle - not just via securitization, but securitization can of course play an important role. Securitization helps to improve banks’ balance sheet efficiency and consequently frees up capacity for new business activities. Hence, securitization of green and sustainable assets will positively contribute to further incentivize the origination of such assets in the future. At the same time securitization transactions will support banks in their management of MREL requirements, a new and increasingly limiting factor in banks funding of new business. The MREL equation can be approached from two sides. (i) Optimisation (reduction) of risk weighted assets or (ii) raising MREL debt on the market.
In both cases (e.g. optimisation of RWAs through securitizing assets or raising MREL debt) we consider that more and more institutional investors would include in their investment policies and criteria sustainability considerations.
Supranational institutions already have incorporated this aspect in their underwriting processes, and we see the ESG component gaining more and more importance. Still more funds and other institutional investors focus on investing in sustainable assets. This component might attract such investors both on the securitisation side as well as investment in MREL eligible assets with a sustainable component.
In both cases this will represent an incentive for banks in the future to originate more sustainable assets.
Of course, the effectiveness of green securitisation in allocating capital to sustainable projects and activities by making illiquid assets tradeable and thereby freeing up capital for new financing purposes, also depends on how sustainable these illiquid assets are in the first place when being refinanced.

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?

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

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

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

In general, the EU’s Securitization Framework may be conducive in developing securitizations aimed at financing Green Projects, but it certainly requires adjustments. In fact there seems to be a lack of sufficiently flexible regulatory solutions and appropriate incentives for green securitizations.
More generally, the barriers on the securitization market are not specific to “green assets”: the STS framework licensed by EU co-legislators in 2017 did eventually fall short of the expectations that it would facilitate freeing resources to foster new lending to a greater extent. The regulation turned out to be quite restrictive on the one hand and exclude synthetic securitization transactions on the other. Synthetic transactions instead are particularly effective in helping banks to increase balance sheet efficiency.

All these shortfalls in the 2017 securitization framework have been addressed by the industry several times. Most recently by PCS Secretariat in “RELAUCHING SECURITISATION IN THE EU” on the occasion of the High Level Seminar by EUROFI in Zagreb in April this year:
https://www.eurofi.net/wp-content/uploads/2020/04/relauching-securitisation-in-the-eu_zagreb_april20.pdf

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

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

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

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

As indicated above, we see a need for an overall more adequate securitization framework at large. More specifically for green securitization, it could add appropriate definition, labeling process, incentives. This could be done building upon the EU’s new securitization framework (which already touches upon green securitization). This could increase the appeal of such products and convince investors to channel resources.

As outlined in “RELAUCHING SECURITISATION IN THE EU” by PCS Secretariat (see Q55) capital requirements for investors in tranches of securitization transactions in CRR as well as Solvency II need to be re-calibrated. The incentive for investors to engage in “green” portfolios and transactions is needed.
The capital requirement question would be relative to securitisations as such, rather than being connected to potential green/brown assets differentials on which CRR2 has already provided a mandate to explore the issue.

Avoiding/mitigating haircuts for the purpose of fulfilling LCR requirements could also be a relevant incentive.

2.4 Digital sustainable finance

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

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

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

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

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

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

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

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

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

- ○ Yes
- ● No

Don’t know / no opinion / not relevant

2.5. Project Pipeline

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

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

Please list a maximum of 3 for each:

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

Infrastructural projects will be crucial in coming years e.g. in reshaping transportation networks, energy plants, medical care facilities, even more so to stimulate long term recovery post-Covid19. CRR2 introduced an “infrastructure support factor” (Art. 501a) for a more lenient prudential treatment of such exposures. However, the criteria to be fulfilled are too complex and even not adequate for certain sectors (e.g. health care), and should be simplified and streamlined. Obstacles also include lack of adequate incentives/policies, short-termism of economic agents or consumption patterns. Many sustainable projects may be high risk particularly at inception, thus more shared risk arrangements (Public-Private Partnerships) are needed. Especially in proof of concept phase, and for capital-intensive businesses, more public funding is required. Profitability in renewable energy projects greatly depends on public policies; a stable regulatory environment is a key condition for bankability on long term horizons. Having clarity regarding certain regulations e.g. a (minimum) carbon tax or a cap-and-trade-system is also key.
A strategy is needed to transition public funding, representing 45% of EU GDP, via fiscal, budgetary, regulatory measures. This would boost the emergence of green projects, for banks to co-finance, and give a signal to all economic players.
Lack of clarity on the usability of the taxonomy is also a challenge particularly for start-ups, which are key drivers in developing new areas for sustainable solutions.
While SMEs, corporates, retail banks already invest in sustainable projects, the issue is identifying and tagging such assets. Reasons include: administrative burden (especially for granular portfolios); lack of proper definitions, e.g. a social taxonomy is lacking while loans with positive social impact are sizeable for coop. banks’ lending; difficulty in obtaining proof or IT fields to tag the assets due to other regulations (Data protection).

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

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

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

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

It is important to avoid regulatory fragmentation across Member States. For example, the lack of consistent green energy growth policies over time has contributed to limited pipelines and low investor confidence. It could therefore be useful if the NECPs included incentives and policy measures to make certain projects more bankable/lucrative and to create new sustainable projects, cooperation (member states and regional can lead to e.g. establishment of different programs that promote sustainability). Promotes long-termism (NCEPs are for 10 years).
Furthermore, an investment push from Member States, coupled with consistent policies, legal frameworks, incentives, sustainable mobility infrastructure and energy efficiency improvements would allow the private sector and civil society stakeholders to take long-term decisions and accelerate the transition to low-carbon economies.

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.

EU SMEs represent the 95% of the total amount of companies. As local and regional banks, coop. banks play a key role in financing the energy transition, by promoting within their networks the distribution of investment or savings products in favor of sustainable development; through their expertise in project financing in accompanying energy transition; through their green financing geared to SMEs and energy efficiency financing of private and public buildings.
The EU Regulations on Sustainable Finance and sustainable financial tools (e.g. green bond, green loans, taxonomy aligned investments) currently are mainly addressed to large companies and relevant operations /projects. A proportionate, simplified and less costly approach should be adopted to support SMEs and smaller investors to invest in sustainability and green transition. Green investment is often seen as an opportunity cost compared to expanding production. Initiatives like EBRD’s Green Economy Financing Facility go in the right direction, making available advisory services to borrowers and partner financial institutions for energy assessments, training and marketing support, and providing web-based tools for selection of the best technology solution and identification of reliable suppliers and installers. The EIB and other promotional institutions could design innovative SME products to be delivered via banks. Specific credit guarantees would reduce collateral requirements and stimulate development of standard green banking products for SMEs.
Other relevant tools could be the use of credit protection facilities, a wider approach to SME-friendly legislation, facilitating business start-ups and cross-border expansion of SMEs, small lot assignment of public contracts to facilitate SMEs’ procurement.
New options for tapping debt and equity markets for SMEs (e.g. Sustainable Mini Bonds) and the potential for common standards for sustainable credit and loans to SME could be explored.

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.

R&I will be necessary to develop further technologies that could help the transition of sectors and activities that are still at the beginning of the process. We should not only focus on activities that are already "dark green". Rather, we believe that every technological development that is necessary to turn brown activities into "light brown" or even "light green" should be promoted. We believe that this process could have the greater positive impact on the global sustainability agenda.

Our Members believe that it could be possible to ensure that the financial tools developed to increase sustainable investment flows turn R&I into investable (bankable) opportunities by offering long-term financial instruments with proportional guarantees that allow a return on investment in R&I.

We would like to suggest also the possibility to develop EU financial tools (i.e. guarantee and de-risking schemes) dedicated to companies investing in Sustainable R&I and Social Innovation. A valid example could be represented by the EIF guarantee tool InnovFIN. It would be very effective to develop a sort of Sustainable InnovFIN.

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

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

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

	Yes	No	Don't know / No opinion
Bringing more financial engineering to sustainable R&I projects?	●	○	○

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

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

2000 character(s) maximum

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

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
- (x) 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.

Sustainable investments should be profitable and more attractive than other investments but, because of mandatory prospectus reporting and assurance, sometimes they face higher costs than mainstream investments. For this reason it could become relevant the possibility to introduce fiscal benefits and preferential prudential treatments for sustainable investments.
In our view, some barriers to attracting sustainable investment could be broken through the creation of eco-labels. For investors would be better aware of the environmental specificities of the financial products they are investing in, addressing at the same time the lack of education that persist in this field.
ESG data is currently in larger scale so expensive that small investors (e.g. small pension funds) do not have resources to buy it directly. Even if they had resources to buy it - they would not likely have resources to understand and analyse it correctly. In addition to this, the lack of a common EU standard for ESG reporting and the absence of a European definition of materiality contribute to increase market barriers and inefficiencies.

Finally we believe that another issue could be related with the insufficient number of projects to finance. The role of our members in the European economy is not to develop sustainable projects but to finance them. An increase in sustainable projects will naturally be supported by an increase in sustainable investments.

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
- (x) 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.

Regarding bonds, more issuance, speed up market growth & access to investors could help meet climate goals. Entering the GB market entails a lot of costs and requires resources, administrative considerations – subsidies would reduce the initial cost and encourage issuance and the growth of the market. Revenue neutral subsidies might be most efficient, and in general subsidies seem to be the most commonly used incentives.
However, especially technical assistance would be beneficial and decrease the amount of required resources, in particular when adopting new guidelines and regulations (e.g. taxonomy and GB standard).
Technical assistance: taking in consideration that a significant part of the EU's companies are SMEs it would be helpful if companies could have access to open source accurate models in order to proceed with their own assessment of their exposure to physical risk without tapping their own financial recourses. Providing open source climate accurate models could help SMEs take measures on a voluntary basis to mitigate and adapt to climate change without additional financial costs for acquiring know how tools.

In general, the market for sustainable investments could be boosted by creating more conducive environment for sustainable activities.

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

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

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

2000 character(s) maximum

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

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.

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
- [x] Adjusted prudential treatment
- [x] Public guarantee or co-financing
- [ ] Other

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

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

A fundamental incentive is transparency, and provision to investors of good and sufficient information.
Improved standardization of ESG reporting will be conducive to improved disclosure and eventually enhance transparency and interest for retail investors.
As indicated, while transparency is important an 'adjusted prudential treatment' and 'public guarantee or co-financing' could also play an important role for both professional and retail investors and should be explored.
Tax incentives for "good students": tax relief could be explored for investors making sustainable investments in "green-labelled" fund, or lower taxation of revenues from investment in green bonds could be considered.

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

- ● Yes

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

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

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

In our view the EU should consider the following three incentives in order to facilitate access for SMEs carrying out sustainable activities or wishing to transition:
- Special subsidies for financing SMEs carrying out sustainable activities or SMEs that wish to transition (free training, online support platform…);
- Tax incentives for green investments;
- SMEs will especially benefit from increased use of standardisation and sharing of data. Giving SMEs incentives to provide the most relevant data, e.g. on CO2 emission, could be an option which would make it easier to invest/lend to SMEs to support sustainability.

In some Member States (e.g. Denmark) the financial sector has promoted initiatives such as a common certification of energy advisors which could limit the costs for SMEs. Possibilities of creating a common certification of energy advisers at EU level could be an initiative to be explored.

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

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

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

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

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

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

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

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

The EU Taxonomy will become applicable at the end of 2021/2022 - so at this point of time it is not ensured that it is suitable for the use by the private sector. Therefore, it is not possible to anticipate whether the EU Taxonomy will be suitable for use by the public sector.
However, in order to ensure consistency, the intention for the future should be to use the EU Taxonomy as a standard in the public sector in the same way (for example in the area of green public procurement).

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

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

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

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

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

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

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

2.8 Promoting intra-EU cross-border sustainable investments

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

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

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

2.9 EU Investment Protection Framework

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

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

Please choose one of the following:

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

2.10 Promoting sustainable finance globally

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

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

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

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

Please list a maximum of 3 proposals:

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

The Commission should: strengthen the cooperation with international actors (e.g. United Nations Department of Economic and Social Affairs, The United Nations Framework Convention on Climate Change) as they are the initiators of globally recognized standards and frameworks. In perspective, it will not be sufficient to conduct the sustainability discourse only at a national or EU level; foster the engagement in the International Platform on Sustainable Finance (IPSF); promote the establishment of an internationally coordinated, globally applicable Taxonomy (defining under which conditions economic activities are sustainable).

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
- [ ] Excessive (perceived or real) investment risk
- [ ] Difficulties to measure sustainable project achievements over time
- [x] Other

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

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

1. In spite of the massive investment need in emerging markets and/ or developing countries, the scale of investment is often low and needs to be increased by bundling together individual projects.
2. Emerging markets and/ or developing economies have very often less stringent environmental and social regulations requiring complementary diligence to ensure that minimum standards/ positive impacts are met.

3. Similarly, these countries often lack a quality (regulatory) reporting and verification framework that fosters the necessary transparency of sustainable finance markets.
4. The identification of sustainable projects is more difficult in emerging markets and/ or developing countries. This would require, in particular, evaluating and monitoring the positive impacts of the projects through additional studies. These studies would have to be carried out upstream of the financing process and represent an additional cost, which raises the point of how these costs should be allocated.
5. Furthermore, E&S assessments - when carried out - focus today on identifying and managing the negative impacts of projects, rather than on the positive sustainability benefits. The assessment of these benefits should be integrated from the outset in E&S assessments in order to be able to assess the alignment of projects with the EU Taxonomy.

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.

The EU could support the mobilisation of international and domestic private investors to finance sustainable projects and activities in emerging markets and developing countries by ensuring the proper protection of investments and by creating a global Taxonomy for sustainable economic activities and projects.
The EU can best achieve this by promoting commonly used Blended Finance Instruments (i.e. Technical Assistance, De-Risking, Guarantees etc.). Additionally, they can support setting clear SDG goals for multilateral development banks in order to model appropriate strategies that can be adopted by other industry players.
Some multilateral development banks currently fund preliminary studies for projects before financing them. The EU could set up an envelope to finance preliminary studies on the sustainability of projects to be financed by the private sector.
In the export context, European ECAs could - within the OECD consensus - grant more favorable terms to transactions qualified as sustainable. If the OECD arrangement on officially supported Export Credits were amended it could take into consideration sustainability criteria to grant better financing terms in order to further encourage such sustainable transactions.

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.

To date, it is already a requirement to conduct/have conducted E&S assessments based on recognized standards such as the Equator Principles, the IFC Performance Standards, and the WBG EHS Guidelines. These texts are widely recognized on the international market. One point of vigilance is not to complicate the processes further by taking into account additional standards. The evaluation frameworks and underlying criteria should be harmonized as extensively as possible.
It seems important to build on existing standards that have achieved a certain consensus among a large number of market practitioners.
In this sense, the EU Taxonomy could be adapted in order to integrate existing practices and thus constitute a common base/ a common reading grid for all lending institutions and borrowers in the continuity of the past experiences.
In addition, ensuring simplification and clarity of these tools and ensuring their associated costs are not onerous are likely to be key to their adoption in recipient countries.

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

- ○ Yes
- ● Yes, but only partially
- ○ No
- ○ Don’t know / no opinion / not relevant

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

2000 character(s) maximum

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

The EU Taxonomy should be suitable for identifying green assets regardless of the source of financing (be It guarantees or blended finance). However we believe the EU taxonomy, as it is intended, might be too granular and complex to be applied in the emerging markets investment context.
Over the past few years many market participants (i.e. regulators, stock exchanges, market associations and financial institutions) have stepped in to provide an approach to identifying what is considered 'green', 'social' and/or 'sustainable'. Apart from the EU Taxonomy, we can cite the Multilateral Development Banks and the International Development Finance Club which have developed a common approach to track finance towards climate change mitigation and adaptation.
Some development banks already have frameworks in place. Using heterogeneous approaches could dilute the readability of what is considered as "sustainable". Harmonization therefore seems necessary in order to be able to successfully co-finance sustainable projects in emerging markets and/ or developing economies.

3. Reducing and managing climate and environmental risks

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

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

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

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

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

Question 82.1 If no, please explain why you disagree:

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

While a brown taxonomy would provide further indications regarding climate risk, we fear that its development at this stage might produce unintended consequences, especially if not complemented by consistent public and private measures promoting greening of industries. It would rather expose further some industries, constraining credit flow, while they have to deal with the challenges of reconverting. As such industries still secure substantial workplaces, and the Covid19 crisis is having sweeping impact on the labor market, it would be destabilizing to put them under further strain. Market forces will push brown companies to transition or disappear. Stronger transition risk could emerge, faster than anticipated, as financial outflows or as financing constraints. Accompanied by significant decline in customer demand this could severely affect financial stability and society. This while brown activities may simply turn to other funding sources (self-funding; third-country investors). Setting transition periods and targets for companies in the most polluting industries should be paralleled by EU transition funds to avoid sudden insolvencies and job losses, and include funds for reskilling affected workers. The green taxonomy already categorizes assets based on a significant no harm principle for env. objectives, and delegated acts will establish technical screening criteria. The harm criteria could reveal quite relevant from a credit risk perspective, helping to recalibrate practices and portfolios. It is now key to operationalize the green taxonomy, as it was only just adopted and there is no experience in implementation and workout.
Also, supervisory initiatives and dialogue will already lead institutions to develop, for risk management and SREP purposes, methodologies to screen and assess customers. This will allow banks to understand risks and engage with customers where needed, without giving rise to abrupt changes to credit flows or regulatory requirements.

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

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

3.2 Financial stability risk

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

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

instance the impact of climate change on real estate prices) can further weaken the whole financial system.

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

Please select all that apply:

Please select as many options as you like.

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

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

Please provide links to quantitative analysis when available:

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

The physical risks stemming from climate change will certainly impact the banking industry, the question is to determine the transmission channels consistently. Some members reported that their exposures in the agricultural sector, understandably so, are primarily on the line in this respect. In general, physical risks can play a relevant role in real estate financing, but also in the insurance business.

In particular, depending on the geography considered the productivity of agriculture and forestry sectors can be positively or negatively impacted. E.g. while in northern Member States, significantly warmer winters and moderately warmer summers, and precipitations' increase, could lead to better growing conditions for agriculture and forestry due to longer growing season whilst increasing the potential for pest and disease. The net outcome of these changes is unclear. At the same time in some southern Member States, the risks of droughts are becoming more severe, leaving the sector exposed.
Moreover, the changes in precipitation patterns and extreme variability in weather patterns that affect the number of different sized incidents caused by extreme weather conditions such as heavy storms are more likely to happen and lead to increase insurance claims and compensations.

In general, the main channel for physical risk to materialise is credit risk. For instance, a [corporate] client, which used the credit proceeds for the [design, construction, operation and/or maintenance] of a hydropower dam, may be impacted by physical risk where the hydropower dam becomes useless after the river dries out. This would affect its profitability and thus its capacity to pay back its credit.

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

Please provide links to quantitative analysis when available:

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

Members are aware that this would be primarily an issue for their exposures towards certain industrial sectors. But it is difficult to provide an overview given the difficulty to predict legislative actions that could impact this area. Also, transition risk becomes more relevant the longer the "holding period" of the assets. Transition risks could dominate medium to long-term corporate customers financing.
The transmission via credit risk will depend on 3 factors: the sensitivity of the client sector to the transition, the country of the client and the level of preparation of the client for managing its transition and its adaptation capacity.
Transition risks will be channeled through credit risk exposure as corporate clients are impacted by changes to their business and competitive environment, and their profitability and credit quality decline (they may even default). Banks would also be exposed to credit risk on sovereigns for countries that would be negatively impacted.

Energy intensive economies are more vulnerable towards increases in energy prices, which are commonly expected to rise due to increases in carbon emissions prices. This may not only affect the financial institution itself but also the profitability of its corporate customers. This risk is even more imminent where government’s climate policies are particularly ambitious.

Therefore, we expect a clear and transparent path developed at EU level on how the most affected industries can be supported to achieve the transition and the means of financing it, so that it can be done in an orderly manner. Sudden and strict rules, without enough time to ensure transition will lead to increase NPE/risk costs and could have a negative impact on the banking system.

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

Please provide links to quantitative analysis when available:

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

Some members have flagged for instance increased flood risks in the long-term, clearly the severity is also depending on the orography of the areas affected. In some Member States estimates of citizens living in flood risk areas are available (e.g. in Finland 1,5 million citizens), and this is likely to have an impact on the real estate values in the first place due to increased insurance premiums, increasing living costs in in these areas.

In addition to impact on the value of real estate, we also see an impact on the business model of the companies operating in certain regions (where the frequency of those events will increase significantly); especially for those companies that have operations concentrated in a single area; Furthermore, as a result supply chains might get easily disrupted – as such events are not easy to predict.

Other considerations touch upon climate-related social unrest and global massive migration, which would also have an impact on real estate values (upward pressure if demand of housing grows) and lead to multiple societal challenges.

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.

Members have taken a number of initiatives that can vary also according to their geography and Member State of reference in terms of engaging or not with different sectors.
It is also evident for instance that energy production policies are still very different across the EU which can also steer investments/divestments in certain types of energy productions accordingly.
Other measures reported include the valuation of the portfolio and its classification according to its predisposition to climatic risks. This provides a better understanding of the social and environmental impact of credit operations. This type of analysis can also lead to new business opportunities for the sector, for instance increasing the number of credit operations for companies that will be affected by climate risks and seek to finance remedial/adjustment actions.
Some members reported urging corporate clients to assess their climate-related risks and supporting them in the transition, or increasing knowledge on climate related risks while applying the knowledge in appropriate financial products. Banks may also incentivize clients to invest in sustainable activities e.g. by applying the EU’s taxonomy.
Climate risks are being incorporated into risk strategy and governance following also the SSM focus on this area. Recently released draft SSM guidelines on climate related and environmental risk confirm this focus. However, members reiterate that banks currently lack data from clients to be able to integrate all aspects of ESG risks in the systems and processes.
The EU taxonomy, by providing a common understanding, is helpful in managing climate and environment risks. A standardization of disclosure requirements for corporates, at least capital market oriented ones, would also be helpful. For SMEs a simple framework to assess them along basic criteria such as sector /region would be helpful. Banks already take into account relevant risks in their activities, including ESG risks.

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

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

- 1 - Highly insufficient
- 2 - Rather insufficient
-

3 - Neutral
- 4 - Rather sufficient
- 5 - Fully sufficient
- Don’t know / no opinion / not relevant

Insurance prudential framework

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

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

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

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

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

Banking prudential framework

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

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

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

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

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

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

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

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

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

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

Asset managers

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

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

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

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.

---

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

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

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

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

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

Question 94. In view of the planned review of the IORP II Directive in 2023, should the EU further improve the integration of members’ and beneficiaries’ ESG preferences in the investment strategies and the management and governance of IORPs?

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

3.3 Credit rating agencies

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

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

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

- ○ 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.

Not very transparent. While it is increasingly important and emphasized and the relevance will continue to grow, it is not yet clear how such factors are integrated in CRAs’ ratings (especially the social and environmental aspects). E.g. S&P reports that : “Our financial institutions analysis typically considers ESG factors in the context of the Banking Industry Country Risk Assessment (BICRA), risk position, and governance assessments”.
But this varies notably among CRAs, e.g. S&P has a section where they go into depth about how ESG is integrated in credit rating processes, but Moody’s integration process is quite unclear.
There are still improvements to be made in terms of homogeneity of frameworks across different CRAs and transparency of how CRAs integrate ESG factors into credit ratings (practice vary from one CRA to another).
We would also note an integration mostly on a qualitative level with limited traceability for the issuer.
Country ratings have been “upgraded” with ESG factors but due to the current market distortions no impacts are yet observable.

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

- ○ 1 - Not effective at all
- ○ 2 - Rather not effective
- ● 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.

On a country level: 1-2 On a corporate level: 2-3
ESG assessment in the credit rating is qualitative, not quantitative, so it is difficult to get a good grasp of it and to compare with other credit institutions. For instance, in France, ESG criteria are not discriminating amongst banks.
On the impact on credit rating, to members' knowledge only Scandinavian banks have seen their credit rating impacted following governance issues.

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

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

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?

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

3.5. Improving resilience to adverse climate and environmental impacts

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

Climate-related loss and physical risk data

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

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

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

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

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

Please select as many options as you like.

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

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

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

EU should first of all standardize climate-related and physical risk-related ESG data disclosures by companies.
There is rarely too much good comparable data on climate-related losses and physical risks. Physical risk data would help analyze the impact of stranded assets across the EU – given that such data may be politically sensitive, the European Commission could take stronger action to enhance its availability. As to the climate-related losses, transparent and comparable data would allow different countries to learn from each other and analyze how to avoid climate-related losses.
A standardization of disclosure requirements for corporates – particularly those that are capital market oriented – would be helpful. However, additional disclosure requirements would be especially challenging for SMEs. Thus, a common understanding or regulatory requirements to allow SMEs to be assessed along simple criteria such as sector/region would be helpful.

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.

The availability, usability and comparability of physical risk data is one of the major obstacles, when it comes to identifying physical risks. Hence, we suggest the implementation of a database on a European level, which would provide relevant information. The same holds true for climate-related loss data. Data availability is crucial for banks with regards to scenario analysis and risk assessment. While historical observations (e.g. with regard to physical risks) may not be representative of future potential losses, a common database based on the loss experience of several financial market players would be helpful.
Another precondition for tackling ESG-risks (physical risks/transitional risks) is a clear definition of those risks. An operational definition from a risk management perspective still needs to be developed at EU level. Furthermore, a clear guidance on how to measure ESG-risks is not available, while the measurement of ESG-risks requires clear and practical measurement tools (see Question 88 above).
The availability of data could play a role also vis à vis a homogeneous treatment of ESG risks for the purpose of Pillar 2 supervisory decisions.
The disclosure of ESG-relevant data of the financed companies ideally would follow uniform guidelines, so that the physical risk could in principle also be assessed along loss and physical risk data in a uniform logic. A standardization of disclosure requirements for corporates, at least capital market oriented ones, would also be helpful. For SMEs a simple framework to assess them along basic criteria such as sector/region would be helpful. Banks already take into account relevant risks in their activities, including ESG risks. For project finance, one should also keep in mind that the credit analysis must include the necessary individual assessments for ESG risks. Alternatively, the collection of climate-related loss data could also be carried out by a consortium of banks.

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?

- ◉ 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	○	○	○	○	◉	○
Raise awareness about climate physical risk.	○	○	○	◉	○	○
Promote ex-ante “build back better” requirements to improve future resilience of the affected regions and or /sectors after a natural catastrophe.	○	○	○	◉	○	○
Facilitate public-private partnerships to expand affordable and comprehensive related insurance coverage.	○	○	○	○	○	○
Reform EU post disaster financial support.	○	○	○	◉	○	○
Support the development of alternative financial products (e.g. catastrophe bonds) offering protection/hedging against financial losses stemming from climate- or environment-related events.	○	○	○	◉	○	○
Advise Member States on their national natural disaster insurance and post disaster compensation and reconstruction frameworks.	○	○	○	○	○	○

Regulate by setting minimum performance features for national climate-related disaster financial management schemes.						
Create a European climate-related disaster risk transfer mechanism.				X		
Other						

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

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

Financial support for the development of more accurate risk models would facilitate advanced detailed calculation of companies' exposure to physical risks and therefore offer a more reliable source of information. This would enable the EU to develop a high-quality database.

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.

While businesses and society are generally becoming increasingly aware of the effects of climate change, it would be helpful if international and national bodies could contribute to raise awareness. Banks cannot be left alone in illustrating the consequences of increased ESG risks to customers or explaining the effects of economic/environmental policies. A coordinated effort would speed up the transition to a more sustainable economic model.

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

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

In some cases, it is not so much a question of building back better but rather of better planning as to where to build. For example, if we consider natural disasters such as floods produced by rivers, this would not be a question of building back better but rather of modelling the river flood plains through river modelling software,

thus knowing with greater precision where it would be possible to build without being exposed to a physical risk.
Another approach may be to promote the integration of climate risk in all new constructions in a similar way as for seismic risk.

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

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

The EU should assess why such a disaster has occurred before reforming financial support. While in some cases disasters are avoidable if good planning is done, in others such as hailstorms, this is difficult to grasp and reform may indeed be necessary.

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

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

Supporting the development of financial product that offers protection/coverage against financial losses resulting from increasingly frequent extreme weather-related events would be a welcome step.

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

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

The creation of a European climate-related disaster risk transfer mechanism could be an interesting tool to ensure risk diversification across the EU, provided that it is borne in mind that EU countries belong to very different climate regions and that the natural risks to which a country or even a particular territory within a country is exposed may be very different from those that another region or territory may face.

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

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

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

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

Additional information

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

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

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

Useful links

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

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

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

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

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

Contact

fisma-sf-consultation@ec.europa.eu