

# 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.

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

More information:

- [on this consultation](#)
- [on the consultation document](#)
- [on sustainable finance](#)
- [on the protection of personal data regime for this consultation](#)

## About you

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\* Language of my contribution

- ☐ Bulgarian
- ☐ Croatian
- ☐ Czech

- ☐ Danish
- ☐ Dutch
- ☒ English
- ☐ Estonian
- ☐ Finnish
- ☐ French
- ☐ Gaelic
- ☐ German
- ☐ Greek
- ☐ Hungarian
- ☐ Italian
- ☐ Latvian
- ☐ Lithuanian
- ☐ Maltese
- ☐ Polish
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- ☐ Slovak
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- ☐ Spanish
- ☐ Swedish

\* I am giving my contribution as

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| <input type="radio"/> Consumer organisation           | <input type="radio"/> Non-governmental organisation (NGO) |  |

\* First name

Info

\*

## Surname

EUROPEANISSUERS

## \* Email (this won't be published)

info@europeanissuers.eu

## \* Organisation name

*255 character(s) maximum*

EuropeanIssuers

## \* 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.

20935778703-23

## \* Country of origin

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

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| <input type="radio"/> Denmark                          | <input type="radio"/> Liberia    | <input type="radio"/> Saint Lucia                                 |  |

\* Field of activity or sector (if applicable):

*at least 1 choice(s)*

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



- ☐ Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
- ☐ Social entrepreneurship
- ☒ Other
- ☐ Not applicable

\* Please specify your activity field(s) or sector(s):

Publicly Listed Companies

\* 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.

☒ 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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

## **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.

As the Taxonomy and Disclosure Regulations will establish a classification of sustainable activities and enhance transparency of companies and investors, EuropeanIssuers believes that EU actions should be driven by a methodology rewarding both already best performing activities and activities committed to change towards more sustainability. Nevertheless, it is expected that this classification would be timely challenged. Companies consider sustainable finance must tap this potential by supporting more clearly than in the Taxonomy Regulation the role of enabling and transitioning activities as their contribution will be the key to reach the sustainability goals in the EU and possibly at global level. We think that the system focussing only the best performing companies and excluding others based on existing activities would not help reaching sustainability goals and will exclude other sectors that are dependent on excluded activities. We therefore believe that the Taxonomy Regulation should provide more details and be more inclusive in the definition of enabling and transition activities given transitional energy mixes envisaged within the EU during the period 2020-2050 in view of reaching climate neutrality by 2050. Then, it will be up to investors to determine their own investment strategy, provided their options are visible and clearly explained. On a more general ground, EuropeanIssuers believes it is of utmost importance to foresee that any regulatory intervention aims to simplify the overall legal framework and rests on an impact assessment aimed at determining whether any new proposal, or modification of the existing discipline, achieves the policy objective by making it less burdensome for markets, operators and end users, as correctly pointed out in the Report of the Capital Markets Union High Level Forum.

## **Section II. Questions targeted at experts**

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

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

*2000 character(s) maximum*

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

### Challenges

- How to support a global transition to low-carbon economies and achieve greater international cooperation to scale up environmentally sustainable finance projects?
- How to set up meaningful standards at worldwide level on environmental efficiency at company level while avoiding oversimplification?
- How to better value ongoing transitioning activities based on relevant measurable criteria such as effective investments on R&D, or alignment with various transitional energy mixes supported by the EU Taxonomy throughout 2020-2050?
- How to encourage dialogue between investors and companies in order to speed up the launch and deployment of new projects with significant positive impacts on sustainability at worldwide level?
- How to combine environmental priorities with economic recovery emergency measures?
- How to strike the right balance between regulatory intervention and market driven solutions?

We suggest considering the creation of wider and international standards and navigating the sustainable finance framework with partly overlapping initiatives and requirements. Obligations on market participants are increasing, allowing a very short time to digest rules and implement changes. Fast moving environment can lead to a skills gap and to pressures on resources to meet requirements.

### Opportunities

- COVID-19 recovery measures can support the necessary reforms of the EU economy to achieve long-term climate neutrality, reconciling the European Green Deal with the recovery plan and utilising measures such as the JTF;
- Clarifying roadmaps for the transition of primary sectors will allow for acceleration of financial flows to support transitions and potentially avoid the need for regulation of the financial sector that will only indirectly motivate change;
- The digital transition should lead to the development and implementation of technological solutions to resolve the data issues in tracking and reporting on sustainability risks and factors.

**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.

European Issuers encourages to better define and value what constitutes 'enabling and transitioning activities' in EU policies and regulations, in order to promote the shift of activities towards more sustainability while avoiding "niche" provisions.

At present the Regulation on Taxonomy mentions:

- Article 10.2, transitioning activities only for climate change issues, specifying those activities should be characterised by "greenhouse gas emission levels that correspond to the best performance in the sector or industry". This statement seems in contradiction with the fact that those activities are in transition in view of reaching those best performance within a specific time-frame.
- Article 16, enabling activities, defined as activities which "directly enabling other activities to make a substantial contribution to one or more of those objectives, provided that such economic activity:
  - (a) does not lead to a lock-in of assets that undermine long-term environmental goals, considering the economic lifetime of those assets; and
  - (b) has a substantial positive environmental impact, on the basis of life-cycle considerations"

This definition should be clarified in level 2 measures.

Companies consider that reporting on sustainability could probably be subject to more standardisation (especially with regards to a common definition) and made available in public databases, thus granting access to information users to such information directly and avoid a work overload due to answers to multiple identical requests for data from various stakeholders (see also answer to Question 14). However, we would like to confirm our position that we are not in favour of digitalisation of non-financial information, precisely because we believe that non-financial information is not mature enough to be processed in an automated way.

**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.

EuropeanIssuers believes that, while this information would be of interest to economic actors, it is extremely difficult to ensure limited or avoid potential negative socioeconomic impacts of such financial tools. Usually, social impacts on consumers associated with energy and climate are mostly dealt with by public policies such as: energy 'social' subsidised rates, or tax credits on energy, or white certificates dedicated to the renovation of social buildings. The company level is involved when designing social plans and training plans in view of shifting professional skills, possibly in the context of significant changes linked to climate goals. In this regard, depending on Member States' practices, it could be explored whether it is possible to integrate companies' good practices in this field.

**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.

EuropeanIssuers would not suggest a modification of dates for the application of environmental objectives laid down in the Taxonomy Regulation. On the contrary, we think that within the already defined timeframe, it would be very useful for investors to get more clarity (in level 2 measures) about the definition of transitioning and enabling activities, as more predictability on forthcoming regulation at EU and Member States levels would also foster investments.

Furthermore, no additional objective (social issues) should be added before implementation of all environmental objectives and post-implementation assessment. On the contrary, it is necessary to ensure sufficient timeline for implementation of any new measures from renewed strategy (in particular ensure coordination with elaboration of implementing measures) and to ensure the clarity and stability of the political and regulatory environment, including public policies are essential for issuers to engage in long-term business models and decision-making.

**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?

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

**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*



EuropeanIssuers strongly believes in the necessity to involve companies from different sectors of the economy in the governance bodies dedicated to sustainable finance at EU level, notably the Sustainable Finance Platform, and to avoid uncoordinated initiatives (such as multiple experts' groups on sustainable-linked topic).

We also believe that it is important to clarify the definition of the following aspects:

- transitioning activities: (Article 10.2 of the Taxonomy Regulation), mentioned only in regards to climate change issues and specifying that those activities should be characterised by "greenhouse gas emission levels that correspond to the best performance in the sector or industry". This statement seems in contradiction with the fact that those activities are in transition in view of reaching those best performances within a specific time-frame.
- enabling activities: (Article 16 of the Taxonomy Regulation) defined as activities which "directly enable [e] other activities to make a substantial contribution to one or more of those objectives, provided that such economic activity:
  - (a) does not lead to a lock-in of assets that undermine long-term environmental goals, considering the economic lifetime of those assets; and
  - (b) has a substantial positive environmental impact, on the basis of life-cycle considerations"

These definitions should be clarified in level 2 measures.

**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.

We believe that priority should be given to the setting up of in-depth dialogues between investors and project initiators as a key complement to sustainable reporting. The most important thing is the coordination and full adoption at international level of every possible action. Globalisation requires more international and institutional working tables for the successful and effective transition to sustainability. In fact, even a single jurisdiction arbitrage could severely dent the effort made by most of the adopter States. It is also important to globally spread information and training on issues related to sustainability both from the point of view of environmental protection and social justice. This will strengthen the internal thrust at country level towards adopting shared sustainability policies. Market stability and economic-political tensions are risks arisen by short-sighted views. The launch of the recent International Platform on Sustainable Finance (IPSF) by the EU and other important institutions from Argentina, Canada, Chile, China, India, Kenya, Morocco, Norway, Switzerland, New Zealand and Singapore together with the IMF is a clear step forward. This is an example of coordinated and appropriate international cooperation that will cover capital market initiatives and will encourage sustainable investment globally. The pandemic and economic crisis reinforced the need for a comprehensive and global approach to cope with the heightened asymmetries, weaknesses and inequalities of our system that must be properly considered to achieve sustainable, inclusive and fair development. Climate and biodiversity crises, as the recent pandemics, are a direct consequence of human activity, small window of opportunity arrives in overcoming the challenges of the current situation, to avoid sowing the

seeds of future ones. Recovery should come with conditions targeting an inclusive and sustainable economy, mutual support and coordination are essential.

## 1. Strengthening the foundations for sustainable finance

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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*

EuropeanIssuers acknowledges that the availability of qualitative, comparable and reliable ESG data is an issue of European sovereignty, particularly relevant in light of recent acquisitions of European ESG rating agencies and data providers by US companies. The successful implementation of the EU Sustainable Finance Strategy will rely on the accessibility at reasonable cost of such data according to EU definitions, values and convictions. The American approach to ESG can lead to bias and diverging opinions on what can be considered “sustainable” because it is much more, if not only, based on financial materiality, which is not the case for the EU, with the double materiality approach including non-financial materiality. Since issuers are overburdened with multiple and increasing requests and questionnaires addressed to them by ratings agencies and other stakeholders, if a common, publicly accessible EU database for companies’ ESG data published under NFRD could put an end to such request, we’d support such a solution, but only if it was designed to be flexible in its governance and overall structure, thus allowing adaptations to the evolving ESG data. It should be the point of collection of non-financial information that is already published by companies, based on Directive 2014/95 on obligations relating to non-financial information. On the other hand, it cannot entail obligations to disseminate further information on the matter. Finally, it should be made clear that it would not serve as a gateway to digitalisation of ESG data: non-financial information being largely qualitative, electronic reporting does not make sense and might be even be misleading as non-financial information, taken out of its context, loses its meaning. Companies consider that non-financial information is not mature enough at this stage to be processed in an automated way.

## **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<sup>1</sup>?**

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

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

### **1.2 Accounting standards and rules**

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

Recognising the importance of ensuring that accounting standards do not discourage sustainable and long-term investments, as part of the [2018 Action Plan on Financing Sustainable Growth](#), the Commission already requested the European Financial Reporting Advisory Group (EFRAG) to explore potential alternative accounting treatments to fair

value measurement for long-term investment portfolios of equity and equity-type instruments. [EFRAG issued its advice to the Commission](#) on 30 January 2020. Following this advice, [the Commission has requested the IASB](#) to consider the re-introduction of re-cycling through the profit or loss statement of profits or losses realised upon the disposal of equity instruments measured at fair value through other comprehensive income (FVOCI).

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

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

### 1.3 Sustainability research and ratings

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

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

- ☐ 1 - Not concerned at all
- ☐ 2 - Rather not concerned
- ☐ 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.

As mentioned above, the acquisition of major European non-financial rating agencies by the US raises the question to which extent the European vision of sustainability and ESG will continue to be considered in ESG ratings dominated by American players. There is necessarily a bias resulting from the North American view on ESG issues because ESG is not only about facts and figures, but also about values and convictions of what constitutes responsible business conduct. By consequence, there is a considerable issue of EU influence and sovereignty at stake when it comes to the availability and accessibility of ESG data, rating and

research.

Concentration in the market might also be impacting the issue of funding of ESG ratings. The less players there are, the more these few players will dominate the market and impose their prices and views on ESG.

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

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

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

*2000 character(s) maximum*

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

ESG data available on the market is either based on the data collected directly from companies via their sustainability or management reports, or based on various other sources (benchmarks; private initiatives processing and assessing ESG data; social media reviews; controversies...). The heterogeneity of the quality and reliability of ESG data is highly dependent on its various sources. It may be high when companies submit their ESG data to verification (be it equivalent to limited or reasonable assurance) by independent accredited third parties. On the other hand, ESG data may be less qualitative or reliable when there is no verification, or when it is produced by data providers with little or no guaranties as regards the rigour of methodologies or the prevention of conflicts of interest.

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

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

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

*2000 character(s) maximum*

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

Issuers are concerned about the considerable divergence of ESG ratings which remain quite often unexplained. Ratings differ because rating agencies adopt different definitions of ESG performance and different approaches to measuring ESG performance. This has been clearly shown by Florian Berg, Julian F. Koelbel and Roberto Rigobon of MIT Sloan in their article “Aggregate Confusion: The Divergence of ESG Ratings” published in August 2019. The authors clearly demonstrate the following key points :

- The correlations between ESG ratings are on average 0.61 and range from 0.42 to 0.73 (for comparison, financial ratings between S&Ps and Moody’s are correlated at 0.99).
- The average correlation for the environmental level of aggregation is 0.65, for social 0.49 and for governance 0.38.
- Ratings produced by MSCI and KLD are those differing most compared to the others (Sustainalytics, Vigeo-Eiris, Asset 4).
- Out of more than 900 companies rated by all agencies covered by their research, the agencies agree on only 15 companies to be among their top 20% and only 23 companies to be among their bottom 20%.
- In some categories (for example on responsible marketing), the disagreement is so severe that the rating agencies reach opposite conclusions. They don’t even agree on rather straightforward issues like whether the company is member of the Global Compact or not.
- Differences are due to Measurement between 40% and 47%
- Differences are due to Scope between 35% and 48%
- Differences are due to Weight between 4% and 25%
- The Rater Effect shows that when the judgment of a company is positive for one indicator, it is likely to be positive for any other indicator of the same rater. In the end, for 5 rating agencies out of 6, a rather small part of categories (few indicators) explains a high proportion of the ESG rating.

**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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Aggregated	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## 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.

We believe this question is not applicable to companies. In relation to the relevance of ESG ratings for investment decisions, for issuers it is very hard to assess to which extent investors rely on ESG ratings and whether the efforts they put into responding to the numerous questionnaires by rating agencies are worthwhile. We also have the impression that large investors use ESG ratings merely as an indication, but rely on their own research. Several patterns in investors' use of non-financial rating (NFR) have been identified:

- Some investors work with one agency, either by using its standard services or by developing a privileged partnership with an agency ready to adapt to the investor's specific requirements and modify its methodology in order to provide tailor-made information's (e.g. request to analyse non-financial opportunities in addition to risks).
- Others use several NFR agencies, both generalists and specialists (for instance on "carbon" data or controversies). If agencies' assessments on a company align, they can be used unaltered. When they differ, the investor's analysts conduct in-depth analysis on the divergence subjects to make their own assessment. In most cases, investors in that case develop internal weighting based on agencies key areas of expertise (for instance, one agency is recognised for the reliability of its assessment of companies' performance on the environmental pillar of CSR).
- Others are not interested in the ranking made by the agencies but in their data collection capacity. This data is then used by the investors with their own assessment methodology. Here again, information transmitted by generalist agencies is completed with information collected by specialised agencies (for example on controversies, climate, governance...).
- The last pattern is to not use NFR agency services, and base their assessment on public reports usually combined with NGOs reports; the evaluation grid used weighs criteria according to sectors.

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

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

### 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?**

- ☐ 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.

**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
- ☐ 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.

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

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

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

*2000 character(s) maximum*

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

EuropeanIssuers believes that non-European issuers might come across some issues in following the EU GBS such as NACE codes. Therefore, they could follow the EU GBS proposed by TEG on a voluntary basis only

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

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

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

*2000 character(s) maximum*

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

EuropeanIssuers believes that, if a company must publish a prospectus before an offering to the public and /or the admission to trading on a regulated market of securities, the disclosure requirements in force of the Prospectus Regulation and relevant delegated acts are sufficient to provide investors with all necessary information material to them for making an informed assessment of the reasons for the issuance and its impact on the company as well as the characteristics of the securities. In this sense, then, specific information regarding green bonds will be captured by the requirement to disclose the use of proceeds of the issuance. The description of the use of proceeds as regards green bonds will be more detailed and in practice include the standard the company is complying with, a link to where the framework and second party opinion can be found and explanations about the objectives of the issuance and the criteria and process for allocating the proceeds. In this regard, Competent Authorities have powers to require additional disclosures they deem necessary to ensure that information provided to investors is complete, comprehensible and consistent. Therefore, we do not consider relevant to add a new prospectus scheme to the Prospectus Regulation nor that it is necessary to strengthen the disclosure requirements.

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

- ☐ 1 - Strongly disagree
- ☐ 2 - Disagree
- ☐ 3 - Neutral
- ☐ 4 - Agree

- ☒ 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.

Please refer to our answer to question 25.

**Other standards and labels**

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

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

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

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

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

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

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

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

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

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

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

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

*2000 character(s) maximum*

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

EuropeanIssuers believes that standards are useful in supporting and framing the development of new financing instruments, and thus welcomes the recent publication by ICMA of the social and sustainability-linked bonds principles. Issuances of social and sustainability-linked bonds are however still small compared to the green bonds market. In light of this we recommend to the Commission not to rush in and develop EU standards but rather to monitor the development of these new markets.

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

- ☐ 1 - Strongly disagree
- ☐ 2 - Disagree
- ☐

- 3 - Neutral
- ☐ 4 - Agree
- ☐ 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.

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

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

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

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

- ☐ 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.

As it would be difficult to assess ex ante how the indices might evolve, European Issuers considers that it would be more reasonable to wait until the regulation is fully implemented and its effects identified before considering creating an ESG benchmark. In the meantime, the provisions of the Climate Benchmarks Regulation combined with the EU Taxonomy and the future EU Ecolabel will somewhat provide a robust framework for the development of any new sustainable benchmark, without the need for further legislative measures.

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

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

## 1.5 Capital markets infrastructure

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

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

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

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



Yes



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.

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

*2000 character(s) maximum*

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

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

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

The ongoing COVID-19 outbreak in particular underscores that companies should prioritise the long term interests of their stakeholders. Many companies in the EU have decided to prioritise the interests of key stakeholders, in particular



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

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

**Please select among the following options:**

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

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

- ☒ Yes
- ☐ No
- ☐ 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*

We believe that the role of activist investors should be tackled, as it may be a driver of undue short-termism. In this regard, it is necessary to distinguish active funds and activist funds: while the firsts can have a positive effect on disciplining boards and management remaining in the framework of customary relations and respecting the established governance of the company, activist funds use aggressive methods that undermine the balance of powers within the company and shareholder democracy, and might be defined by the combination of minority shareholding, a questioning of the governance of the company, its scope of activities, its economic performance and a short-term profit motive. Also, activist funds could challenge governance by personal destabilisation of management or board members and a media campaign against the company. Mostly based in the US, the funds are professional, well-advised and well-informed, with investigative methods which can raise the suspicion of information asymmetries and breaches of equality between shareholders. These transactions create volatility, lowering the stock market price, paralysing capital transactions, and destroying savings. Therefore, the action of activist funds can lead to compromising companies' ability to promote sustainability and long-term value creation, thus affecting the competitiveness of European companies. In light of the above, we suggest that the Commission engages in a study on this issue. Attention of the Commission should also be drawn to 1) Institutional investors must make a contribution to the development of long-term financing of the economy; 2) The ELTIFs will largely remain an empty shell if the capital requirement is not linked underlying exposures of the fund. Except for instruments such as ELTIF, providing for a minimum detention period for securities traded on organised venue would be counterproductive and reduce the attractiveness of EU capital markets.

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

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

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

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

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

- ☒ 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?**

ESG factors are not tied to active index investing. Passive managers also exercise their voting rights at general meetings, so they can challenge the accounts, debate executive remuneration, table draft resolutions. The issue of sustainability is becoming increasingly important and will likely affect market developments in the years to come. We therefore believe that this concept needs to be integrated globally across the portfolio, including passive management strategies, and to be measured through academic research the results. Finally, we also believe that the new “active” investors, that by definition are long term investors, should not be treated differently, but as any other investor.

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.

Due diligence obligations should be based on a sectorial and specific risk analysis. For issuers it is very complex and time consuming to assess the environmental and human rights risks caused by all suppliers or sub-contractors along supply chains. Also, if we consider that it takes up to 18 -24 months for a large company to fulfil this process, it clearly seems inappropriate to impose such obligations on all SMEs, without taking into account the specific risks of their sectorial supply chains. Large companies placing orders will inevitably impose very similar contractual obligations on their business relations in order to comply with legislative or regulatory requirements imposed on themselves. We therefore believe it is important to keep these obligations realistic, proportionate and flexible. There is no single blueprint for success in overcoming the challenges linked to risk mapping and managing of the most salient risks. Every company has to decide about the appropriate action plan after careful consideration of its specific risk assessment, so sectoral guidelines and good practices will prove helpful to accompany companies. We also recognise and regret that there is still no global level-playing field with regard to responsible business conduct: the gap is too wide with numerous non-EU companies. Global supply chains will not improve if only European companies (already advanced on CSR policies) take action. This is why Trade and Sustainable Development (TSD) chapters under bilateral FTAs should be upgraded to incentivise the EU's trading partners to improve RBC and CSR practices by their domestic companies and foreign-invested companies. TSD chapters could include an obligation to report on actions taken in this respect. Finally, we would be in favour of using sanctions in the event of non-compliance with FTAs, as the only way to ensure full-fledged enforcement of RBC and CSR over the supply chain without undermining EU companies' competitiveness and EU jobs.

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

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

of sustainable finance tools and frameworks in developing countries can help build a truly global response to the climate and environmental crisis.

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

## 2.1 Mobilising retail investors and citizens

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

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

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

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

*2000 character(s) maximum*

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

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

- ☐ Yes

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

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

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

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

	1 (strongly disagree)	2 (disagree)	3 (neutral)	4 (agree)	5 (strongly agree)	Don't know / No opinion
Integrate sustainable finance literacy in the training requirements of finance professionals.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
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]	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
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.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Directly, through targeted campaigns.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
As part of a wider effort to raise the financial literacy of EU citizens.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
As part of a wider effort to raise the knowledge citizens have of their rights as consumers, investors, and active members of their communities.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Promote the inclusion of sustainability and sustainable finance in the curricula of students, in particular future finance professionals.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>



## 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.

Promoting EU certified courses of financial literacy (and sustainability) as part of training programs in firms. Promoting the adoption of new approaches in designing financial literacy programs, aimed at including sustainable finance topics. New experiences and experimental projects may be created in cooperation with international networks of financial literacy stakeholders (e.g. International Federation of Finance Museums). For example the Museum of Saving (Intesa Sanpaolo financial education multimedia museum), in collaboration with the European Investment Bank Institute, has already developed S.A.V.E. (Sustainability, Action, Voyage, Experience). An itinerant project aimed at primary, middle and high school students all over Italy to raise their awareness on the responsible use of money and environmental resources (<http://www.savetour.it/en/>).

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

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

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

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

- ☐ 1 - Not important at all
- ☐ 2 - Rather not important
- ☐ 3 - Neutral
- ☐ 4 - Rather important
- ☒ 5 - Very important
- ☐ Don't know / no opinion / not relevant

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

*2000 character(s) maximum*

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

The EU should help define common and recognised methodologies at EU and worldwide levels. It should also assess throughout time the impact of the Taxonomy on the real economy and green investments of the automotive, building, industry, energy and agriculture sectors.

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

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

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

*2000 character(s) maximum*

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

The most impactful financial instruments are bonds and shares either through direct investments by investors or through UCITS. The reason for this is that they allow direct reallocation of investments in sustainable projects and activities. To a lesser extent ETFs can also redirect investments considering the development of passive investment strategies and the fact that these funds can attract significant volumes of investments. However, they would remain dependent on the availability of indices.

## 2.3 Green securitisation

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

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

- ☐ 1 - Not important at all
- ☐ 2 - Rather not important
- ☐ 3 - Neutral
- ☐ 4 - Rather important

- ☐ 5 - Very important
- ☐ Don't know / no opinion / not relevant

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

*2000 character(s) maximum*

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

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

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

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

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

## **2.4 Digital sustainable finance**

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

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

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

accountability in sustainable finance, for instance with automated reporting and traceability of use of proceeds for green bonds.

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

- ☐ Yes
- ☐ 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.

EuropeanIssuers recognises the following aspects as main obstacles to the launch of sustainable projects:

1. The difficulty in helping projects initiators and financial institutions analyse together projects in details, in addition to sustainability reporting, and set up consensus for return on investment rates and the corresponding timeline;
2. The difficulty in identifying relevant public tools (e.g. tax provisions, public guarantees...) on a sector-by-sector basis;
3. Administrative burdens/Burdensome compliance verification/second-third party opinion certification. Verifying taxonomy compliance often involves a burdensome process for business and in this context, regulation should well balance the data requested from different companies with end-users adequate access to information.
4. Lack of usability. Taxonomy and disclosures duties shall be closely linked. Concerning the EU framework, the disclosures duties foreseen for the financial market participants according to the taxonomy regulation should be fully aligned with the disclosure duties foreseen for the industrial sectors in the review of the EU's NFRD. In this regard, further alignment of taxonomies would be beneficial, in order not to generate double accounting of sustainable activities and facilitate the usability.

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

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

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

*2000 character(s) maximum*

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

Member States, as well as local authorities, especially regions, can provide guarantees and fiscal incentives on specific sustainable investments.

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

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

*2000 character(s) maximum*

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

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

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

*2000 character(s) maximum*

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

EuropeanIssuers believes that the EU should ensure that sufficient financial flows at EU level are dedicated to promising technologies in comparison to other regions of the world, and it should earmark the necessary public support in view of keeping a chance to become leaders. A regular monitoring of the EU environment and energy State Aid guidelines taking into account public funding in other regions of the world, is fundamental in order to trigger possible revision of aid intensity and level within the EU.

While many European firms are very innovative and operate in high-tech areas, many innovative firms have difficulties in scaling up. Public investment in R&I in the EU is on a par or higher compared to competitors, however, industrial deployment of innovation is still facing obstacles.

For this to change, the EU strategy should play in two directions:

- to support selected companies and their R&I projects through financial structures that are inclusive (crowd-in) vis-à-vis private capital;
- building on the experience gained in the Public-Private Partnerships in H2020, to develop a dynamic industrial innovation ecosystem involving broad research and innovation communities.

Without concerted public and private investment in cases where markets alone cannot meet the demand for capital, Europe risks underinvesting in the large-scale deployment of innovative technologies in strategic value chains. This seems to be particularly true in the post covid-19 scenario. Depending on the companies' development stage, capital needs, R&D development, a range of funding schemes at EU and national level can be mobilized in order to incentivize, leverage and/or 'de-risk' private investment.

**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?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
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)?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Better identifying areas in R&I where public intervention is critical to crowd in private funding?	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Ensuring alignment and synergies between Horizon Europe and other EU programmes/funds?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Conducting more research to address the high risks associated with sustainable R&I investment (e.g. policy frameworks and market conditions)?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Identifying and coordinating R&I efforts taking place at EU, national and international levels to maximise value and avoid duplication?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Facilitating sharing of information and experience regarding successful low-carbon business models, research gaps and innovative solutions?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Increasing the capacity of EU entrepreneurs and SMEs to innovate and take risks?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

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

*2000 character(s) maximum*

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

## 2.6 Incentives to scale up sustainable investments

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

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

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

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

*2000 character(s) maximum*

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

EuropeanIssuers believes that the EU financial system faces important barriers and inefficiencies inter alia due to:

- Lack of a centralized register on ESG data categorized by industry.
- Asymmetric composition of the EU member States' business sectors. Countries characterized by a higher concentration of SMEs face particularly difficult challenges in pursuing sustainable investments. Verifying taxonomy compliance of activities and/or investment often involves burdensome processes for SMEs and Start-up. In this context, regulation should well balance the data requested from different companies. While start-ups and SMEs have the potential to be a major driver of innovation for sustainable development, further attention should be given to their financial needs to support companies in their transition to more sustainable business models.
- The Public Authorities and Financial institutions should cooperate to identify mechanisms for complementing traditional sources of credit for SMEs operating in the green economy with more sophisticated financial instruments that allow a longer-term view. Emerging solutions to be taken into consideration could include fintech, crowdfunding for sustainable projects and impact finance.
- Potential synergies not yet explored in sustainable finance, such as that of a supply chain approach. The chain approach may allow for integration of opportunities and environmental risk analysis along the whole value chain.



- There should be synergies between economic policies and technology investments as the UE Commission do with the IPCEI framework (for instance on electrolysis storage).
- Green-washing has been a crucial barrier so far, hopefully after putting in practice the EU taxonomy this barrier will be faded away.

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

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

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

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

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

	1 (not effective at all)	2 (not effective)	3 (neutral)	4 (effective)	5 (very effective)	Don't know / No opinion
<b>Bonds</b>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>Loans</b>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>Equity</b>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>Other</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**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.

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**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
<b>Bonds</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
<b>Loans</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
<b>Equity</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
<b>Other</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**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.

De-risking mechanisms: the recognition of a CRR mitigation factor for green loans and/or green companies may act as a powerful incentive for banking institutions;

**c) Technical assistance:**

	1 (not effective at all)	2 (not effective)	3 (neutral)	4 (effective)	5 (very effective)	Don't know / No opinion
<b>Bonds</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

<b>Loans</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
<b>Equity</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>Other</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**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.

The set-up of a consultation and technical support service, aimed to help banks in defining exhaustive and achievable metrics for sustainable finance, would be essential to overcome know-how gaps affecting this sector and would foster sustainable investments. The sharing of specific know-how within the EU is considered fundamental; such process may be supported through dedicated EU funded training initiatives addressed to banking sector professionals.

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

	<b>1</b> (not effective at all)	<b>2</b> (not effective)	<b>3</b> (neutral)	<b>4</b> (effective)	<b>5</b> (very effective)	Don't know / No opinion
<b>Bonds</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>Loans</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>Equity</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>Other</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**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.

Tax incentives/accounting policy: the introduction of a tax incentive mechanism for IT investments in the set-up of ESG data management framework or specific accounting policies allowing banks to capitalize high

costs related to the licenses of tools/databases provided by external providers specialized in ESG sector, could be useful for the achievement of sustainability objectives. Similarly, tax incentives for companies facing green or transition investments, could have a significant stimulating effect.

It would be important to have public incentives up to when the cost of funding through sustainable instruments offsets the administrative cost/burden associated with the selection and/or verification of the sustainable investments realized by the borrower/issuer.

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

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

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

Please select as many options as you like.

- ☐ Revenue-neutral public sector incentives
- ☐ Adjusted prudential treatment
- ☒ Public guarantee or co-financing
- ☐ Other

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

*2000 character(s) maximum*

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

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

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

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

*2000 character(s) maximum*

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

EuropeanIssuers believes that the main suggestions would be:

- 1) The set-up of a dedicated platform that would allow SMEs to access easily technical assistance services by ESG experts and, implicitly, decrease the costs related to these services;
- 2) Introduction of financial and/or tax incentives for green investments and for transition ones.

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

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

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

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

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

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

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

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<sup>2</sup> 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
- ☐ 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 necessary, please explain your answers to question 72:**

*2000 character(s) maximum*

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

**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?**

- ☐ 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
- ☐ 4 - Rather sufficient
- ☐ 5 - Fully sufficient
- ☐ Don't know / no opinion / not relevant

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

*2000 character(s) maximum*

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



European Issuers recognises as main missing factor the lack of common assessment factors for sustainability by different public actors, and therefore, we would welcome further global coordination. More activity should occur in the international standard setters making use of the new IOSCO Task Force on Sustainable Finance and Basel Committee Task Force on Climate-related Financial Risk. Furthermore, discussions among peers in efforts such as NGFS and the new EU sponsored International Platform are useful, but these bodies do not have legal personality or standard setting mandates. We believe that the sustainability agenda could benefit from a coordination effort via the G20 / FSB similar to the post 2008 financial crisis regulatory response.

We would allocate a score of between 2 and 3 in respect of global coordination versus 3-4 in respect of EU Coordination on the basis that:

- The liberal, multilateral world order is under serious threat with competition rather than co-operation increasingly being the order of the day which makes global coordination far more challenging;
- Multilateral and Bilateral Development Finance Institutions do cooperate to a certain extent but also compete (i) between themselves with rival programs and (ii) with the private sector, by providing rather than facilitating the flow of funding;
- There is however, a rapidly growing effort in the private financial sector to promote a sustainable finance ecosystem (e.g. in 2019, global syndicated sustainability-linked loan volumes stood at USD173.4bn. This represents a 289% year-on-year increase in volume);
- The EU has played an active role in this process by developing benchmark parameters, a classification system and standards for sustainability activities; promoting investments in sustainable projects etc.

## **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.

Firstly, we believe that the Commission could help set up commonly agreed methodologies to assess sustainability and value actors using those methodologies in comparison to actors which do not implement them. The Commission should first ask public authorities to develop a common approach and then improve coordination of their strategy. Secondly, the Commission's International Platform on Sustainable Finance could be reinforced in its mandate, and it should adopt sustainable strategies at a European rather than at a national level, especially for critical sectors in terms of environmental impact and use of resources. Finally, the Commission should create user-friendly guidelines that help companies and financial institutions to put standards in practice.

## **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.

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

**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.

**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 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

### 3. Reducing and managing climate and environmental risks

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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<sup>3</sup>. 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").

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<sup>3</sup> 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.

EuropeanIssuers is not in favour of a brown taxonomy. The Taxonomy regulation should be as inclusive as possible to foster transition. The same approach should apply to measures making reference to, stemming from or linked in any way to the Taxonomy (EU Ecolabels for instance) : they should not include exclusion lists, as exclusion decisions should ultimately lie with investors. Enabling and transitioning activities should be encouraged.

Where activities are deemed so harmful that any financing is excluded, it would be up to Member States to ban them.

**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.

- ☐ Physical risks
- ☐ Transition risks
- ☐ Second-order effects
- ☐ Other

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

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

*2000 character(s) maximum*

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

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

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

- ☐ 1 - Highly insufficient
- ☐ 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 through 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 Occupational 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<sup>3</sup>. Lastly, the study provided a preliminary quantitative analysis of the investment portfolio (with almost 4 trillion Euros of assets under management, the EEA's Institutions for Occupational Retirement Provision (IORPs) sector is an important actor on financial markets.) which would indicate significant exposures of the IORPs in the sample to business sectors prone to high greenhouse gas emissions.

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

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<sup>3</sup> 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.

**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.

**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

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

*2000 character(s) maximum*

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

We believe it is important to take into account ongoing and already existing initiatives which are mentioned to a comprehensive extent in the recent report by Arcadis “Assessment of biodiversity measurement approaches for business and financial institutions”. It encompasses initiatives such as the Global Biodiversity Score, the E P&L and the Natural Capital Protocol, call from Axa IM/BNP Paribas AM/Mirova/Sycomore AM for expressions of interest (CEI) for a partner to develop and implement an innovative tool to measure the impact of investments on biodiversity.

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

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

#### Climate-related loss and physical risk data

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

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

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

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

**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:**

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	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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Raise awareness about climate physical risk.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Promote ex-ante “build back better” requirements to improve future resilience of the affected regions and or /sectors after a natural catastrophe.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Facilitate public-private partnerships to expand affordable and comprehensive related insurance coverage.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reform EU post disaster financial support.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Support the development of alternative financial products (e.g. catastrophe bonds) offering protection/hedging against financial losses stemming from climate- or environment-related events.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Advise Member States on their national natural disaster insurance and post disaster compensation and reconstruction frameworks.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Regulate by setting minimum performance features for national climate-related disaster financial management schemes.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Create a European climate-related disaster risk transfer mechanism.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**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.

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

*2000 character(s) maximum*

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

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

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

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

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

## Additional information

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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 \(https://ec.europa.eu/info/publications/finance-consultations-2020-sustainable-finance-strategy\\_en\)](https://ec.europa.eu/info/publications/finance-consultations-2020-sustainable-finance-strategy_en)

[Consultation document \(https://ec.europa.eu/info/files/2020-sustainable-finance-strategy-consultation-document\)](https://ec.europa.eu/info/files/2020-sustainable-finance-strategy-consultation-document)

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

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

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

## Contact

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