

# 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

reichert@pensioenfederatie.eu

\* Is your organisation included in the Transparency Register?

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

- Yes  
 No

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

84476202986-17

\* Type of organisation:

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

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

The Netherlands

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

at least 1 choice(s)

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

## 2. Your opinion

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

1500 characters maximum (spaces included)

For most of the pension funds in the Netherlands, ESG is already enshrined into their fiduciary duty. Dutch pension funds are characterised by the close link to their beneficiaries as their goal is to provide people's income after retirement. Therefore, investments of pension funds and their service providers are a long term commitment towards the beneficiaries. Pension funds invest with the purpose of maximising the result for good pensions for their beneficiaries. Sustainability is part of their risk-return decisions, so we support the integration of sustainability into investment information. For example through disclosure and standardisation. Adequate carbon pricing and energy efficiency requirements reflecting true externalities are necessary. A harmonized approach, such as PCAF (<http://carbonaccountingfinancials.com/>) is useful. In addition, we plead for a stable political environment at both European and national level whereby the EU sets clear ambitions for sustainable finance in the form of scenarios that can be used by investors to assess their investments. A combination of mandatory and voluntary standards are an important tool for investors such as pension funds. Climate related standards should be linked to the TCFD framework and represent an integrated approach. An integrated approach goes hand in hand with appropriate incentives and restrictions instituted in the real economy.

**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)

Any standardisation should build on existing frameworks. We suggest to use the United Nations' SDGs as a starting point for defining sustainable assets and financial products. Any EU initiatives and standardisation should at all times leave room for innovation in the different sectors. We suggest the use of review clauses, as they could allow for adjusting standards to innovative

developments from the investors' side. We invite the European Commission to include social and governance aspects beyond environmental aspects. Standardisation should also include simplification of data and reporting standards and allow for comparability.

## **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)

We advocate using the Green Bond Principles (GBP). The EC could, by building on existing frameworks, develop a broadly accepted market standard to accommodate standards by third parties and/or initiate a benchmarking platform to compare standards and create transparency. Minimum requirements could be set by the EC in order to avoid and prevent green washing. An explicit connection between the proceeds of a green bond and the ESG policy of the issuer of the green bond is needed. Indicators and metrics can then be developed by both issuers and investors to track the impact performance for green bonds and substantiate their sustainability claim. A balance needs to be struck between standardisation and administration.

## **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 most important issues for infrastructure projects are predictability, a reliable legal framework, procedures and permits as well as political stability. The concept of and standard contracts for Public Private Partnerships (PPP), combining public interests and funding with market discipline is key to successful infrastructure investments (see the example of the UK). This concept should be promoted among Member States. Using one contract across all PPP structured projects all over Europe will materially lower costs and increase quality. The EC could be a facilitator, guaranteeing long term predictable cash flows, taking away barriers and mitigating risks through labelling and standardisation. Matchmaking is less prevalent, we would rather advise to build on the existing EIAH used by the EIB and its local offices.

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

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

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

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

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

1500 characters maximum (spaces included)

A balanced mix between actors with a shorter horizon (to offer liquidity and price discovery) and actors with a longer horizon, such as pension funds, is needed. Large collectivities such as pension funds can help to guarantee long term sustainable investments. A long investment horizon allows pension funds to invest in asset classes that are not accessible to short-term investors, such as illiquid, private assets. Nonetheless even for those investors with long time horizons, a certain level of short term trading activity is essential, to allow efficient management and balancing of the portfolios. In addition to higher expected returns as well as potentially lower risks, these investments make a significant contribution to the European economy. Policy horizons should be longer, to avoid unintended consequences for long-term investment (for instance: adverse short-term policy changes) and leave enough room for investments in illiquid assets (see also PensionsEurope's response to the Commission's Capital Markets Union mid-term review: <https://www.pensionseurope.eu/system/files/2015-05-13%20-%20PensionsEurope%20response%20to%20Capital%20Markets%20Union%20consultation.pdf>). We furthermore plead to integrate the ICGN mandate models. Finally, we value the comparability that is possible under IFRS accounting standards. The IASB has set a world class standard after a long and diligent due process. Retracting from this is likely to impair the trust of investors and would not contribute to sustainable finance.

### 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)

The EU should state and formulate a clear ambition on sustainability including environmental, social and governance standards. This should be flanked by an increased transparency on the sustainability goals of companies. Creating long term value should become part of the DNA of the European economy. Companies and businesses need incentives to implement a comprehensive ESG policy affecting economic and financial decision-making. Remuneration in companies should focus on the creation of real value. An idea could be to include education and knowledge about ESG into the fit and proper requirements of board members. Standardisation about reporting and better checks and balances would be helpful in this respect. In addition carbon pricing and the elimination of subsidies for fossil fuels are necessary in order to drive the transition needed.

## A strong pipeline of sustainable projects for investment

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

1500 characters maximum (spaces included)

The EU should provide for long term targets for energy, transport and set an ambitious framework in order to contribute to the Paris agreement. National investment plans should include ESG criteria and thus be multipliers of an EU-wide ambition to be a frontrunner of sustainable finance. Building on existing efforts and experience of the European Commission and the EIB (e.g. EIPP) is important. National capital-raising plans could feed projects into the EIPP. The EU and the Member States should provide for a good investment climate, stable pricing/tariffing (on pricing and subsidies) and a stable policy framework in order to provide long term investors with certainty. Also a first-loss absorption mechanism should be provided at EU level for projects. Setting up aggregation mechanisms (i.e. investment platforms for the EFSI) and a bigger scale of projects by bundling and pooling investments are important for pension funds.

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

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

Please choose 1 option from the list below

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

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

1500 characters maximum (spaces included)

Credit rating agencies should disclose whether and how they consider ESG factors in their ratings (and not be limited to the TCFD-recommendations). We support the statement on ESG in credit ratings from the working group of the UNPRI principles. Being private entities, CRAs should be able to set their own methodologies, but at the same time they should disclose and be transparent about the risks that are being factored into the ratings. They should be more specific on ESG risks by sectors. Irresponsible behaviour increasingly leads to financial impact as more data become available and affect ratings. CRAs should be more specific on the timeframe for which they indicate the ratings.

## Role of banks

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

1500 characters maximum (spaces included)

From the perspective of institutional investors such as pension funds, it would be helpful that banks report how they use ESG-factors in their lending and investing activities. For instance through the recommendations made by the FSB TCFD. Banks' introduction of an ESG rating on their credit risk exposures (next to an internal P(d) and LGD rating) would in turn help institutional investors assess the contribution to their credit risks.

Furthermore, securitisation is a risk-sharing technique that can help a bank attract funding and strengthen its capital ratios in a diversified way. Investors can benefit from the lending and servicing expertise of banks. Securitisation can be used for a variety of bank lending facilities: from loans to consumers and SMEs to large corporates and from car loans to trade finance and renewables financing. Benefits to society are funding, risk sharing and recycling of capital for the real economy, while avoiding pitfalls of the past. In short: through securitization deals between banks and institutional investors, institutional investors gain long-term exposure to - for example - the European project finance sector, including wind and solar projects, helping institutional investors to support green energy.

Regulators can build on STS (Simple, Transparent and Standardised) criteria and treatment to securitisations of project finance loans and other (currently not eligible loan categories) by promoting a concept of green securitisation.

## 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)

No comment



## 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)

For pension funds, social responsibility is at the core of their work. For that reason we endorse the statement that the financial system needs to stimulate job creation and investment in Europe, as well as making the transition to long-term sustainable finance (long-term) and better development (inclusive growth).

Besides financial stability, social stability needs to be recognised as a key systemic factor. Poor social protection, limited social inclusion and poor working conditions present societal risks that damage financial stability and the continuity of pension funds.

In addition to climate change, mega-trend impacts such as automation, urbanisation and changing demographics on social dimensions such as employment rates and social exclusion create financial risks to the real economy and need to be addressed by sustainable finance solutions. As suggested, social bonds would provide this solution but we invite the group to consider more options.

We would invite HLEG to develop further recommendations on:

standards for the social dimensions of financial risks and opportunities (in line with the FSB Taskforce on Climate Related Financial Disclosures); reflect on the possibility to develop social bonds or at least minimum requirements for social standards. For this, inspiration can be found in the way standardisation via the GBP helped develop the market for green bonds; addressing the social dimensions of financial risks linked to existing proposals such as the Circular Economy Strategy; Innovation Union; Digital Single Market; Pillar of Social Rights; Skills agenda.

## 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)

The HLEG recommends ESA's to increase their knowledge and expertise on sustainability within their current mandates. As a general remark, pension funds do not have a harmonised European prudential regime. They fall under the supervision of the national supervisory authorities. We believe it is necessary that both European and national supervisors start building up capacity and tools in order to be able to consider ESG factors in the future in financial supervision whilst striving for supervisory convergence.

But before this can happen, we first need data from the companies we invest in (good quality, standardised, and comparable data). Moreover, it would demand a very clear agreed-upon climate scenario. At the moment, there is a variety of scenarios.

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

1500 characters maximum (spaces included)

We fully support the ambitious agenda of the European Commission on sustainable finance. Sustainable finance only will be successful if Europe liaises with other parts of the world and acts as a driver for the development of sustainability towards its Member States. Sustainability calls for a global approach with all the global players being part of an overall sustainability agenda. As mentioned in the report, pension funds have the purest approach to long term/sustainable investment. The ultimate goal for pension funds is to provide their beneficiaries with a good pension after retirement.

With regard to sustainable finance it has to be taken into account that there are different stakeholders involved in pension funds: scheme members, employees and employers. Policy makers need to take into account that pension funds need a solid policy framework and a stable economy. Cost of capital increases with instable policy and therefore higher perceived risks, which in turn lead to a demand for higher returns. We furthermore call for a holistic view on sustainable finance including environmental, social and governance aspects. Social and governance aspects of ESG policies should get the same attention as environmental aspects.

## Useful links

[Interim Report on sustainable finance \(http://ec.europa.eu/info/publications/170713-sustainable-finance-report\\_en](http://ec.europa.eu/info/publications/170713-sustainable-finance-report_en)

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

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## Contact

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