

# Questionnaire by the High Level Expert Group on sustainable finance interim report

Fields marked with \* are mandatory.

## Introduction

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### About this questionnaire

The [High Level Expert Group on Sustainable Finance](#) was set up in early January 2017 to help develop an overarching, comprehensive EU strategy on Sustainable Finance by giving operational, practical, and concrete recommendations.

The questionnaire below has been prepared by and under the responsibility of the High-Level Group in relation to the [interim report, published in mid-July 2017](#) and presented at a stakeholder event on 18 July 2017. It is aimed at gathering targeted feedback on the analysis and reflections in the interim report of the High-Level Expert Group and informing the preparation of the final report.

The responses you provide will be made public (if you agree so below) and will serve as information to the expert group. In addition, an aggregated and anonymised feedback statement will be published along with the final report as a further contribution to the wider policy debate on Sustainable Finance in the European Union.

The questionnaire is not a Commission consultation. All the questions as well as evaluation of the responses are under the responsibility of the expert group. Responses will be transmitted to the High-Level Expert Group for their consideration. The Commission is providing the survey tool to gather responses. Responses will be handled in accordance subject to standard Commission protocols on data privacy (see privacy statement on this web-page).

### Timelines/Process

This questionnaire is open from Tuesday 18 July 2017. The **final deadline for the questionnaire is 20 September**. Early transmission of responses (before 6 September) will facilitate processing and early exploitation by the High-Level Expert Group.

Respondents are invited to provide evidence-based feedback, including specific and concise operational suggestions on measures that can be enhanced as well as complementary actions that can be taken, in order to deliver a sustainable financial system in the EU. Respondents are not required to answer all questions and may choose to respond selectively.

To ensure a fair and transparent process **only responses received through the online questionnaire can be considered**.

Should you encounter problems when completing this questionnaire or if you require particular assistance, please [contact fisma-sustainable-finance@ec.europa.eu](mailto:contact_fisma-sustainable-finance@ec.europa.eu).

## Disclaimer

The European Commission is not responsible for the content of this questionnaire even though it uses the EUSurvey service: it remains the sole responsibility of the High-Level Expert Group. The use of the EUSurvey service does not imply a recommendation or endorsement by the European Commission of the views expressed within this questionnaire.



## Important notice on the publication of responses

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\* Contributions received are intended for publication on the Commission's website. Do you agree to your contribution being published?

([see specific privacy statement](#) )

- Yes, I agree to my response being published under the name I indicate (*name of your organisation /company/public authority or your name if your reply as an individual*)
- No, I do not want my response to be published

## 1. Information about you

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\* Are you replying as:

- a private individual
- an organisation or a company
- a public authority or an international organisation

\* Name of your organisation:

Contact email address:

The information you provide here is for administrative purposes only and will not be published

rward@iigcc.org

\* Is your organisation included in the Transparency Register?

(If your organisation is not registered, [we invite you to register here](#), although it is not compulsory to be registered to reply to this consultation. [Why a transparency register?](#))

- Yes  
 No

\* If so, please indicate your Register ID number:

962717910722-61

\* Type of organisation:

- |   |   |
|---|---|
| <input type="radio"/> Academic institution            | <input type="radio"/> Company, SME, micro-enterprise, sole trader |
| <input type="radio"/> Consultancy, law firm           | <input type="radio"/> Consumer organisation                       |
| <input checked="" type="radio"/> Industry association | <input type="radio"/> Media                                       |
| <input type="radio"/> Non-governmental organisation   | <input type="radio"/> Think tank                                  |
| <input type="radio"/> Trade union                     | <input type="radio"/> Other                                       |

\* Where are you based and/or where do you carry out your activity?

United Kingdom

\* 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  
 Non-financial services  
 Energy  
 Manufacturing  
 Other  
 Not applicable

## 2. Your opinion

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Question 1. From your constituency's point of view, what is the most important issue that needs to be addressed to move towards sustainable finance? (sustainable finance being understood as improving the contribution of finance to long-term sustainable and inclusive growth, as well as strengthening financial stability by considering material environmental, social and governance factors)

1500 characters maximum (spaces included)

From the perspective of the institutional investor community, the priority remains the long-term policy framework for the real economy i.e. energy, transport, industry etc. If the EU sets clear, long-term direction and expectations across economic sectors, backed up by concrete targets and objectives, and demonstrating confidence and conviction in these measures, then the financial sector will respond (see our response to question 7 for further detail).

We also support further work at EU level on: fiduciary duty encompassing sustainability, in order for the finance sector to understand and mitigate the medium to long term risks carbon represents (see question 5.1); and implementation of the TCFD recommendations, e.g. through fostering and sharing best practice at national level (such as French Energy Transition Article 173) to allow for the future development of possible guidance or legislation.

**The following questions cover selected areas that are addressed in the [recommendations \(chapter VI\) of the interim report](#), which the expert group considers to be crucial and would appreciate your feedback on:**

### **Develop a classification system for sustainable assets and financial products**

Question 2. What do you think such an EU taxonomy for sustainable assets and financial products should include?

1500 characters maximum (spaces included)

We strongly support Recommendation 1 of the High Level Expert Group and the detail underpinning it. Complexity is a key barrier to investment, specifically around the definition of what 'green' or 'sustainable' means.

Further thinking and discussion is required at EU level, drawing on existing best practice of existing taxonomies that have been developed by different actors in the market (e.g. Green Bond Principles), as well as the current debate within European industry (i.e. "clean coal" is not generally considered to be sustainable, and there is an open question around nuclear). Thinking should also build on the previous and existing efforts of institutions such as

the EIB and EBRD, and should embody the principles of transparency and cost-effectiveness.

Any emerging taxonomy should also be comprehensive across asset classes, based on a full understanding of the supply-chains that underpin 'sustainable' products and services, flexible enough to accommodate rapid technological evolution, and linked to wider EU climate and energy policy objectives. There should be a clear process for reviewing the taxonomy on an agreed timeframe to capture changes in the market.

## **Establish a European standard and label for green bonds and other sustainable assets**

Question 3. What considerations should the EU keep in mind when establishing a European standard and label for green bonds and other sustainable assets? How can the EU ensure high-quality standards and labels that avoid misuse/green-washing?

1500 characters maximum (spaces included)

The EU should ensure that developing any standard and label builds on existing best practice (e.g. the Green Bond Principles and Climate Bond Standards) and encourages increased harmonisation / convergence, but should also note that ultimately any standardisation would need to be taken up by a body with global reach.

The EU could test appetites for development of a standardised disclosure template for green bonds to support more relevant, reliable, and comparable information and to foster common features across national jurisdictions.

## **Create "Sustainable Infrastructure Europe" to channel finance into sustainable projects**

Question 4. What key services do you think an entity like "Sustainable Infrastructure Europe" should provide, more specifically in terms of advisory services and connecting public authorities with private investors?

1500 characters maximum (spaces included)

The EU should be wary of assuming that the creation of a new institution (or an expanded existing institution) will automatically resolve issues relating to match-making, provision of advice and the pipeline of sustainable projects. We advise that the EU explores options around Public-Private Partnership structuring as a means of improving the market and providing more uniformity (see the UK example), the creation of specialised units within existing institutions such as the EIB, as well as providing a strong long-term policy framework for the real economy (as per our response to question 7).

A key role would be to translate long-term EU policy targets into guidelines on what types of (or parameters for) investment are compatible or not, and

information on what type and level of risk investors face if they back projects with low compatibility with long-term targets.

For such a facility to provide maximum effectiveness in crowding in private sector investment, it is important that projects relating to buildings, energy efficiency, demand side management and transport are included in its remit. Services could include advice on: project development, the optimal distribution of public versus private ownership, the integration of commercial and sustainability investment criteria, and technical assistance. Market participants could also be encouraged to aggregate assets in order to accelerate investment (particularly into low-carbon energy generation and energy efficiency).

## **The report also touches upon areas for further analysis. The following questions focus on a selection of these, which the group would appreciate your feedback on:**

### **Mismatched time horizons and short-termism versus long-term orientation**

Question 5. It is frequently stated that the inherent short-termism in finance, especially financial markets, represents a distraction from, or even obstacle to, a long-term orientation in economic decision-making, including investments that are essential for sustainability. Do you agree with this statement?

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

Question 5.1. If you agree with this statement, which sectors of the economy and financial system are particularly affected by the 'mismatch of time horizons'? What are possible measures to resolve or attenuate this conflict?

1500 characters maximum (spaces included)

A key priority is implementation of Recommendation 3 (Fiduciary duty that encompasses sustainability). Currently this concept is fragmented; IIGCC has long argued that any functional definition of fiduciary duty for investors must encompass sustainability, in order for the finance sector to understand and mitigate the risks carbon represents over the next 20 - 30 years.

At the core must be the identification, disclosure and effective management of the huge physical and transition risks posed by climate change. Asset owners and managers must be aware of the carbon in their portfolios and the associated risks, and carbon risk data must be used in investment decisions. The EU could also encourage the OECD to strengthen the current G20-OECD High-level Principles of Long-term Investment Financing by Institutional Investors.

Consideration should be given to the needs of smaller asset owners with limited

in-house capacity: guidance could be developed to assist with the application of any definition of fiduciary duty to their investments, while meeting the financial needs of beneficiaries.

The EU could encourage Member States to review their fiduciary duty regulations, as each country has different approaches for its implementation; and consult on harmonising fiduciary duty and responsible investment-related legislation across Europe. The UNEP-FI work done on fiduciary duty analysing the EU, Germany and the UK could act as a starting point for this work.

## Governance of the investment and analyst community

**Question 6. What key levers do you think the EU could use to best align the investment and analyst community with long-term sustainability considerations in the real economy?**

1500 characters maximum (spaces included)

EU action should be two-fold: encourage more research on ESG issues; and realign fund manager incentives towards the longer term.

On the former, currently only a few fund managers direct research commissions towards long term investment research, voting advice and stewardship work, despite evidence that sustainability issues can impact their investments. The EU could make more research monies available for research in this area (whether H2020 or other funding schemes), and could consider including incentives in appropriate legislative instruments, e.g. guidance on implementing the Markets in Financial Instruments Directive.

On the latter, the norm for fund manager incentives is to have one- and three-year rolling performance horizons, i.e. ignoring the long term, with fund managers often pressured to maintain high levels of short-term performance. The EU could consider how best to align remuneration of fund managers and long-term sustainable investing.

## A strong pipeline of sustainable projects for investment

**Question 7. How can the EU best create a strong and visible pipeline of sustainable investment projects ready for investment at scale?**

1500 characters maximum (spaces included)

The long-term policy framework for the real economy remains the priority: the financial sector will respond to clear direction and expectations across economic sectors.

The EU should therefore establish (but not necessarily limit itself to):

- A robust EU Emissions Trading System providing a strong, long-term carbon price signal;
- Long-term targets, consistent with the Paris Agreement and 2050 objectives, across Clean Energy Package legislation: Governance, Energy

Efficiency, Renewables, Energy Performance of Buildings;

- Strong long-term targets for the transport sector to stimulate electrification and alternative fuels;
- An ambitious framework allowing the EU to increase its Nationally Determined Contribution to the Paris Agreement over time, starting in 2018;
- Rules for National Energy & Climate Plans to include capital-raising plans;
- Technical assistance for project development (in particular smaller scale), such as energy efficiency, demand side management and transport.

Better and more consistent reporting on the sustainability performance of infrastructure companies and funds is also required. There are a number of market-driven initiatives in this area (e.g. GRESB Infrastructure and Real Estate assessments, UK Green Investment Bank methodology) and the EU / EIB could help support adoption by playing an active role through funding and participation.

## Integrating sustainability and long-term perspectives into credit ratings

Question 8. What are some of the most effective ways to encourage credit rating agencies to take into consideration ESG factors and/or long-term risk factors?

Please choose 1 option from the list below

- Create a European credit rating agency designed to track long-term sustainability risks
- Require all credit rating agencies to disclose whether and how they consider TCFD-related information in their credit ratings
- Require all credit rating agencies to include ESG factors as part of their rating
- All of the above
- Other

Question 8.1 Please specify what other ways you would deem most effective in encouraging credit rating agencies to take into consideration ESG and/or long-term risk factors.

1500 characters maximum (spaces included)

Credit rating agencies' sustainable investment practices have substantial impact on investor decisions. Forecasting the future gets harder and more complex with longer time frames; as a result, some Credit Rating Agencies can risk focusing on the short-term and not factoring ESG into their ratings.

The EU could encourage (e.g. initially through voluntary guidance) CRAs to take steps to incorporate ESG and long-term risks into their ratings, looking at sustainability issues that are relevant over the duration of the bond itself

## Role of banks

Question 9. What would be the best way to involve banks more strongly on sustainability, particularly through long-term lending and project finance?

1500 characters maximum (spaces included)

N/A

## Role of insurers

Question 10. What would be the best way to involve insurers more strongly on sustainability, particularly through long-term investment?

1500 characters maximum (spaces included)

Please see our response to question 7 above.

## Social dimensions

Question 11. What do you think should be the priority when mobilising private capital for social dimensions of sustainable development?

1500 characters maximum (spaces included)

N/A

## Other

Question 12. Do you have any comments on the policy recommendations or policy areas mentioned in the Interim Report but not mentioned in this survey?

1500 characters maximum (spaces included)

- With further regard to the TCFD recommendations, we support strong encouragement from the EU for their implementation. The EU should seek to position itself as a global leader on the issue of disclosure, fostering and sharing best practice to allow for the future development of possible guidance or legislation - for example, monitoring and evaluating the impact and effectiveness of the French Energy Transition Article 173 and other national instruments, and - if appropriate - considering how they could be applied at EU level.

- We support the recommendation to review the accounting standards on energy efficiency.
- Further best practice on climate risk can be found in the Bank of England's report on insurance companies.

**Question 13. In your view, is there any other area that the expert group should cover in their work?**

1500 characters maximum (spaces included)

- It will be particularly important to ensure that the HLEG maintains the importance of thinking globally. For market reform to be truly effective we will need to see global as well as regional system reform. The EU can and should be a leader, but ultimately it will need to bring other major economies on board.
- The HLEG should also reflect on the current reality of the European financial system being concentrated in a handful of countries, and consider how the EU could help to bridge this gap, e.g. through spreading best practice, providing resources and training to regulators, decision-makers and practitioners, etc.

## Useful links

[Interim Report on sustainable finance \(http://ec.europa.eu/info/publications/170713-sustainable-finance-report\\_en\)](http://ec.europa.eu/info/publications/170713-sustainable-finance-report_en)  
[High-Level Expert Group on Sustainable Finance \(https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance\\_en#high-level-expert-group-on-sustainable-finance\)](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance_en#high-level-expert-group-on-sustainable-finance)

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## Contact

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