

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

Fields marked with \* are mandatory.

## Introduction

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### About this questionnaire

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

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

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

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

### Timelines/Process

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

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

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

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

## Disclaimer

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



## Important notice on the publication of responses

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

([see specific privacy statement](#) )

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

## 1. Information about you

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\* Are you replying as:

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

\* Name of your organisation:

Contact email address:

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

ctoiber@forum-ng.org

\* Is your organisation included in the Transparency Register?

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

- Yes  
 No

\* Type of organisation:

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

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

Germany

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

at least 1 choice(s)

- Accounting  
 Auditing  
 Banking  
 Credit rating agencies  
 Insurance  
 Pension provision  
 Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)  
 Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)  
 Social entrepreneurship  
 Non-financial services  
 Energy  
 Manufacturing  
 Other  
 Not applicable

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

Sustainable Investment Forum

## 2. Your opinion

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

1500 characters maximum (spaces included)

The most important issues are: definition and awareness-raising  
The Europe-wide Sustainable Investment Fora (SIFs) provide a definition on sustainable investments:

FNG-definition:

Sustainable investment is the umbrella term for sustainable, responsible, ethical, social and environmental investment and all other investment processes that take the influence of ESG (environmental, social and governance) criteria into account in their financial analyses. It also presupposes the existence of an explicit written investment policy on the use of ESG criteria.

SRI-Studies (national SIFs, Eurosif and GSIA) are using an internationally accepted methodology, which should be the basis for further development. Though it is important to consider national particularities on sustainable strategies. In some countries, markets are oriented toward exclusion, in others, toward integration or engagement.

Awareness-Raising: Reporting and transparency are crucial to strengthen the market:

E.g. the Europe-wide transparency code could be the first step of a transparency standard for reporting.

E.g. overall reporting standards for financial products and actors in a short and standardized form is necessary.

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

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

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

1500 characters maximum (spaces included)

The EU taxonomy has to combine all three pillars of sustainability: Environmental, Social and Economic. In terms of sustainable investment, the ESG-Criteria to be considered are: E = Environmental, S=Social and G=Governance. Only the combination of all three pillars can lead to sustainability. A clear definition is needed, because there are a variety of terms used to describe investments with an environmental, ethical or social focus - green money, social investment, ethical investment, impact investing, sustainable investment - and all of these are encompassed by the concept of sustainability.

To build a strong definition of different sustainable asset classes will be crucial. In fact, the term 'sustainability' is used in a range of ways Europe-wide, some players which starts with sustainability and others which have deeply and experienced products. The taxonomy should include different steps, to show the existing range in depth of analysis.

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

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

1500 characters maximum (spaces included)

The EU should consider a holistic approach by introducing a label for general SRI products. Holistic means not only focusing on the ESG-quality of the final single portfolio holdings (of a fund for example) that could be randomly sustainable (and that cannot take engagement activities into account) and thus is not able to avoid green-washing, but should also focus on the entire infrastructure.

Mutual Funds:

The FNG-label launched in 2015, in joint cooperation with French label pioneer Novethic, is a traceable in-depth and all-embracing evaluation tool for SRI funds, permitting the analysis of all kind of SRI-styles (exclusions, ethical, norm-based screening, best-in-class, best-of-class, thematic, engagement, etc.).

It builds on already existing transparency tools (like a key-facts resuming two-pager on > 230 funds), an exhaustive easy-to-handle xls-sheet called "FNG Sustainability Profile" and Eurosif's Transparency code. Via an extensive questionnaire with > 80 questions on

- processes,
- research,
- SRI policies,
- reporting,
- advisory boards,
- dedicated ESG-teams,
- proprietary SRI budget,

- reporting lines,
- compliance,
- risk management,
- alert systems, etc.

We obtain a good overview over the SRI quality of the audited funds. It is already accepted in the German-speaking community, as well as some foreign fund providers. Large asset managers like Union, Commerzbank, and Generali are bearing the label, as well as small dedicated fund managers. As the French SRI-dedicated agency Novethic is a strategic partner and is doing the auditing that the holistic FNG-label system represents the only SRI label created by the most important actors of EU (France - Germany) and also integrates European-wide Eurosif Transparency Code - thus a good starting point for discussions.

Further please add in section V.5 (page 48) the missing European Labels: the oldest state-owned label, the Austrian Umweltzeichen, the newest Nordic ecolabel and the 2015 introduced FNG-label (Austria, Germany and Switzerland), for example.

All of these labels are referring to the particularities of their own countries and their understanding of sustainability and have important issues (e.g. Nuclear power, different degrees of Label) which should be considered.

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

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

1500 characters maximum (spaces included)

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

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

Question 5. It is frequently stated that the inherent short-termism in finance, especially financial markets, represents a distraction from, or even obstacle to, a long-term orientation in economic

decision-making, including investments that are essential for sustainability. Do you agree with this statement?

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

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

1500 characters maximum (spaces included)

Aiming a real long-term sustainable development it is necessary to reduce the mismatch of time horizons. There are a couple of investments which preferably would be shifted to a long-term perspective: pension funds, investments for retirement-purposes are that long-term that the risk-return focus should also been shifted to this long-term perspective. ESG issues often take years (sometimes > 10yrs) before they become material and thus create financial impact.

## Governance of the investment and analyst community

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

1500 characters maximum (spaces included)

## A strong pipeline of sustainable projects for investment

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

1500 characters maximum (spaces included)

As noted in the report, one of the main aims is to shift the current capital allocation from an unsustainable pathway to a sustainable one. We would recommend to include stronger SDGs. Delivering long-term strategies and capital-raising plans could be included in several national plans, not only in climate-specific, but also sustainable national plans.

We want to highlight the following points:

- A reliable national legal framework within the European Union (as happened with subsidies in renewable energy production)
- In "match-making facilities" to strengthen different players in different countries to reflect the different areas of sustainable

infrastructure (renewables, mobility, agricultural sector etc.)

- To consider different sizes of projects and as well different investor types. Towards the transformation to a sustainable economy in all areas. SME's as well as Start-Ups are main players in innovation. A special consideration of a) Sustainable Start-ups as well as b) SME's for the sustainable path is necessary.
- To consider the whole range of sustainability projects.

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

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

Please choose 1 option from the list below

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

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

1500 characters maximum (spaces included)

The HLEG Report does not make adequate reference to the important role played by independent ESG Rating Agencies in the past two decades. This appears to reflect a misperception of the necessary elements of the Sustainable Investment process value chain. One vital element of this value chain is the professional, transparent and independent ESG data collection, analysis and assessment of companies and issuers.

ESG Rating Agencies and their research are connecting companies and issuers with investors, asset owners and managers. Their ESG research methodologies largely incorporate the international state of the discussion on Corporate Social Responsibility and involve international norms as well as stakeholders interests (employees, NGOs etc.).

ESG rating agencies contribute to create market trust and transparency as they provide information to investors that is needed to ensure the development of sustainable financial markets - while not limiting this analysis to ESG indicators related to the credit worthiness of an issuer.

Until today, there was hardly any substantial input to this work made by Credit Rating Agencies - and it appears to be illegitimate and negligent to assign such an important role to them going forward. (Not the least, it would appear questionable from an European perspective to devote such an important task to a market segment largely dominated by US based agencies.)

Rather, independent ESG Rating Agencies have continually a key role to play in the move towards Sustainable Finance in Europe.

As a result, we would strongly encourage the HLEG to better reflect the important past and future role of ESG Rating Agencies in the report.

We as well would like to encourage the HLEG to adopt clear recommendations to:

- Support mandatory ESG reporting for all European companies.
- Support ESG assessments for all European companies by independent ESG Rating Agencies.
- Encourage ESG Rating Agencies to disclose their ESG assessment methodologies.
- Demand disclosure of ESG Ratings by issuer and companies.

## Role of banks

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

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Banks have an important role in financing SME's. The consideration of ESG-Factors in lending and project finance should be obliged and reported. Transparency concerning risks (also reputational) should be implemented. Every regulation has to take note of the market specific's as e.g. the three-pillar-banking-system: public sector banks, cooperative sector and commercial banks.

Sustainability-oriented banks have already sustainable business models, from which lessons can be learned. E.g. in Germany are existing 13 sustainability-oriented banks.

## Role of insurers

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

1500 characters maximum (spaces included)

Insurers should be strengthened with:

- Reporting standards
- They should focus on life-insurances but also non-life insurances

## Social dimensions

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

1500 characters maximum (spaces included)

The social factor of sustainable finance becomes more and more important, e.g. social impact investing, Social Bonds etc. It is an inherent part of the sustainability concept and has to be considered in the same way as sustainability within all informal/formal regulations or ideas.

## Other

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

1500 characters maximum (spaces included)

- Retail market: Introduction of the “Ethical Question” in the counseling interview for financial products.
  - Sustainability criteria’s should be required for all state-funded products.
- For Germany, Austria and Switzerland we recommend our analysis on Sustainable Finance in Germany: [http://www.forum-ng.org/images/stories/Publikationen/FNG\\_Kurzanalyse\\_Nachhaltige\\_Finanzwirtschaft\\_Januar\\_2017.pdf](http://www.forum-ng.org/images/stories/Publikationen/FNG_Kurzanalyse_Nachhaltige_Finanzwirtschaft_Januar_2017.pdf) .

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

1500 characters maximum (spaces included)

- ESG rating agencies (question 8.1.).
- Education: Education on sustainability and sustainable financing is crucial. The EU could promote the development of sustainable finance education. (e.g. the EU life-long-learning\_Programm).
  - Sustainability-oriented banks: In Europe a couple of sustainability-oriented banks already. Their core activity is based on sustainability and they have already existing mechanism in their core business model.
  - Experienced players in NGOs have already led financial market developments, including the already existing informal regulations and results.
  - Measures for creating public awareness for Sustainable Finance.
  - Foster research: In contrary to other branches the share of research is low. The EU should start new programs to do research on all dimensions of sustainable finance.

## Useful links

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

## Contact

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