



Attn Mr Martin Spolc
DG FISMA
European Commission
1049 Bruxelles
Belgium

Dear Mr Spolc,

PwC International Ltd (PwC), on behalf of the PwC network, welcomes the opportunity to respond to the consultation on the renewed Sustainable Finance Agenda.

The COVID-19 crisis has shown how systemic risks can have exponential impacts, and how important preparation and planned resilience can be. This all sounds very familiar to those who champion urgent action to prepare and build resilience for dealing with climate change, and also for environmental, social and good governance issues. As we emerge into a post-pandemic world, how we choose to reshape the economy will have key implications for our ability to address these issues.

The financial sector has a particularly important role to play in both the economic recovery, and also in helping to direct rebuilding investments in ways which support the objectives of the Commission's Green Deal. We have seen already that ESG-driven investments can outperform the market. Investors and boards are keen to price in systemic risks and invest in resilience and preparedness.

As the EU prepares to implement an extensive Recovery Programme, there is an opportunity to shape the recovery to go hand in hand with transition to a sustainable economy. Aligning the infrastructure, business, and technology investment with climate commitments and progress towards the UN Sustainable Development Goals can be a powerful way to advance these objectives. Infrastructure and technology projects that can boost job creation in clean energy, building energy efficiency, and sustainable transport should be win-wins, in contrast to investments in declining technologies that create stranded asset costs. Sustainable finance tools can guide public and private sector plans and ensure capital markets support a green and socially just recovery. The EU Taxonomy is an important guide for facilitating investment in the "Next Generation EU".

Data availability

Data and science will be the basis for the transition to environmental, social and governance (ESG) sustainable financial and economic models: if the financial industry is to steer capital flows to an ESG sustainable economy, it needs relevant and reliable data from borrowers and issuers. Financial Institutions are dependent on the quality and type of information they receive from their clients. At present, financial statements form the main source of reliable and robust information. Currently only limited non-financial information is available, and only from large companies and with differing quality and data sets. To fill the data gap, work on Taxonomy and Disclosures regulations and the revised Non-Financial Reporting framework needs to be prioritised with a high level of ambition.

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Regulatory consistency

In order to facilitate and encourage swift implementation by the market of the actions undertaken so far, it is crucial to streamline the reporting requirements under the Taxonomy, the Disclosures Regulation and the revised Non-Financial Reporting Directive. The information provided by the market needs to be rationalised to avoid duplication, and ensure consistency and correct sequence between disclosures by undertakings and corresponding disclosures by investors and expected use in investment decision-making. It is also important to consider that reliable forward-looking information and climate-scenario analysis will require great efforts in harmonising methodologies and ensuring the availability of independent scientific data, otherwise it could lead to misleading results.

Concrete and detailed guidance by regulatory authorities on how to implement the already significant legislative changes introduced by the Sustainable Finance Action Plan would be welcome. Clear transition timelines for the implementation of new requirements would help and we would like to invite the Commission to provide more clarity and certainty with regard to when market participants are expected to apply the new disclosures, in a consistent manner across different pieces of legislation. Furthermore, in order to avoid confusing market players engaging in their transition journey, a clear allocation of responsibilities needs to be established between the different competent policymakers and regulators at EU and national level. A harmonised framework for the transition to sustainability in the financial sector would reduce the burden, simplify compliance and safeguard global attractiveness of the Single Market.

Prudential regulation

The use of prudential regulation to support sustainable finance is currently subject of important debate at a global level, at the Basel Committee for Banking Supervision. The need to safeguard financial stability is of primary importance to all stakeholders and for society at large. However, a supporting factor for Taxonomy-eligible assets based on reliable data would help financial institutions in the short term to align funding strategy to sustainable investment and lending decisions - although there are arguably other powerful ways to achieve these incentives. The availability of relevant, comparable and reliable data will over time allow for better integration of climate and credit risks within the prudential framework.

Pricing economic externalities

As a final remark, we would like to stress that although capital markets have a key role to play, financial policy should be considered one piece of a broader set of policies needed (industrial, energy, fiscal) to steer more capital towards sustainable investments. By itself, regulatory action on the financial industry may not be the most effective way to drive change in industries like energy, manufacturing and transport. Direct policy action to properly price and constrain externalities of unsustainable economic activity will not only accelerate concrete change, but also send the right signals to capital markets and influence investment decisions.

Role of the accounting profession

The accounting profession and the PwC network stand ready to support the transition to a sustainable economy. Accountants can use existing and developing reporting frameworks and contribute to the efforts of undertakings and other organisations to integrate climate change risk into corporate governance,



strategy, finance, operations, product manufacturing, services and communications. By ensuring that ESG performance is properly measured, disclosed and assured, accountants can also support sustainable decision making by undertakings, as well as policy-makers and citizens.

We would be happy to discuss this further with you. If you have any questions regarding our response, please contact Ullrich Hartmann at ullrich.hartmann@pwc.com.

Yours sincerely,

A handwritten signature in black ink, appearing to read "MS", followed by a long horizontal stroke.

Michael Stewart
Global Leader, Corporate Affairs and Communications

PwC IL is registered under number 60402754518-05 in the EU Transparency Register

Consultation on the renewed sustainable finance strategy

Fields marked with * are mandatory.

Introduction

This consultation is also available in [German](#) and [French](#).

On 11 December 2019, the European Commission adopted its [Communication on a European Green Deal](#), which significantly increases the EU's climate action and environmental policy ambitions.

A number of levers will need to be pulled in order to build this growth strategy, starting with enshrining the climate-neutrality target in law. On 4 March 2020, the European Commission proposed a [European Climate Law](#) to turn the political commitment of climate-neutrality by 2050 into a legal obligation. This follows the [European Parliament's declaration of a climate emergency](#) on 28 November 2019 and the [European Council conclusions of 12 December 2019](#), endorsing the objective of achieving a climate-neutral EU by 2050.

The ongoing COVID-19 outbreak in particular shows the critical need to strengthen the sustainability and resilience of our societies and the ways in which our economies function. This is necessary to, above all, minimise the risk of similar health emergencies in the future, which are more likely to occur as climate and environmental impacts escalate. In parallel, it will be paramount to ensure the resilience and capacity of our societies and economies to resist and recover from such emergencies. The COVID-19 outbreak underscores some of the subtle links and risks associated with human activity and biodiversity loss. Many of the recent outbreaks (e.g. SARs, MERS, and avian flu) can be linked to the illegal trade in, and consumption of, often endangered wild animal species. Furthermore, experts suggest that degraded habitats coupled with a warming climate may encourage higher risks of disease transmission, as pathogens spread more easily to livestock and humans. Therefore, it is important – now more than ever – to address the multiple and often interacting threats to ecosystems and wildlife to buffer against the risk of future pandemics, as well as preserve and enhance their role as carbon sinks and in climate adaptation.

Financing the European Green Deal and increasing the financial resilience of the economy, companies and citizens

Above all, the transition to a sustainable economy will entail significant investment efforts across all sectors, meaning that financing frameworks, both public and private, must support this overall policy direction: reaching the current 2030 climate and energy targets alone would already require additional investments of approximately €260 billion a year by 2030. And as the EU raises its ambition to cut emissions, the need for investment

will be even larger than the current estimate. In addition, significant investments in the upskilling and reskilling of the labour force will be necessary to enable a just transition for all. Hence, the scale of the investment needs goes well beyond the capacity of the public sector. Furthermore, if the climate and biodiversity crises are to be successfully addressed and reversed before potentially dangerous tipping points are reached, much of the investment needs to happen in the next 5-10 years. In this context, a more sustainable financial system should also contribute to mitigate existing and future risks to wildlife habitats and biodiversity in general, as well as support the prevention of pandemics - such as the COVID-19 outbreak.

In this context, the European Green Deal Investment Plan – the Sustainable Europe Investment Plan – announced on 14 January 2020 aims to mobilise public investment and help to unlock private funds through the **EU budget** and associated instruments, notably through the InvestEU programme. Combined, the objective is to mobilise at least €1 trillion of sustainability-related investments over the next decade. In addition, for the next financial cycle (2021-2027) the **External Investment Plan (EIP)** and the **European Fund for Sustainable Development Plus (EFSD+)** will be available for all partner countries with a new External Action Guarantee of up to €60 billion. It is expected to leverage half a trillion Euros worth of sustainable investments. Lastly, the **European Investment Bank (EIB)** published on 14 November 2019 its new climate strategy and Energy Lending Policy, which notably sets out that the EIB Group will align all their financing activities with the goals of the Paris Agreement from the end of 2020. This includes, among other measures, a stop to the financing of fossil fuel energy projects from the end of 2021.

However, the financial system as a whole is not yet transitioning fast enough. Substantial progress still needs to be made to ensure that the financial sector genuinely supports businesses on their transition path towards sustainability, as well as further supporting businesses that are already sustainable. It will also mean putting in place the buffers that are necessary to support de-carbonisation pathways across all European Member States, industries that will need greater support, as well as SMEs.

For all of these reasons, the European Green Deal announced a Renewed Sustainable Finance Strategy. The renewed strategy will build on the 10 actions put forward in the [European Commission's initial 2018 Action Plan on Financing Sustainable Growth](#), which laid down the foundations for channelling private capital towards sustainable investments.

As the EU moves towards climate-neutrality and steps up the fight against environmental degradation, the financial and industrial sectors will have to undergo a large-scale transformation, requiring massive investment. Progress has already been made, but efforts need to be stepped up. Building on the achievements of the Action Plan on Financing Sustainable Growth, the current context requires a more comprehensive and ambitious strategy. **The Renewed Sustainable Finance Strategy will predominantly focus on three areas::**

- 1. Strengthening the foundations for sustainable investment by creating an enabling framework, with appropriate tools and structures.** Many financial and non-financial companies still focus excessively on short-term financial performance instead of their long-term development and sustainability-related challenges and opportunities.
- 2. Increased opportunities to have a positive impact on sustainability for citizens, financial institutions and corporates.** This second pillar aims at maximising the impact of the frameworks and tools in our arsenal in order to “finance green”.
- 3. Climate and environmental risks will need to be fully managed and integrated into financial institutions and the financial system as a whole,** while ensuring social risks are duly taken into account where relevant. Reducing the exposure to climate and environmental risks will further contribute to “greening finance”.

Objectives of this consultation and links with other consultation activities

The aim of this consultation, available for 14 weeks (until 15 July), is to collect the views and opinions of interested parties in order to inform the development of the renewed strategy. All citizens, public authorities,

including Member States, and private organisations are invited to contribute. Given the diversity of topics under consultation, stakeholders may choose to provide replies to some questions only. Section I (covering questions 1-5) is addressed to all stakeholders, including citizens, while Section II (covering questions 6-102) requires a certain degree of financial and sustainability-related knowledge and is primarily addressed at experts.

This consultation builds on a number of previous initiatives and reports, as well as complementing other consultation activities of the Commission, in particular:

- The [final report of the High-Level Expert Group on Sustainable Finance](#) (2018);
- The [EU Action Plan on Financing Sustainable Growth](#) (2018);
- The [communication of the Commission on 'The European Green Deal'](#) (2019);
- The [communication of the Commission on 'The European Green Deal Investment Plan'](#) (2020);
- The [reports published by the Technical Expert Group on sustainable finance \(TEG\)](#) with regard to an EU taxonomy of sustainable activities, an EU Green Bond Standard, methodologies for EU climate benchmarks and disclosures for benchmarks and guidance to improve corporate disclosure of climate-related information.

This consultation also makes references to past, ongoing and future consultations, such as the [public consultation and inception impact assessment on the possible revision of the non-financial reporting directive \(NFRD\)](#), the inception impact assessment on the review of the Solvency II Directive or the future consultation on investment protection.

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

More information:

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

About you

* Language of my contribution

- ☐ Bulgarian
- ☐ Croatian
- ☐ Czech

- ☐ Danish
- ☐ Dutch
- ☒ English
- ☐ Estonian
- ☐ Finnish
- ☐ French
- ☐ Gaelic
- ☐ German
- ☐ Greek
- ☐ Hungarian
- ☐ Italian
- ☐ Latvian
- ☐ Lithuanian
- ☐ Maltese
- ☐ Polish
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- ☐ Slovak
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- ☐ Spanish
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* I am giving my contribution as

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

* First name

Vittorio

*

Surname

Allegri

* Email (this won't be published)

vittorio.allegri@pwc.com

* Organisation name

255 character(s) maximum

PwC IL

* 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.

60402754518-05

* Country of origin

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

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* 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

* 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 checked="" type="radio"/>	<input 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.

Investor engagement to steer corporates towards sustainability is key, including by setting the right tone at the top. EU action should facilitate investor engagement with adequate disclosures by companies, and set incentives in combination with other policies eg energy, industrial, fiscal.

The EC should take into account the existence of neutral activities, which do not contribute, but also do not harm environmental objectives. Furthermore, it is important to take into account companies that have engaged in a fair transition journey: the global company trajectory is as much important as the observation of its current investments in green activities. The focus should be more on supporting the transition.

The concept of "harmful activities" is unclear and should be clarified. Financing to economic activities in countries with high reliance on carbon intensive energy cannot be suddenly discontinued, as this may have serious socio-economic consequences. The focus should be on strategies that support transition to sustainable energy. Furthermore, assessments of technologies considered sustainable need to take into account the full life cycle and environmental impact eg when they are produced in third countries not complying with do not harm principle and minimum social safeguards.

Section II. Questions targeted at experts

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

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

2000 character(s) maximum

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

The first key challenge is filling the data gap by revising the NFRD and finalising the technical acts of SFDR and Taxonomy with a high level of ambition. This data will have to be used to integrate sustainability risk in risk management processes (methodologies and transmission channels to improve climate-related and environmental risk assessments). The second challenge will be ensuring the financial industry is equipped with the right set of skills needed to integrate sustainability in its business models. The third-challenge is to properly price and constrain externalities in the real economy, and not pursue economic recovery or growth at the expense of environmental or social sustainability. Nevertheless, economic and employment recovery will be key, due to the far reaching impact on society, labour market and growth in the EU.

The biggest opportunity is creating investments, jobs and growth in a sustainable manner, bearing in mind social costs of transition (e.g. from fossil based energy sector to cleaner energy mix). This is especially

important for countries with a legacy portfolio of carbon-intensive energy involving substantial labour force.

As the covid19 crisis has shown that as a society we are capable of swift adaptation, this could open an opportunity to adopt policy actions to consider environmental and social externalities, which may have seemed implausible before the covid-19 crisis.

Question 7. Overall, can you identify specific obstacles in current EU policies and regulations that hinder the development of sustainable finance and the integration and management of climate, environmental and social risks into financial decision-making?

2000 character(s) maximum

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

The basis for the transformation to a more sustainable financial system is data. If financial institutions are to drive this transformation forward, they will have to provide more financing to companies that invest in sustainable projects and transformation projects or make their current production more sustainable. To do this, however, institutions must know which of their customers are sustainable. This requires appropriate disclosure from these customers. So far, the EU has only regulated large companies in this direction. If the transformation is to be pushed further, then all companies should be incentivised eventually to start making such disclosures. The EU should not leave on financial institutions the burden to obtain data from customers, as this would be a misallocation of costs. Furthermore, it is crucial to streamline the reporting requirements under the Taxonomy, the Disclosures Regulation and the revised Non-Financial Reporting Directive. The information provided by the market needs to be rationalised to avoid duplication, and ensure the consistency and correct sequence between disclosures by corporates and corresponding disclosures by investors and expected use in investment decision-making.

Finally, policy certainty in the real economy will send the right signals to investors, in addition to accelerating change and helping to manage the phasing out of stranded assets. A major obstacle will be the huge economic and social costs of transformation, especially in those EU countries with legacy energy infrastructures and more fossil-dependent economies. Financial institutions cannot suddenly stop funding economies dependent on carbon intensive energy, as this would result in major dysfunctions in a number of EU countries. For this reason orderly and well managed phasing out of stranded assets is fundamental.

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.

To limit the negative socio-economic impact of the transition, there is a need for a massive upskilling and reskilling programme for all Europeans to address challenges that have not been faced before. This requires developing, piloting and implementing new models and approaches of unprecedented nature and scale. This assumes also major reshaping of the labour market and demand for new types of services or production to replace eliminated jobs with new ones. For the EU this might not be easy bearing in mind international competition.

The EU should support business-sponsored upskilling and incentivise employers who provide ongoing learning opportunities for their staff. The Just Transition Fund and national “just transition plans” can be a great tool for the EU to finance and implement upskilling and reskilling programmes to empower the European workforce, with specific focus on Member States and sectors under a high transition risk and major growth of new jobs to absorb workers from eliminated or transformed industries.

A broad range of inclusion policies, including eg housing, healthcare, fiscal, will also be required to limit negative socio-economic impacts. This should be taken in due account when drawing national “just transition plans” and reforms linked to the Next Generation EU investment facilities.

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

Sustainable finance is based on the assumption that transparency with the public will steer investor behavior according to social expectations. Currently only a limited part of financial markets constitutes “sustainable investments”. If investors still see policy signals that indicate higher profitability in investing in unsustainable economic activities, some might still favor short-term profit over their reputation. Financial policy should be considered one piece of a broader set of policies needed (industrial, energy, fiscal) to steer more capital towards sustainable investments, in proper balance with financing projects mitigating huge costs and risk for workers affected by transformation. Policy actions to accelerate the transition need to be transparent and predictable, phasing out stranded assets in an orderly and well-managed manner, in order to limit the risk of sudden asset repricing.

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

2000 character(s) maximum

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

The funding gap for biodiversity conservation and restoration needs to be closed by all actors rallying together. As biodiversity-related financial risks and the spiralling effect with climate change pose a systemic risk, all central banks and financial regulators need to emphasise in their regulatory dialogue the importance that the regulated entities regularly disclose their biodiversity-related financial risks. Furthermore, stress tests regarding biodiversity-related financial risks should be run regularly, once data and clear methodologies become available.

All financial actors should make efforts, whenever it is relevant for their balance sheet mix, to proactively manage biodiversity-related financial risks and seize and secure opportunities offered by ecosystem services (e.g. flood protection, pollination, clean water, fertile soils and adaptation to climate change). These risks should be covered whenever data and methodologies allow under current framework (insurance risk, operational risk).

A task force on Nature-Related Financial Disclosures should be created in 2020. It should drive standardised disclosure on nature-related risks, taking into consideration the physical, transition, litigation and systemic financial risks that stem from biodiversity loss.

Question 12. In your opinion, how can the Commission best ensure that the sustainable finance agenda is appropriately governed over the long term at the EU level in order to cover the private and public funding side, measure financial flows towards sustainable investments and gauge the EU's progress towards its commitments under the European Green Deal and Green Deal Investment Plan?

2000 character(s) maximum

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

In order to avoid confusing market players engaging in their transition journey, a clear allocation of responsibilities needs to be established between the different competent legislators and regulators at EU and national level. The Platform on Sustainable Finance established under the Taxonomy Regulation will have to play an important role in ensuring inclusive participation of stakeholders. This should be reflected in its composition, governance and resources. The Platform should remain independent and possibly expand its scope of action into carrying out independent reviews of the implementation of the Sustainable Finance Agenda.

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.

The question of prudential regulation is currently the subject of an important discussion. Some stakeholders fear that this could lead to a misallocation of risk management and that in a potential future financial market crisis, it might be recognised that the focus on sustainability risks has been miscalculated and that the effective credit, liquidity and market price risks have been downplayed. If, however, prudential regulation is not in place, Financial Institutions will find it difficult in the short term to align funding capacity with sustainable investment decisions. Therefore, prudential regulation may support the transition to sustainable finance and Taxonomy-eligible assets, allowing attractive and competitive solutions for sustainable clients and projects. The availability of relevant, comparable and reliable data will over time allow to adjust the capital requirements. Furthermore, the Pillar 2 framework could be used as an appropriate monitoring mechanism to monitor progress in the transition towards sustainable assets.

1. Strengthening the foundations for sustainable finance

In order to enable the scale-up of sustainable investments, it is crucial to have sufficient and reliable information from financial and non-financial companies on their climate, environmental and social risks and impacts. To this end, companies also need to consider long-term horizons. Similarly, investors and companies need access to reliable climate-related and environmental data and information on social risks, in order to make sound business and investment decisions. Labelling tools, among other measures, can provide clarity and confidence to investors and issuers, which contributes to increasing sustainable investments. In this context, the full deployment of innovative digital solutions requires data to be available in open access and in standardised formats.

1.1 Company reporting and transparency

In its [Communication on the European Green Deal](#), the Commission recognised the need to improve the disclosure of non-financial information by corporates and financial institutions. To that end, the Commission committed to reviewing the **non-financial reporting directive (NFRD)** in 2020, as part of its strategy to strengthen the foundations for sustainable investment. A [public consultation](#) is ongoing for that purpose.

The political agreement on the Regulation on establishing a framework to facilitate sustainable investment ('Taxonomy Regulation') places **complementary reporting requirements on the companies that fall under the scope of the NFRD**.

In addition to the production of relevant and comparable data, it may be useful to ensure open and centralised access not only to company reporting under the NFRD, but also to relevant company information on other available ESG metrics and data points (please also see the dedicated section on sustainability research and ratings 1.3). To this end, a **common database** would ease transparency and comparability, while avoiding duplication of data collection efforts. The Commission is developing a common European data space in order to create a single market for data by connecting existing databases through digital means. Since 2017, Commission Directorate General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA) has been assessing the prospects of using Distributed Ledger Technologies (including blockchain) to federate and provide a single point of access to information relevant to investors in European listed companies ([European Financial Transparency Gateway - EFTG](#)).

Question 14. In your opinion, should the EU take action to support the development of a common, publicly accessible, free-of-cost environmental data space for companies' ESG information, including data reported under the NFRD and other relevant ESG data?

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

Question 14.1 If yes, please explain how it should be structured and what type of ESG information should feature therein:

2000 character(s) maximum

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

The availability of a common and freely available database on quality environmental data would clearly be an accelerator for the development of sustainable finance and the transition of the real economy. Companies' ESG information will increase in value if it will be interoperable with data collected by the public sector and other types of data e.g. scientific research. In the context of the EU Data Strategy and the creation of a common European Green Deal Data Space, the EC should consider the experience with ESEF and financial reporting in finding the best technological solution to facilitate the analysis of different types of publicly available data for commercial or scientific purposes.

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 Regulation¹?

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

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

1.2 Accounting standards and rules

Financial accounting standards and rules can have a direct impact on the way in which investment decisions are made since they form the basis of assessments that are carried out to evaluate the financial position and performance of real economy and financial sector companies. In this context, there is an ongoing debate around whether existing financial accounting standards might prove challenging for sustainable and long-term investments. In particular, some experts

question whether existing impairment and depreciation rules fully price in the potential future loss in value of companies that today extract, distribute, or rely heavily on fossil fuels, due to a potential future stranding of their assets.

Recognising the importance of ensuring that accounting standards do not discourage sustainable and long-term investments, as part of the [2018 Action Plan on Financing Sustainable Growth](#), the Commission already requested the European Financial Reporting Advisory Group (EFRAG) to explore potential alternative accounting treatments to fair value measurement for long-term investment portfolios of equity and equity-type instruments. [EFRAG issued its advice to the Commission](#) on 30 January 2020. Following this advice, [the Commission has requested the IASB](#) to consider the re-introduction of re-cycling through the profit or loss statement of profits or losses realised upon the disposal of equity instruments measured at fair value through other comprehensive income (FVOCI).

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

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

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

Please select as many options as you like.

- ☐ Impairment and depreciation rules
- ☐ Provision rules
- ☐ Contingent liabilities
- ☒ Other

Please specify which other area(s):

2000 character(s) maximum

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

IFRS is fundamentally a “financial reporting framework” and therefore is primarily designed around the quantification in monetary terms of risks that qualify for recognition. Certain environmental risks may not be measured in the financial statements of an entity under IFRS because they do not meet IFRS’s recognition criteria. An “In Brief” was published by the IASB on “Climate-related and other emerging risks disclosures: Assessing Financial Statement Materiality”. Although the “In Brief” does not purport to express official views of the International Accounting Standards Board or IFRS Foundation, it may nevertheless provide you with some further insight into how IFRS considers climate-change and other emerging risks.

It is unlikely that a financial reporting framework will capture all climate-related and environmental risks. However, we would refer you to our recent responses to Accountancy Europe’s consultation on “Interconnected Standard Setting For Corporate Reporting” and our response to the EU’s Non-Financial Reporting Directive consultation which express our views on the advancement of interconnected standards for reporting of financial and non-financial information.

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.

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.

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.

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.

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.

As there is an administrative cost to operating within a centralised accreditation scheme, we would like the Accreditation Committee to allow existing national accreditation schemes that have been implemented on similar subject matter, in order to reduce the time and cost for all stakeholders.

We also believe that valuable lessons can be learnt from existing schemes where third parties provide external review services. The accreditation criteria for external reviewers must not be made so restrictive that only a limited number of potential verifiers actively participate, as this will impede the development of an open, fair and competitive market for external review services.

For example, while clear independence criteria are necessary for an accreditation regime, for the ESMA accreditation regime for the Simple and Transparent and Standardized (STS) regulation, they have been defined in such a way that currently, the number of accredited third party verification agents is limited to only two firms, as the provision of virtually all other services to the issuer is prohibited. At this stage costs of market entry to the accreditation services should be low to allow development of this market and lower the costs of accreditation services while maintaining solid standards

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.

Issuers that report and verify compliance with the Taxonomy under the GBS, could be reporting taxonomy information also in their NFRD report (art8 taxonomy). Issuers that are not subject to NFRD/Taxonomy would not be required to have appropriate processes and controls to report the non-financial information required to apply the GBS label. This may result in companies outside the scope of NFRD/Taxonomy not having appropriate systems, processes and controls to report on use of proceeds (linked to Taxonomy objectives) and environmental impact. Because of these differences in scope of non-financial reporting, attention should be paid to ensure a level playing field with regard to the reliability of the underlying data. Therefore, the European arsenal to "finance green" shall entail some kind of ring fence against non-accountable "Green bond flagging" and envisage an eligible regime for non-European issuers marketing their bonds to EU/EEA investors (undertakings, public sector, citizens) or seeking access to EU/EEA trading venues. Furthermore the level playing field for eligible private placements should also be taken into account.

Prospectus and green bonds

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

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

Non-financial information should be integrated wherever possible in compliance documents where regulatory financial information is disclosed, in order to lead to integration and avoid duplication of reports. Information on sustainable use of proceeds and impact reporting under GBS should also be prepared with the same level of rigour and quality as financial information.

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.

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.

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

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

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

2000 character(s) maximum

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

For labels certifying best in class financial products, incentives should be created for both institutional and retail investors, for example by connecting them with public finance, state guarantees and the EU budget. Trust and transparency are basic prerequisites for all market participants. Currently there is a variety of labels for the certification of green financial products, which risks being confusing. The market would benefit from consistent labeling across Europe, including harmonisation of requirements on transparency and a reliable verification system. There are already good benchmarks how such a system can work, for example the Climate Bond label of the Climate Bond Initiative.

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

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

2000 character(s) maximum

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

As business will understand its long term impacts from collecting and reporting ESG information, it will have to re-align its purpose with sustainable outcomes for society. Companies will have to define their purpose and who their stakeholders are, and how these stakeholders' expectations will have an impact on shareholder value. This exercise will foster a long term perspective on economic and financial performance.

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

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

2000 character(s) maximum

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

Shareholder voting and activism are key to leverage on capital markets' desire to understand a company's long term value creation and the investor's ability to implement concrete changes in companies' business models. EU action is necessary to ensure accurate and easy to understand ESG disclosures, which will be the first step to build up awareness of investors. Voting on ESG strategies will then emerge naturally.

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?

2000 character(s) maximum

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

Passive index investing (i.e. either buy a product which tracks an index that is specifically designed around ESG criteria, or ask a passive manager to integrate ESG screens into a standard index) if it does not take into account ESG factors is a potential risk for greenwashing/impact washing. Transparency around the methodology to integrate ESG into indexes will be fundamental to avoid greenwashing and ensure consistency with the overall sustainability agenda. On the other hand investors need to be aware that the more complex they make their requirements, the greater the tracking error to the benchmark market index will be.

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

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

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

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

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

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

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

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

Question 48.1 If yes, please select your preferred option:

- ☐ All companies, including SMEs
- ☐ All companies, but with lighter minimum requirements for SMEs
- ☐ Only large companies in general, and SMEs in the most risky economic sectors sustainability-wise
- ☐ Only large companies

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

2000 character(s) maximum

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

Requirements should be principle-based and not overly prescriptive. Nevertheless, supply chain due diligence requirements should also entail minimum requirements for SMEs to prevent bypassing due diligence requirements by large companies by shifting core business processes to (third-party) SMEs and thus lengthening the supply chain. A risk-based approach should be adopted in determining the scope of the requirement. Appropriate disclosures and clear management and board responsibilities will facilitate enforcement and oversight.

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.

Specific guidance would certainly be helpful in the beginning, as SFDR and Taxonomy are the first regulations that touch on an issue that is not familiar to financial sector employees. Every FS employee is familiar with returns, prices, interest rates, etc. - but not with CO² footprints. However, after appropriate training, the financial services industry will quickly catch up on this knowledge gap and develop individual business models, which should take precedence over general guidelines.

Although it is important that financial advisers test retail clients' sustainability preferences, it would be a misguidance to recommend only sustainable products, rather than what is most suited to the clients' preferences and risk appetite/risk bearing capacity.

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 checked="" type="radio"/>	<input 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 checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Directly, through targeted campaigns.	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input 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 type="radio"/>	<input checked="" 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 checked="" type="radio"/>	<input type="radio"/>	<input 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 checked="" 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"/>

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.

To measure impact you need relevant, reliable and comparable data on the economic activity the products are funding. Impact measurement should in any case not prevent banks from fulfilling their key task of lending to households and businesses and as transmission mechanism of monetary policy.

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

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.

Securitisations are and will remain a central form of financing in the FS Industry. Green securitisation would make economic sense because (1) shifting credit risk away from the originating institution to a third party that is more able to bear this risk makes sense because some market participants (e.g. insurance companies) have long-term investment horizons (2) and stimulate bank lending. Therefore, this form of financing could play an important role in sustainable finance and be taken into account in the STS Regulation in a targeted manner.

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

2000 character(s) maximum

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

Existing rules under CRD/CRR do not take sustainable finance into account in securitisations. In addition, compliance with the STS securitisation framework could be better streamlined.

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

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

2000 character(s) maximum

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

The STS regulation could be amended to include STS criteria with ESG aspects to assist counterparties in undertaking their due diligence on securitisation (avoid greenwashing) that reduces the loss exposure through credit risk transfers

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

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

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

2000 character(s) maximum

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

The availability of tools and digitization can be an enabler of the development of sustainable finance and speed up access to sustainable finance for companies, including SMEs. In particular, the EC should consider digital tools that facilitate accessibility, machine-readability and analysis of corporate ESG data. The experience with ESEF and XBRL technology should be considered in finding the best solutions to facilitate the analysis of different types of publicly available data for commercial or scientific purposes, also in synergy with the actions foreseen under the EU Data Strategy. In particular, incentivising greater availability and access to data relative to various aspects of sustainable finance (on real estate, on energy efficiencies, water, roof space to put photovoltaic) would allow greater use of data analytics and AI and directing some of the funding to trigger greater use of data analytics and AI would be helpful.

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.

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

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

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

2000 character(s) maximum

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

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

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

2000 character(s) maximum

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

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

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

2000 character(s) maximum

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

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

- ☐ Yes
- ☐ No
- ☐ 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 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 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 type="radio"/>	<input type="radio"/>
Ensuring alignment and synergies between Horizon Europe and other EU programmes/funds?	<input 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 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 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 type="radio"/>	<input type="radio"/>	<input type="radio"/>
Increasing the capacity of EU entrepreneurs and SMEs to innovate and take risks?	<input 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.

The EU should better clarify how a financial system that will be able to address the transition financing needs would look like. What would be the share of capital markets, banks, PPP, public guarantees. This will allow to understand what is the right infrastructure to achieve it, as well as the role of the different FS actors in long term investments going forward. Another challenge is lack of solid and comprehensive data that allow meaningful comparison of end-to-end overall costs and CO2 emission for various options and then reasonable investment by the financial sector. (e.g. overall costs of production, repair, recycling of solar and wind energy equipment compared investments in fossils and other types of energy, including energy consumed and CO2 emission outside EU for renewable energy "engines" used in EU).

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

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

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

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

a) Revenue-neutral subsidies for issuers:

	1 (not effective at all)	2 (not effective)	3 (neutral)	4 (effective)	5 (very effective)	Don't know / No opinion
Bonds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Loans	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Equity	<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 specify the reasons for your answers to question 65.1 a) (provide if possible links to quantitative evidence) and add any other incentives you would like the Commission to consider:

2000 character(s) maximum

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

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

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

Loans	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Equity	<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 specify the reasons for your answers to question 65.1 b) (provide if possible links to quantitative evidence) and add any other incentives you would like the Commission to consider:

2000 character(s) maximum

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

c) Technical assistance:

	1 (not effective at all)	2 (not effective)	3 (neutral)	4 (effective)	5 (very effective)	Don't know / No opinion
Bonds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Loans	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Equity	<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 specify the reasons for your answers to question 65.1 c) (provide if possible links to quantitative evidence) and add any other incentives you would like the Commission to consider:

2000 character(s) maximum

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

d) Any other public sector incentives:

	1 (not effective at all)	2 (not effective)	3 (neutral)	4 (effective)	5 (very effective)	Don't know / No opinion
Bonds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Loans	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Equity	<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 specify the reasons for your answers (provide if possible quantitative evidence) and other incentives you would like the Commission to consider:

2000 character(s) maximum

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

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

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

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

2000 character(s) maximum

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

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

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

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

2000 character(s) maximum

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

SMEs will benefit from support by the EU in accessing public transition funds, including programmes for upskilling and education of the workforce. Secondly, a simplified reporting framework would greatly benefit SMEs, allowing them to provide transparency and ESG data (hence being able to access sustainable investments) with a proportional cost relative to their impact and risk. Reporting tools, including digital tools, would improve accessibility and therefore visibility of SMEs' transition to sustainability.

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 Taxonomy² play a role in the context of public spending frameworks at EU level, i.e. EU spending programmes such as EU funds, Structural and Cohesion Funds and EU state aid rules, where appropriate?

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

- ☐ Yes, the taxonomy with climate and environmental objectives set out in the Taxonomy Regulation
- ☐ 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 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.

The EU should make use of global fora to coordinate with all global players on the transition to sustainability, and promoting common frameworks with its main trading partners. To this end, the launch of the International Platform on Sustainable Finance is a welcome development, which should be used to steer engagement by the global community. Furthermore, the EU should actively participate in the relevant global bodies on climate and sustainable finance within the UN and the G20. This is especially important bearing in mind the fact EU having ca. 21% share in global GDP, EU produces only 11% of global CO2 emission, and therefore a too steep implementation of Paris Agreement goals might harm EU industries and make them noncompetitive. In addition, the green transformation should not make the EU more economically and technologically dependent on countries which control more global resources, but fall below the minimum social safeguards and do no harm principle.

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.

In order to facilitate and encourage swift implementation by the market of the actions undertaken so far, it is crucial to streamline the reporting requirements under the Taxonomy, the Disclosures Regulation and the revised Non-Financial Reporting Directive. The information provided by the market needs to be rationalised to avoid duplication, and ensure consistency and correct sequence between disclosures by corporates and corresponding disclosures by investors and expected use in investment decision-making. Consistent disclosure requirements, as well as an holistic and inclusive approach with global actors to developing the reporting frameworks will facilitate the long-term objective of a globally accepted framework for coordinating the private sector.

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

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 finance³. Building, among others, on the ESAs' activities further actions are envisaged to improve the management of climate and environmental risks by all actors in the financial system. In particular, the political agreement on the Taxonomy Regulation tasks the Commission with publishing a report on the provisions required for extending its requirements to activities that do significantly harm environmental sustainability (the so-called "brown taxonomy").

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

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

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

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

Question 82.1 If no, please explain why you disagree:

2000 character(s) maximum

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

The brown/grey taxonomy could be a useful tool only to the extent it does not add another set of new data requirements and it is compatible with the objectives of a fair transition, including the social component of an environmental transition, the need to take into account the path toward transition (and not only the endpoint) and the inherent uncertainty of new technologies developments. Investments, financing or prudential

decisions should not therefore be taken solely on a brown/grey taxonomy, as additional considerations need to be factored in.

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

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.

The accounting profession and the PwC network stand ready to support the transition to a sustainable economy. Accountants can use existing and developing reporting frameworks and contribute to the efforts of their organisations to integrate climate change risk into strategy, finance, operations, and communications. By ensuring that ESG performance is properly measured, disclosed and assured, accountants can also support sustainable decision making by organisations, as well as policy-makers.

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

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

Please list a maximum of 3 solutions:

2000 character(s) maximum

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

Prudential regulation may be helpful in the short term to further accelerate uptake of ESG risk management and to provide an incentive to promote its implementation. We recommend to require the integration of climate and environmental risk in the FS risk management framework (from strategy to origination). It is also necessary to expand the scope of companies that publish non-financial information so that this data can be

used in the risk management of FS Industry. Changes to capital requirement will only be possible when there is more certainty on transition constraints and data availability. A Green Supporting Factor could however be possible for taxonomy-eligible assets.

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 Occupation Pensions Authority \(EIOPA\)](#) on the integration of sustainability risks and sustainability factors in Solvency II. [The Commission also mandated EIOPA](#) to investigate whether there is undue volatility of liabilities in the balance sheet or undue impediments to long-term investments, as part of the 2020 Review of Solvency II. The Commission also mandated EIOPA to investigate whether there is undue volatility of their solvency position that may impede to long-term investments, as part of the 2020 Review of Solvency II. EIOPA is expected to submit its final advice in June 2020.

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

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

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

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

Banking prudential framework

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

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

Because the work on ESG risks was at its initial stages, co-legislators agreed on a gradual approach to tackling those risks. However, given the new objectives under the European Green Deal, it can be argued that the efforts in this area

need to be scaled up in order to support a faster transition to a sustainable economy and increase the resilience of physical assets to climate and environmental risks. Integrating sustainability considerations in banks' business models requires a change in culture which their governance structure needs to effectively reflect and support.

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

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

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

2000 character(s) maximum

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

All assets that lead to the financing of investments to drive the Sustainable Finance transformation, provided they comply with the EU Taxonomy

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

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

2000 character(s) maximum

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

There is no need for additional legislation, but more concrete guidance would be welcome. A good example is the Guidance Notice on sustainability risks issued by the German Federal Financial Supervisory Authority. In this regard, we welcome the draft ECB Guide on climate-related and environmental risks, which aims to clarify supervisory expectations. Similarly detailed EU-wide applicable guidance eg via ESAs level III guidelines should accompany the EU regulatory action to help the market implement changes. One important piece of regulatory and supervisory guidance will be providing certainty on when market participants are expected to apply the new disclosures, with easily understandable and realistic timelines that are consistent across the different pieces of legislation.

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 returns³. Lastly, the study provided a preliminary quantitative analysis of the investment portfolio (with almost 4 trillion Euros of assets under management, the EEA’s Institutions for Occupational Retirement Provision (IORPs) sector is an important actor on financial markets.) which would indicate significant exposures of the IORPs in the sample to business sectors prone to high greenhouse gas emissions.

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

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

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

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

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

2000 character(s) maximum

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

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

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

3.3 Credit rating agencies

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

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

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

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

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

2000 character(s) maximum

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

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 have provided responses to the EU's consultation on the Non-Financial Reporting Directive which outline our thoughts on the relevant framework for non-financial reporting and would encourage you to consider our responses to that initiative.

3.5. Improving resilience to adverse climate and environmental impacts

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

Climate-related loss and physical risk data

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

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

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

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

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

Please select as many options as you like.

- ☒ Loss data
- ☒ Physical risk data

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

2000 character(s) maximum

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

Relevant, comparable, publicly available and reliable data is the biggest challenge in implementing sustainable finance for investors who need to integrate sustainability into their risk management. To do so, they need data from all borrowers as well as climate and other's physical risks related data to run scenario analysis. Currently, they receive part of this data from the major clients with more than 500 employees through their sustainability reports or have to buy them from data providers. The EU should work with investors/banks to find out what "climate related loss and physical loss data" is required and then make it available to the EU.

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

2000 character(s) maximum

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

Financial management of physical risk

According to a [report by the European Environmental Agency, during the period of 1980-2017](#), 65% of direct economic losses from climate disasters were not covered by insurance in EU and EFTA countries, with wide discrepancies between Member States, hazards and types of policyholders. The availability and affordability of natural catastrophe financial risk management tools differs widely across the EU, also due to different choices and cultural preferences with regards to ex-ante and ex-post financial management in case of disasters. While the financial industry (and in particular the insurance sector) can play a leading role in managing the financial risk arising from adverse climate impacts by

absorbing losses and promoting resilience, [EIOPA has warned that insurability is likely to become an increasing concern](#). Measures to maintain and broaden risk transfer mechanisms might hence require (potentially temporary) public policy solutions.

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

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

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

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

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

	1 (not at all helpful)	2 (rather not helpful)	3 (neutral)	4 (rather helpful)	5 (very helpful)	N. A.
Financial support to the development of more accurate climate physical risk models	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Raise awareness about climate physical risk.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input 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 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 checked="" type="radio"/>	<input type="radio"/>

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

2000 character(s) maximum

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

Better access to climate-related financial risk management mechanisms for businesses such as more accurate climate physical models would (1) help to identify and disclose all material business risks and (2) enhance the quality of data that can be used by data providers and financial institutions.

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

2000 character(s) maximum

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

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

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

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

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

Question 102.1 what action should the EU take?

Please list a maximum of 3 actions:

2000 character(s) maximum

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

investors and financing banks should definitely consider the long-term effects on the climate and ESG in their lending decisions. Regulatory action should remain principle-based and prescribe only to consider the impact, not how to assess it. Financial institutions should be given the opportunity to develop their own methods, in line with their business strategy. Otherwise regulation might not be suitable for all institutions. However, there must be a minimum of common understanding of basic terms: e.g. number of years to be considered as "long-term" (which might be different regarding the traditional financial/prudential understanding); same underlying asset/good – same region: same environmental risk) to grant comparability and accountability.

Additional information

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

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

The maximum file size is 1 MB.

You can upload several files.

Only files of the type pdf,txt,doc,docx,odt,rtf are allowed

Useful links

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

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[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)

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