EUROPEAN CONSULTATION
ON THE RENEWED SUSTAINABLE
FINANCE STRATEGY

24/07/2020

The answers provided by the Autorité des marchés financiers (French Financial Markets Authority) to the European Commission's consultation are developed below.

Some of the questions in this consultation offer response options that require a clear-cut choice between certain alternatives. In some cases the choice of a specific alternative needs to be read in the context of the accompanying narrative comments. When this is the case, additional information is included in the comment boxes added by the AMF when a comment box is not available in the EU Survey tool.

Please note that the AMF refrained from responding to questions which are directed at corporates or investors or which fell outside the AMF's remit. The AMF is a member of the Coordination Network on Sustainability (CNS) of the European Securities Markets Authority (ESMA). ESMA also responded to the European Commission's consultation and the views expressed in the two responses are largely consistent, with some differences of views in selected areas, reflecting, among other things, the specificities of the French sustainable finance market.

Some of the responses provided below are more detailed in a position paper published jointly with this response and available on our website (*Sustainable Finance: Progresses so far and missing pieces: Views from the regulator*, July 2020).

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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]*

From a financial regulation point of view, the main challenge is the **availability of quality ESG data at the level of corporates**, including in complex areas such as biodiversity, and the development of more robust methodologies to assess and integrate ESG risks and impacts.

Another key challenge is preserving **investor confidence**, which will depend on the quality, comparability and transparency of sustainable financial products being developed, **mobilisation of the distribution channels**, supported by **training efforts** for advisors, and **prevention of green/ESG-washing** through minimum standards, supervision and common understanding of sustainable finance terminologies.

Lastly, we identify significant **implementation risks** associated with the **complexity** of the overall new regulatory framework for market participants. **Providing clarity to market participants** and **ensuring consistency** between the different regulations and across the investment chain will be key.

In terms of opportunities:

- Build on EU current advance in sustainable finance **to develop global ambitious standards and influence the international agenda**, in particular regarding ESG disclosures. The lack of standardisation and comparability results primarily from the unavailability of granular information at corporate level.
- Leverage on increasing **appetite from citizens and investors** for more responsible, sustainable corporate practices and investments.
- **Expectations that EU and national recovery plans** should take into consideration sustainability, as well as commitments to sustainability from both the private and the public sectors.

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]*

The following obstacles in current EU financial regulation may hinder the developpement of sustainable finance:

- **Lack of standardised sustainability disclosure regime for corporates;**
- **Complexity of the new regulations and timelines issues**: as many legislative proposals were developed in parallel, some inconsistencies (including in definitions) have emerged; the overall architecture is very complex and will entail significant implementation costs for market participants;
- **Lack of a regulatory and supervisory framework for ESG rating agencies and ESG data providers** as their role is expanding;
- **Lack of minimum standards to investment funds** to support investor confidence and prevent market
- fragmentation;
- **Lack of a EU ESG label** to support investor confidence and prevent market fragmentation;
- **Lack of a more robust regulatory framework for green bonds**which could then be extended to social and other sustainable bonds.

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]*

In order to encourage a better consideration of social matters and limit negative socio-economic impacts associated with the increase in sustainable investment flows, the EU could:

- **Increase the focus on the "S" factors,** by initiating work on the EU Social Taxonomy and promoting robust and comprehensive reporting standards on social considerations, including training and workforce planning. That will help preventing the emerging risk of social-washing and help channel investments to activities and projects which integrate social considerations or have social objectives.
- **Encourage a greater integration of of socio-economic impact analysis.**

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
X	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]*

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[1], 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?

X	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]

Biodiversity is fundamental for both planet and people. Loss of biodiversity can also present both financial risks and opportunities.

From a financial regulation point of view, the EU could take the following actions:

- **Develop a robust reporting framework on biodiversity and nature**, factoring in issues such as the dependence of economic activities on natural capital as well as the coporate impact on nature, which can be negative and positive. Although measurement issues are even higher than for other environmental issues, more transparency should be requested on the governance and management of risks and opportunities related to biodiversity. Biodiversity needs also to be a key dimension in the sustainability reporting standard to be developed at the EU level as part of the NFRD revision.
- **Encourage the development of data-driven methodologies** to better integrate biodiversity into risk management and investment processes, as well as research to better understand the potential economic impacts and associated financial risks of biodiversity loss.

[1] See for instance "The Nature of Risk - A Framework for Understanding Nature-Related Risk to Business," WWF, 2019

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]

While the AMF applauds the strong political impetus given by the European Commission's Action Plan on sustainable finance, the number of initiatives, in a fast-moving market environment, creates significant **implementation challenges** and makes it paramount to organise a strong governance at EU level. It is also necessary **to be able to monitor the results of the initiatives taken**, and **adjust regulations where necessary**. In addition, given the complexity of the new architecture and the introduction of new, important legal concepts, it will be important **to be able to provide additional guidance to the market** where necessary. From this point of view, European Supervisory Authorities should be able to issue guidelines. It could also be useful for the Technical Expert Group to provide additional guidance for the implementation of the tools.

The European Commission **should develop a robust, efficient governance of the sustainable finance agenda**, involving experts and interested parties, as well as the European authorities responsible for the enforcement of the new regulations. The objectives, complementary to the missions given to the EU Platform on sustainable finance, should be:

- To monitor the **implementation of the texts and ensure consistency** between the different – recent and future – initiatives, as well as to identify remaining obstacles and challenges,
- To monitor **the results of the initiatives taken and measure,** to the extent possible, the allocation towards more sustainable investments and the impact on the real economy,
- To ensure that EU regulations **keep pace with market developments**, as well as with progresses in methodologies.

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]*

From a financial regulation point of view, **the international dimension is key** and Europe should continue its efforts **to push forward the international agenda on sustainable finance**. Areas for work include ESG reporting as investors need robust ESG data, not only on European companies, but on all of their portfolios' assets. Increasing concentration of the market for ESG ratings also calls for an international response. It is also important to reach more common understanding on key terminologies, at asset level (taxonomies) or strategy level (responsible or impact investing, etc.), including to ensure a level playing field.

In the context of securities regulation, NCAs and ESMA are ready to contribute via the newly established IOSCO Sustainability Task-Force (STF).

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, 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?

X	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]*

For the AMF, the question of freedom of access to ESG (and financial) data is key. A **single access point for public corporate information**, including non-financial data, would largely contribute to increase transparency and data comparability, and hence, usability. Therefore, the AMF supports the creation of a European data space for companies' ESG information.

However, from a regulator's point of view, this project would be useful only if satisfactory responses are given to a number of fundamental matters, including :

- **Regarding the project's objectives and potential linkages to other databases:**
  - the objective(s) of an ESG data space, and the needs which the project meets, should be clear and realistic.
  - the links between an ESG data space and other databases should be thoroughly examined, in order to avoid multiplication of databases and considerable expenses on projects which may overlap with others.

- **Regarding the type of ESG information which should be included therein:**
  - the data space should not increase the reporting and disclosure burden on issuers.
  - while the database could first collect all non-financial statements published by companies under NFRD, the standardisation of ESG data as well as clear definitions of non-financial KPIs are fundamental elements of such a project.
  - finally, issuers' liability on the ESG data entered in the database should be clearly established.

Question 15. According to your own understanding and assessment, does your company currently carry out economic activities that could substantially contribute to the environmental objectives defined in the Taxonomy Regulation?

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

Question 15.1 If yes, once the EU Taxonomy is established (end-2020 for climate change mitigation and adaptation),[2] how likely is it that you would use the taxonomy for your business decisions (such as adapting the scope and focus of your activities in order to be aligned with the EU Taxonomy)?

	1 – Not likely at all
	2 – Not likely
	3 – Neutral
	4 – Likely
	5 – Very likely
	Don't know / no opinion / not relevant

Question 15.2 If necessary, please explain your response to question 15.1: *[2000 character(s) maximum]*

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).

[2] Assuming that for climate change mitigation and adaptation, it would be based on the recommendations of the TEG for the EU Taxonomy

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?

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

Question 16.1 If yes, what is in your view the most important area(s):

	Impairment and depreciation rules
	Provision rules
	Contingent liabilities
X	Other

Please specify which other area(s) *[2000 character(s) maximum]*:

Financial accounting principles, even improved, will never have the capacity of capturing all types of risks relating to non-financial matters. This is due to the fact that **some of these risks are forward-looking, might arise over long time horizon and rely on important uncertainties and hypothesis.**

Financial accounting principles can nonetheless reflect some of those risks. Existing financial accounting principles are focused on giving the financial impact of data that can be financial or non-financial. Hence, climate and environmental risks can already have an impact on a company's business or activities that needs to be reflected in the financial reporting. For example, if a higher flood frequency and intensity represents a potential significant risk for a company's installations, it has to be taken into account in the value used for the impairment test. We refer for instance to the Australian Accounting Standards Board's document of December 2018 entitled "Climate-related and other emerging risks disclosures: assessing financial statement materiality" for further examples of what accounting rules can achieve in this field.

However, as underlined for example by IASB Chair in a speech dated 2 April 2019, accounting principles are insufficient to fully capture all climate and environmental risks:

- Their time horizon is not long enough to address sustainability-related issues;
- They are mainly focused on backward-looking information while forward-looking information is particularly important in sustainability issues such as climate change ;
- They do not cover all intangible resources that can be key for businesses (human capital for example).

Accordingly, **non financial information will remain crucial for investor decision-making and for the measurement of climate, environmental and other ESG risks**.

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
X	5 – Very concerned
	Don't know / no opinion / not relevant

Question 17.1 If necessary, please explain the reasons for your answer to question 17:
[2000 character(s) maximum]

The market for providers of ESG ratings and data is **still in the process of being structured.** Large traditional providers (such as credit rating agencies, benchmark administrators or financial data providers) have entered this market (often through external growth operations) alongside more specialised firms that have developed expertise on a specific field (such as climate). However, the **recent trend towards concentration around these traditional financial players** is leading to a lasting change in the structure of this market, with **the rapid disappearance of independent European players**. This phenomenon is illustrated by the takeover of the French non-financial agency Vigeo Eiris by the American credit rating agency Moody's, that of the Swiss company RobecoSAM by the rating agency S&P or the takeover of the French company BeyondRatings by the London Stock Exchange.

The increasing market concentration is a positive sign of sustainable finance's growing importance, and an opportunity to strengthen ESG research resources allocation. Nevertheless, this evolution **requires vigilance**, especially as recent legislative developments in the EU require market players to rely increasingly on ESG data.

Indeed, the way the market evolves may result in negative consequences, including :

- **The disappearance of independent European players involving a fightened risk of conflicts of interests**;
- **A greater mechanical reliance of investors on one or two providers**, which may prevent the market from being efficient (e.g. higher prices, barriers to entry);
- A **standardisation of the methodologies and assumptions used,** particularly those built around non-European standards, reducing the range of choices for asset managers and institutional investors**.**

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

X	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 the reasons for your answer. *[2000 character(s) maximum]*

The AMF conducted interviews with ESG data providers and has concluded that many factors may impact the quality, reliability and comparability of both ESG data and products.

Regarding raw data, the lack of standardisation, completeness and granularity of reporting made by companies is highly problematic. Therefore, the AMF hopes that the situation will be adequately addressed with the revision of NFRD. How raw data is obtained by each provider (e.g. through questionnaires or reported information) may also affect ESG data, being noted that companies may not have the resources to respond to all questionnaires.The AMF also observes that different standards regarding the reliability of data are applied by providers. These differences lie in the robustness of their internal procedures to select, rank and track the sources of information, but also in their capacity to engage in dialogue with issuers to check the data. In addition, those providers do not allocate the same resources to collect and check the information. Finally, the absence or lack of consistency of definitions of ESG concepts may hamper the comparability or reliability of ESG data.

Regarding reprocessed data and ESG products, different biases may affect the quality and reliability of ESG data/products such as the moral/cultural biases of the provider (and its analysts) and the poor coverage of small issuers, some sectors and geographical areas. In addition, there is some confusion on the objectives of ESG products since different products pursing different objectives (e.g. risk or impact) are called « ratings » with no further distinction.

Finally, **regarding methodologies**, the AMF observes insufficient transparency about how providers develop their products (e.g. underlying hypothesis used, percentage/level of estimated data used). Some market participants deplore the difficulties for providers to adapt their methodologies and the potential absence of control to identify/correct mistakes.

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 the reasons for your answer. *[2000 character(s) maximum]*

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						
Aggregated						

Question 20.1 If necessary, please explain the reasons for your answer to question 20:
[2000 character(s) maximum]

Question 21. In your opinion, should the EU take action in this area?

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

Question 21.1 If yes, please explain why and what kind of action you consider would address the identified problems. In particular, do you think the EU should consider regulatory intervention?
[2000 character(s) maximum]

Observed developments are :

- Due to the recent adoption of new regulations regarding sustainable finance, ESG data is becoming a pivotal element of well-functioning financial markets,
- An increasing number of assets under management are called "responsible", with a high greenwashing risk,
- The ESG data market is more and more concentrated, with a high risk of conflicts of interest.

What is at stake :

- Fight against global warming and other ESG threats,
- ESG matters are properly reflected in investment decisions,
- Fair competition,
- Investor protection and confidence,
- Financial stability,
- Risk of mis-selling and greenwashing,
- European sovereignty.

What kind of action?

In view of the issues mentioned above, the AMF is therefore **calling for a European regulatory framework to govern sustainability data providers** (see also below Q.23).
Supervision by the European regulator - **ESMA** - would ensure the reliability and **transparency of methodologies (and their input data)**, as well as the enhancement of the **dialogue between issuers and sustainability data providers, a good governance (e.g. adequate resources, internal control)** and the **management of conflicts of interest**. The right balance has to be struck between the **proportionality of the standards** that should apply to smaller ESG data providers and the necessity to ensure the quality and transparency of the ESG ratings they produce.

The AMF believes that not only **ESG ratings should be regulated but also scorings, controversies, screenings, and external review services on green bonds.** Due to the differences among ESG-related products and between CRAs and ESG ratings agencies, it seems that **an *ad hoc* regulation would be more appropriate than extending the CRA Regulation**. Nevertheless, as some issues are similar in both fields, lessons should be learnt from the past experience of supervision of CRAs.

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:
(i) developing possible technical criteria for the EU Ecolabel scheme for retail funds, savings and deposits, and
(ii) 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 ?

X	Yes, at European level
	Yes, at national level
	No
	Don't know / no opinion / not relevant

Question 22.1 If necessary, please explain the reasons for your answer to question 22
[2000 character(s) maximum]

External review services on green bonds (second-party opinions, third-party assurance) are generally provided by audit firms, CRAs (or its affiliates), data providers or scientific experts (such as CICERO, CECEP Consulting).

There are important tools to **ensure trust in the green bond market** and avoid greenwashing. Investors and consumers rely on these opinions to make investment decisions. As a result, the AMF is of the view that verifiers of EU Green Bonds should be subject to an **authorisation and supervision regime**. In order to ensure the **smooth functioning of the EU green bond market and since those actors operate globally**, the AMF believes that they should **be regulated at an EU level**. Indeed, ESMA could leverage on its experience in authorising and supervising CRAs as some of them already provide second-party opinions on green bonds. Due to the cross-border dimension of the activities, establishing ESMA as the competent authority would ensure an effective supervision in the best interests of the EU financial markets and reduce the risk of forum shopping and divergences in supervision of these entities. Therefore, centralised supervision by ESMA would achieve more efficient results than their supervision at national level.

Furthermore, the AMF believes that **a mere accreditation without any supervision would not be appropriate**. ESMA should be entitled to use supervisory powers in order to be enable to require all the information necessary to verify at any time that the requirements of the future Regulation are complied with.

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?

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

Question 23.1 If necessary, please specify the reasons for your answer to question 23:
[2000 character(s) maximum]

Since providers of ESG ratings, data and research are often the same as those providing external review services for green bonds, the AMF is of the view that the European Commission should avoid a 'silo' approach. The AMF would encourage the Commission to **adopt an holistic approach** in regulating all ESG-related products providers applying varying degrees of stringency depending on the products. Indeed, a single regulatory framework could provide for a set of 'core' requirements applicable to all ESG-related products providers, supplemented by specific rules depending on the type of providers and/or the products/services offered, which could range from transparency requirements to reporting obligations.

However, the AMF also acknowledges that the features of the external review services for green bonds are quite different from ESG ratings. The AMF also notes that some actors are specialised in external review services and do not provide any other ESG-related products, in particular the Big Four.

Therefore, the AMF has **not a strong view on the need to regulate all ESG-related products** (including external review services for green bonds) in a sole regulation or introducing two distinct regulations **as long as the coherence and proportionality is ensured.**

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 specify the reasons for your answer to question 24
[2000 character(s) maximum]

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
X	5 – Strongly agree
	Don't know / no opinion / not relevant

Question 25.1 If necessary, please specify the reasons for your answer to question 25:
[2000 character(s) maximum]

The Prospectus Regulation (PR) does not require issuers to provide any specific information on the extent to which the issuance serves "green" purposes. Instead, the **'use of proceeds' section** is the same, irrespective of whether the issuance relates to a 'traditional' or a 'green' bond. Almost all information on the 'green' nature of the bond is concentrated outside the prospectus - in the green bond framework and/or in the marketing material - thus leading to an information discrepancy.

In accordance with Article 6 of the PR, **all material information should be disclosed in the prospectus**. Therefore, when a prospectus has to be published, the AMF is of the view that minimum information about the green nature of a financial instrument should be disclosed in the prospectus.

Mandating the disclosure of the green nature of the bond within the prospectus (an information which is already commonly communicated in roadshows/marketing material), would ensure that investors have access to material information. **Standardisation of disclosure requirements** would allow investors to compare different green bond issuances taking place simultaneously. Furthermore, it would enhance legal certainty over the specific information that needs to be disclosed in a prospectus, thus benefitting issuers.

In the French market, we observe a surge in the number of offers of complex green structured notes aimed at retail investors, issued under a base prospectus. The **use of proceeds of the structured note** is only disclosed in the final terms and therefore escapes any scrutiny by the competent authority. In order to ensure the quality of information and curb greenwashing, the AMF believes that **most information on the 'use of proceeds' should be included in the base prospectus**, except for details of that information that are not known at the time of approval of that base prospectus (category B information), rather than solely in the final terms (as 'category C, as is currently the case).

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
X	2 – Disagree
	3 – Neutral
	4 – Agree
	5 – Strongly agree
	Don't know / no opinion / not relevant

Question 26.1 If necessary, please specify the reasons for your answer to question 26:
[2000 character(s) maximum]

As mentioned in question 25, the AMF is not in favour of a mere link to the green bond framework within the prospectus. The information (in particular regarding the use of proceeds) required in the prospectus should be reinforced and clarified. Indeed, as mentioned in its position paper published last year, the AMF supports a pragmatic solution whereby (i) the issuer would be solely responsible for qualifying its bond issuance as green, social or sustainable; and (ii) should it decide to qualify its issuance as such, the issuer would be required to provide additional information in the 'use of proceeds' section of the prospectus, notably **whether it intends**: (i) to comply with green bond standards; (ii) to publish a reporting on the use of the green bond proceeds; and (iii) to mandate a third party verification.

This solution presents many advantages:

- First, it would foster transparency in the green bond market, by centralising the information on such issuances within the prospectus rather than outside. Investors (especially those who are committed to investing in ESG assets) would access crucial information for their investment decision-making process in a single binding document, rather than through multiple sources. This would also reinforce the comparability of green bond issuances on a like-for-like basis, by allowing investors to quickly identify the level of transparency that each issuer is committed to offering;
- Second, **this solution is not burdensome for issuers, as many of them already provide the market with information on the 'greenness' of their bonds outside the prospectus**. The AMF does not propose to mandate an independent verification system or periodic disclosures on how the proceeds are spent (which can be costly). It only requires issuers to inform investors in the prospectus whether those mechanisms will be in place through the bond lifecycle;
- Third, the Commission recently published a proposal aimed at improving disclosure requirements on how institutional investors integrate ESG factors in their risk processes and in their investment decisions. **While reinforcing investors' sustainable duties in the legislation, it is justified to require minimum information on green bonds in the prospectus**.

Note: This answer is slightly edited and longer than the response to the European Commission.

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.

Other standards and labels

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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 27.1 If yes, once the EU Taxonomy is established,[3] how likely is it that you would use the EU Taxonomy in your investment decisions (i.e. invest more in underlying assets that are partially or fully aligned with the EU Taxonomy)?

	1 – Not likely at all
	2 – Not likely
	3 – Neutral
	4 – Likely
	5 – Very likely
	Don't know / no opinion / not relevant

If necessary, please specify the reasons for your answer to question 27. [Box max. 2000 characters]
[2000 character(s) maximum]

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
X	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)?

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

[3] Assuming that for climate change mitigation and adaptation, it would be based on the recommendations of the TEG for the EU taxonomy.

Question 29.1. If yes, regarding green funds aimed at professional investors, should this be in the context of the EU Ecolabel?

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

Question 29.1 If yes, regarding green funds aimed at professional investors, should this be in the context of the EU Ecolabel? *[2000 character(s) maximum]*

Many domestic labels emerged over the years with different approaches and levels of ambition. This causes market fragmentation and confusion for investors and can hamper cross-border distribution of funds. Moreover, sustainably denominated investment funds or labelled funds which are not sufficiently robust are a significant concern in the fight against greenwashing.

We suggest:

- **Setting minimum standards relating to investment processes for sustainably denominated funds** through the upcoming review of UCITS and AIFM Directives. Provisions should remain high level and should be specified further in guidelines. Such minimum standards are necessary as transparency or voluntary labels are not sufficient to achieve the sustainability objectives of the European Union and to prevent greenwashing**.** This would set sound basis for sustainable investment processes and would ensure convergence and effective supervision. This would also clarify definition of SFDR's article 8 products and offer investors further guarantees and clarifications on the basic characteristics of the products offered by their advisor if they express ESG preferences.
- The future EU Ecolabel for financial products should be **extended to professional AIFs**. No label should be dedicated to a certain category of investors. Labelling professional AIFs would increase AuM of Ecolabelled products and hence strengthen success of the EU Ecolabel. Last but not least, professional AIFs invest in less liquid products such as private equity for which impact can be stronger and easier to assess.
- The European Commission should initiate work on an **EU "RI" or ESG label**, fostering business transition. In addition, Europe could develop a label for social investments, an area which could grow rapidly following the Covid-19 crisis, and a label for impact funds, another segment which is raising interest from investors.

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
X	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]

The market for sustainability linked bonds could be growing rapidly, possibly competing with green bonds. It can be interesting for both issuers and investors. It will be necessary to monitor developments in the market and ensure a sound regulatory framework, consistent with the framework applicable to green bonds, both to preserve investor confidence and level-playing field.

Question 31. Should such a potential standard for target-setting sustainability-linked bonds or loans 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
X	Don't know / no opinion / not relevant

Question 31.1 If necessary, please explain your answer to question 31:
[2000 character(s) maximum]

The question should be further explored depending on the objectives and méthodologies retained for such a standard.

Question 32. Several initiatives are currently ongoing in relation to energy-efficient mortgages[4] 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 32.1 If yes, please select all that apply:

	a broad standard or label for sustainable mortgages and loans (including social and environmental considerations)
	a standard or label for green (environmental and climate) mortgages and loans
	a narrow standard or label only for energy-efficient mortgages and loans for the renovation of a residential immovable property
	Other

Question 32.2 Please specify what type of standard or label on sustainability in the loan market you would like to see:
[2000 character(s) maximum]

[4] 6 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.

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?

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

Question 33.1 If yes, please explain what the key elements of such a benchmark should be:
[2000 character(s) maximum]

- Setting up standards for indices (or, via indices, for financial products) with the object of carbon emissions reduction was suitable and meaningful because the objective of such indices/products is specific, i.e. alignment with the Paris agreement targets.
- Logic is somewhat different when it comes to ESG as a whole, as products offered can diverge widely, both in terms of types of objective and in ambition. Nevetheless it would be worth exploring the opportunity to expand the tool box started with the creation of EU PABs and EU CTBs, and develop standards or labels for ESG indices. This could help bringing **clarity to the market and further tackle ESG-washing** by going beyond the exclusively transparency-based strategy adopted so far.
- **We also call for similar reflections to be carried out at financial product level**, as set out under questions 28 and 29. Frameworks at index level are useful, since they have an impact on financial products, but they entail a significant tilt towards passive investment (as has been done on low-carbon products via the mandatory use of EU PAB/CTB). Active investment should not be left aside, nor be subject to an un-level playing field.

Question 33.2 If no, please explain your answer to question 33:
[2000 character(s) maximum]

[Not applicable]

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]

[Not applicable]

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
X	3 – Neutral
	4 – Agree
	5 – Strongly agree
	Don't know / no opinion / not relevant

Question 35.1 If you desagree, please list the main problems you see (maximum three):
[2000 character(s) maximum]

[Not applicable]

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
X	No
	Don't know / no opinion / not relevant

Question 36.1 If necessary, please explain your answer to question 36:
[2000 character(s) maximum]

Introducing **sustainable-finance oriented trading segments** within EU law might facilitate identification of ESG investment opportunities and enhance the visibility of issuers operating in environmental or social sectors, in alignment, where possible, with the EU taxonomy. This could also facilitate equity funding of innovative approaches to environmental and social activities and services. However, there is a risk that creating such specific exchanges would fragment liquidity and cannibalise existing exchanges (SME growth markets).

Besides, **creating within EU law such a new type of platform** requires to have a clear vision beforehand of how market and issuer requirements (e.g. admission criteria, tick sizes, financial and non-financial reporting,ongoing disclosure…) would need to be adapted (either alleviated or enhanced) compared with 'traditional' regulated markets or MTF, if at all. Defining criteria for qualification of an issuer or an instrument as ESG or green would also be challenging.

With regard to **green bonds**, several European stock exchanges have decided to launch a green bond segment, thereby increasing the visibility of green products, but without the need for EU action at legislative level. Therefore, before making the case for creating sustainable-finance oriented trading segments within EU law, a careful assessment is needed based on the experience of markets where such segments exist as a result of business initiatives, and there is no immediate need at this stage to make regulatory changes in this area.

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]*

As mentioned above, **private initiatives to develop sustainable finance-oriented market segments** could be useful in order to increase the visibility of ESG products that are clearly identified to be eligible.

This **creation of dedicated segments** could be accompanied by targeted arrangements in terms of marketing, such as introducing a specific section on the exchange website. The AMF considers that such initiatives could play an important role in particular for SMEs. Helping SMEs in the identification and display of their ESG features could promote their attractiveness both domestically and internationally.

In general, such **sustainable finance-oriented exchanges** could provide services towards both investors and issuers. Towards investors, exchanges can bring expertise to facilitate understanding of ESG products. The venue could share existing standards and deploy educational resources so as to attract new investors. Towards issuers, stock exchanges could provide guidance on ESG reporting, through the production of documentation helping companies gain a clear understanding of what ESG information should be displayed to investors.

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.[5] 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 (ESMA report, EBA report, 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)
X	Other

[5] 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.

Question 38.1 Please specify what other recommendation(s) have the highest potential to effectively tacke short-termism:
[2000 character(s) maximum] [If "other", to be completed]

Despite growing calls to reduce short-termism, significant challenges remain. The review of the Non-financial information directive could help reflecting the most important non-financial factors for the company's ability to remain solvent and profitable as well as to create value in the short, medium and long term. We refer to **ESMA's advice on undue short-term pressures** (Ref.: ESMA30-22-762, 18 December 2019) which details a set of proposals to tackle short-termism.

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?

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

Question 39.1 If yes, please explain which barriers you see and / what action(s) could helpe foster long-termism in financial markets and the way corporates operate. Please list a maximum of 3 barriers(s) and / or a maximum of 3 action(s)
[2000 character(s) maximum]

[Not applicable]

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?

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

Question 40.1: If yes, please indicate what share of the variable remuneration should be linked to non-financial performance. [Box max. 2000 characters]

The AMF chose to answer positively because it believes that **the link between variable remuneration and non-financial performance should be reinforced (without being precisely prescribed)**.

Executive remuneration aims at incentivizing executives to implement the corporate strategy and to ensure the performance of the company. **A proper remuneration structure should therefore reflect the achievements of an executive regarding key challenges of its company's strategy**. **A prerequisite to this question is the integration of sustainability issues at the strategy's level**. The revision of the NFRD should be an opportunity to define rules according to which companies should disclose how environmental and social issues are considered at the highest level of the company's strategy.

Several European corporate governance codes encourage the alignement of executives' compensation with the creation of sustainable value and some of them even recommends that part of the variable compensation be linked to sustainable performance criteria The Commission's draft guidelines on remuneration provided for in the SRDII could be a good vehicule **to invite issuers to include non-financial criteria into remuneration structures without further prescribing their weight or nature (which explains our negative answer to Q41)**.

The European Commission could elaborate recommendations to avoid greenwashing:

- **It could encourage companies to choose criteria that reflect their sustainability strategy**. The nature of these criteria must be defined in line with the company's strategy, which depends on its sector but also on the **specificities of its business model**;
- **It could require companies to give a preponderant weight to quantifiable criteria** (vs. qualitative one);
- **It could require companies to provide full disclosure on their achievements and assessments at the end of the performance period.**

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
X	No
	Don't know / no opinion / not relevant

Comment box added by the AMF

As explained above, we believe that the remuneration policy of a company's executive should reflect the strategic as well as operational challenges the company is facing. **It should therefore be tailored to the company's specificities**. On this basis, the nature of performance criteria for executives' remuneration **should not be prescribed but always aligned on the company's strategy**.

By defining a target of net zero greenhouse gas emissions by 2050, the European Union intends that all sectors of the economy and society play their part in this ambitious political goal. As mentioned in the Green Deal, one way to achieve this is cutting emissions (along with investing in green technologies and protecting the natural environment), especially in several sectors (see 2.1.3 - *Mobilising industry for a clean and circular economy*). After defining the roadmap for these sectors, the EC could study the opportunity to target them with provisions regarding executive remuneration.

However, this should be done carefully **as many methodological features need to be first clarified and standardised as market practices regarding estimation of GHG emissions are not comparable enough today to be generalized into executive remuneration**.

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?

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

Question 42.1 If yes, what action should be taken? Please explain or provide appropriate examples:
[2000 character(s) maximum]

The regulatory framework regarding long-term engagement has been recently revised. It is therefore necessary to further observe the impact of SRD II before considering revised and/or new rules.

We can also expect the new Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector to have impacts on integration of ESG factors and long-term engagement activities.

In addition, the EC could explore the opportunity of encouraging alternative incentives such as increased dividend based on the experience of Member States that have authorized them.

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?

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

Comment box added by the AMF

Regarding dialogue, SRDII has developed a detailed framework for effective and sustainable shareholder engagement by institutional investors and asset managers. Engagement remains however costly and some market players (quite often the smallest one) cannot always dedicate time and ressources to such activity. In addition, a company can face the same request on a specific environmental or social issue from different investors, which is not cost-efficient.

Regarding voting, a study by Mc Cahery et al. (2015) shows that only 16% of the surveyed investors, mainly EU-based, use shareholder proposals as a tool. It appears that the European landscape is not easy to understand for investors as shareholding requirement to submit a resolution at an AGM significantly differs from one country to another: if only one share is required in Sweden or Denmark, a 2, 3 or event 5 percent of voting rights (and/or capital) is required in many countries (Germany, Luxembourg, Italy, Netherlands, Spain, etc.). **Harmonisation regarding these requirements would be a first step** to facilitate shareholders' votes on ESG issues. **Claryfying regulatory risks coming from other regulatory texts** should also be done as the Takeover Bids Directive and MAR can prevent investors from taking part to such collective action. **Defining rules to encourage and guide investors' coalition** could then be useful to provide better assurance to companies on what investors are allowed or not to do and under which conditions. **Finally, a certain level of disclosure could also be required from companies on the shareholder resolutions they received and the follow-up given to them**.

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
X	No
	Don't know / no opinion / not relevant

Question 44.1 If yes, please explain your answer to question 44:
[2000 character(s) maximum]

Comment box added by the AMF

As shown by ISS' 2018 European Voting Results Report, the average number of proposals per meeting in Europe is around 15 and can even exceed 20. This represents a certain amount of time and money that companies must spend on AGMs and requiring a new item at the AMGs' agenda should be done only if there is no other way for shareholder to voice their concern.

1. Requiring a vote on the non-financial statement or reporting?

We believe that there is no need to require a specific item on non-financial reporting at AGM's agenda when the two following conditions are fulfilled: the non-financial statement/reporting is included in the management report and a vote on a the management report is required.

As the content of AGMs' agenda is defined by national laws, **the EC could require Member States to ensure that non-financial reporting is submitted to approval by the shareholders, either directly or indirectly**.

2. Requiring a vote on the non-financial strategy?

The European priority around sustainability **should not necessarily lead to requiring a vote on the non-financial strategy at companies' AGM**. The board of directors is ultimately responsible for the company's strategy and by electing its member at the AMG, shareholders show a vote of confidence in the capacity of the board members to design the best suited strategy. There is no case where the strategy itself is submitted to shareholders' approval.

The EC could however consider requiring information on the involvement of the board and management in sustainability issues. Such information could be included in the report on corporate governance for example. In the same way, requiring information on the E&S impact of major corporate operations (M&A) when they are submitted to shareholders' vote could be an option to explore.

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?

X	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]*

Passive index investing is only a type of investment strategy and should not be subject, with regard to ESG, to differentiated treatment. As a result, just like any other investment strategy, the integration of sustainability risks is an integral part of an investor's fiduciary duty. Such risks should therefore, for passive investment managers as well, be integrated in risk management and due diligence processes, as clarified following adaptations to Level 2 measures of UCITSD and AIFMD. Where funds (whether active or passive) use an index as benchmark, benchmark administrators should be required to disclose the necessary information regarding the integration of sustainability risks and adverse impacts. Engagement, which is, among others, a way to address risk and mitigate adverse impact, has often been pointed out as a particular hurdle for passive investors to integrate ESG factors. In this regard, implementing a passive investment strategy doesn't necessarily imply passive ownership. In AMF's view, there are no barriers preventing passive investors from engaging with their investee companies. Should further regulation on addressing sustainability risks or adverse sustainability impacts focus on engagement, such rules should not discriminate between passive and active investors (see UNPRI principle 2 and SRD II (Directive (EU) 2017/828) articles 3(g) and 3(i) which impose identical measures relating to engagement policies on asset managers, whether the strategy is active or passive). Finally, passive investment could offer new channels to have an impact on corporate management, via engagement with the index provider and by influencing the relationship between the index provider and the investee company. This could provide for an extra lever for corporate dialogue and for a better integration of ESG matters in the whole value chain.

Question 45.2 If no, please explain the reasons to question 45:
[2000 character(s) maximum]

[Not applicable]

To foster more sustainable corporate governance, as part of action 10 of the 2018 Action 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?

X	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?

X	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?

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

Comment box added by the AMF

It is time for the EU **to build legal obligations of companies to protect both human rights and the environment**. Such legislation should establish an obligation to respect human rights and the environment, requiring companies and financial institutions to identify, prevent and mitigate violations and abuses caused by their operations, activities, services, supply chains and exports nationally and globally, and to be held accountable when such violations or abuses occur.

This new legislation could be inspired by the UN Guidelines on Business and Human Rights, the OECD Guidelines on Responsible Business Conduct and the OECD's sectoral and general guides on due diligence. Moreover, since **the adoption by France of the law on the duty of vigilance** of parent companies and principal contractors in 2017, other countries are adopting or considering similar legislation.

A harmonization of the thresholds with the NFRD would have to be studied in order to simplify the understanding of the provisions applicable to companies. It would be also necessary to consider **the possible extra-territoriality of such a measure** in order to target the players in a relevant manner without creating a competitive imbalance.

Question 48.1 If yes, please select your preferred option:

	All companies, including SMEs
X	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 the reasons for your answer to question 48.1.
[2000 character(s) maximum]

A harmonization of the thresholds with the NFRD would have to be studied in order to simplify the understanding of the provisions applicable to companies. There is a need to ensure that companies, including SMEs, operating in sectors at risk of human rights and environmental violations are subject to due diligence. Nevetheless, it would be important to adopt a proportionate approach to the requirements imposed on SMEs to avoid subjecting them to any unnecessary administrative burden.

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?

X	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]*

These guidelines should, as a first step, be adopted via high-level principle-based approach to be able to adapt to different business models. Such clarifications should be brought in ESMA's guidelines on suitability which are to be reviewed as a consequence of the forthcoming amendments to MiFID Delegated regulation.

In such a context, market practices and constraints need to be assessed as a first step, to evaluate on which aspects guidance would be necessary and to have a better understanding of what is at stake. Feedback from the industry is therefore first needed.

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?

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

Comment box added by the AMF

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 but also at a comparable return/performance and if those products meet the suitability test. Return is an important feature to take into account and should not be lower on those products than on other investment products.

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
X	5 – Strongly agree
	Don't know / no opinion / not relevant

Question 51.1 If you agree (for scores of 4 to 5), 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
[A] Integrate sustainable finance literacy in the training requirements of finance professionals.					**X**	
[B] 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.			**X**			
[C] 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.			**X**			
[D] Directly, through targeted campaigns.				**X**		
[E] As part of a wider effort to raise the financial literacy of EU citizens.					**X**	
[F] As part of a wider effort to raise the knowledge citizens have of their rights as consumers, investors, and active members of their communities.				**X**		
[G] Promote the inclusion of sustainability and sustainable finance in the curricula of students, in particular future finance professionals.					**X**	
[H] Other					**X**	

Question 51.2 Please explain what other action(s) should be prioritised: *[2000 character(s) maximum]*

As regards the training requirements of finance professionals (Q.51.1), the AMF supports the idea of the integration of sustainable finance literacy. That could be done through a European framework for the certification of advisors, provided that it allows for the specific features of national regulations and of local markets to be taken into account. This framework must therefore be linked to national certification systems when available, which in the French case, has proved its worth. In France, the system for verification of the minimum level of knowledge was established in 2010 first applying to employees of Investment Service Providers performing certain key functions, it has been extended since 2017 to financial advisors not belonging to an investment firm (conseillers en investissements financiers - CIF). The corpus was reviewed and updated in 2019, with application starting in January 2020. The part on sustainable finance was strengthened. Other work is under way to explore the development of professional training certification focussing on sustainable finance. It is key that finance professionals, in particular advisors, have a good knowledge of the products upon which they might produce advice to retail investors. This will help them to provide suitable advice and by offering information and explanations on the products, they can raise theirs clients' awareness and knowledge. Raising the level of financial literacy on sustainable finance of EU citizens is also crucial but it will take more time than raising financial literacy of professionnals. Most EU countries have financial literacy national strategies and sustainable finance should be included in these strategies to be more efficient.

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
X	5 – Very important
	Don't know / no opinion / not relevant

Question 52.1 For scores of 4 to 5, what actions should the EU take in your view? *[2000 character(s) maximum]*

The current framework on monitoring of adverse sustainability factors included in the Disclosure regulation is already an ambitious move. Article 7 of Regulation (EU) 2019/2088 (transparency on adverse sustainability impacts for financial products), which will apply from 31 December 2022, combined with Article 11(1) of the same Regulation, require financial market participants that comply with Article 4 of the same regulation to provide information on the impact of financial products on sustainability factors. ESAs' recommendations made for the Level 2 of the Disclosure regulation, such as a set of mandatory adverse impact indicators, also confirm the ambitious approach adopted. This set of rules should be adapted when the Taxonomy comes into force. Consistency between pieces of European legislation will help making the whole framework more efficient. For instance, and while awaiting a brown Taxonomy, reporting on adverse impacts could integrate a reporting on investments in activities that do not meet the DNSH thresholds set by the Taxonomy in certain sectors. It should however be noted that the disclosure obligation on adverse impacts only applies to few market participants and products (structures of more than 500 employees). For asset managers, the AMF would favour the use of criteria based on assets under management rather than employees, as this would link the reporting obligation to the economic impact of FMPs (this could be done via the specific review clause on this aspect mentioned under Article 19(a)(1) of the Disclosure regulation). It should also be underlined that, owing to the exclusion of structured products from the scope of "financial products" under Regulation (EU) 2019/2088, such products are not subject to reporting on adverse impacts nor on other ESG disclosures. This is, in AMF's view, an important loophole to be addressed.

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
X	No
	Don't know / no opinion / not relevant

Question 53.1 If no, please explain what you would consider to be the most impactful products/instruments to reallocate capital in this way: *[2000 character(s) maximum]*

It is difficult to classify financial instruments and financial products according to their ability to reallocate capital and to support sustainable activities. Considering the wide range of activities, products and actors that need financing, and considering the wide array of investors, all the range of existing financial instruments can have a role to play in financing sustainable projects and innovation should be encouraged where needed, for instance to respond to challenges in financing smaller or more innovative projects.

However, the ability of different products and instruments to reallocate capital can vary, and depends, not only on their nature, but also on other considerations, such as holding periods, financing horizons, dedicated financing, ability to engage with the issuers, etc. Instruments such as private equity, targeted loans, green bonds, project finance, targeting specific projects, could be considered as more impactful, although additionality is not always demonstrated. For equity investors, stewardship can influence corporate behaviour, thus favouring a less direct but still positive effect on ESG factors. Other questions arise with money market instruments, as their short term dimension somehow contradicts the perception of sustainability being a long-term perspective, although providers of short-term fundings can have a long-term relationship with the companies. Similarly, the use of derivatives raises a number of questions, as no guarantee is given that the counterparty will invest in sustainable instruments, and, in case of a swap, the swapped portfolio does not necessarily comply with ESG criteria.

Transparency across instruments and products (including structured products which are currently excluded from Sustainable Finance Disclosures Regulation) is therefore paramount so that investors can better assess ESG claims.

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
X	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]*

The relatively recent EU Regulation for Simple, Transparent and Standardised (STS) Securitisations is an opportunity to relaunch securitisation. With appropriate conditions, it could be used in the context of growing investor appetite for green projects : broadly speaking, securitisation is an important tool for the financing and refinancing of both retail and corporate debt. This is particular relevant for financings of under €5 to €10 million (as opposed to wholesale financings, typically above the €5-€10m range), that can be bundled together homogeneously, granting wholesale exposure to certain types of assets. Relatively small scale green projects could thus benefit from these bundling schemes by indirectly attracting a broader set of investors seeking this type of exposure.

As such, the creation of green securitisation has the potential to enhance and complement the existing tools available for green financing.

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?

X	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]

From a regulatory perspective, the Simple, Transparent, and Standardised (STS) requirements, the securitisation disclosure requirements associated with the Securitisation Regulation do not contain substantial information on the 'greenness' of underlying exposures. To the extent that investors seek to adapt and obey investment guidelines that include investment in 'green' financial products, it will be difficult for securitisations to be considered as 'eligible' by these investors, until there is sufficient transparency to allow an informed opinion on the 'greenness' of the product to be formed.

Additional transparency could take the form of efforts made to 'connect' information available elsewhere — using other disclosure requirements under consideration (e.g. the taxonomy, with due regard for minimising reporting burdens) — and make this easily retrievable for each securitisation underlying exposure (or potentially aggregated, depending on the type of securitisation).

Some degree of standardisation could also become necessary to set a 'green-securitisation label'. Such a label could facilitate the inclusion of securitisations in investment portfolios that pursue sustainability objectives (in line with the Taxonomy Regulation), thus helping to attract new investors to this asset class. Such a label could also potentially enable investors to more easily differentiate securitised products based on their relative greenness.

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

X	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]*

To the extent that prudential measures are adopted, it is emphasized that these should be consistent across investor types (given their investment horizon) and not be set in isolation from other nearby financial products that investors could substitute for securitisations (such as covered bonds, and direct purchases/sales of underlying exposures).

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 maximise the potential of digital tools for integrating sustainability into the financial sector?

X	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 three actions and a maximum of three existing initiatives:
[2000 character(s) maximum]

Digital finance, comprising big data, IA, blockchain, may offer **solutions** to support sustainable finance and help financial actors assessing ESG risks, opportunities, incentives and choices, at reduced costs. New technologies have the potential to improve processes and systems by acting as a digital enabler across the investment chain (ESG profiling, advice, generation of ESG data and ESG analysis, traceability of green projects, , etc.).

Coordination of policy actions across Member States is essential. Considering the cross-border nature of innovation, cooperation among NCAs and ESAs should be increased. In this regard, the joint EC and ESAs EFIF initiative provides a platform for European innovation hubs and sandboxes and may facilitate development of enabling digital tools for sustainable finance. At EU level, policies addressing regulatory uncertainty and ensuring market integrity and investor protection, as well as actions encouraging co-innovation and collaboration, supporting R&D and education projects (e.g. for understanding risks and opportunities underlying distributed-ledger technology) are needed. More generally, we encourage the **integration of sustainable finance into the existing FinTech ecosystem** (e.g. by creating events, hackathons, or incubators encouraging better integrating sustainability chracteristics into the existing innovative business models and strengthening collaboration between sustainable start-ups and Fintechs). We also support initiatives aimed at fostering close interactions between innovative sustainable digital finance solutions and regulators in order to ensure that regulation is appropriately on-boarded.

In order to be consistent with the objectives of the Sustainable finance agenda, possible increase in energy consumption associated with new technologies and new usages should be monitored and assessed. Where possible, transparency should be encouraged and efficient energy solutions privileged.

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?

X	Yes
	No
	Don’t know / no opinion / not relevant

Question 58.1 If yes, please explain what actions would be relevant from your perspective and which public authority would be best-positioned to deliver it. Please list a maximum of three actions *[2000 character(s) maximum]*

There are several areas where digital solutions can bring benefits for retail investors to better channel their "money" to finance the sustainable developments, including improving access to information for retail investors, and using digitalisation to engage citizens (as consumers, co-producers and voters) in raising finance for sustainable infrastructure (see more in OECD/the World Bank/UN Environment (2019)).

Together with the benefits that digitalisation can bring about for retail investors, there are also risks associated with digital technologies. They include data security and the use and protection of consumer data, but also educational risks where retail investors may not understand the technologies and the products offered, which can bring heightened risk as digitalisation enables prompter investment decisions. These risks can be addressed through establishing a clear regulatory environment; online learning; and development of standards and relevant labels. It also includes RegTech to combat fraud, crime or corruption.

Considering the cross-border nature of digital finance solutions and Sustainability Finance projects taking place in the financial area, cooperation among NCAs and ESAs should be increased. In this regard, ESMA is well positioned to support the development of digital finance solutions that could help consumers and retail investors better channel their money to finance the transition.

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?

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

Question 59.1 If yes, please detail, in particular if you see a role for EU intervention, including financial support: *[2000 character(s) maximum]*

Digital tools such as crowdfunding platforms, DLT or AI solutions could be used to involve EU citizens in co-financing local sustainable projects. Projects supported by European public authorities and in cooperation with private partners could bring more clarity, trust and protection to EU citizens.

Educational information can also be provided to retail investors on sustainable financial instruments, products and services via digital media (e.g. websites presenting green products and risks associated , or webinars on ESG indices and funds). Another way to achieve this could be for EU public authorities to facilitate cooperation and partnership between incumbent financial actors and FinTech startups providing innovative products and services to the market.

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 three for each.
[2000 character(s) maximum]

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 detail:
[2000 character(s) maximum]

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 three actions you would like to see at EU-level
[2000 character(s) maximum]

It is crucial to facilitate the uptake of sustainable tools and frameworks by SMEs. This includes capacity building and training at SME level and in their ecosystem, including banking institutions. Requirements applicable to SMEs should also be proportionate. In the context of the review of the Non-financial Reporting Directive, the AMF would be in favour of requiring all listed and unlisted companies with more than 250 employees and EU 40 million net turnover or EU 20 million balance sheet total, to disclose a non financial statement. A ligther content should be required for companies with 250 to 500 employees in order to avoid burdensome requirements for these companies. Regarding companies with less than 250 employees, the AMF considers that the disclosure of a non-financial statement should remain optional. The European Commission could elaborate a guide for SMEs to assist them in this optional process and enhance comparability of their reporting.

The European Commission should monitor the impact of the new sustainable finance requirements on SMEs and, in particular, assess the usability of the EU Taxonomy to SMEs, and whether it would need to be adapted.

Regarding professional investors, a specific challenge relate to the costs of ESG data and the need to develop or acquire expertise in sustainable investments. Future EU action on ESG, data, ratings and reseach should take these considerations into account.

Question 63. The transition towards a sustainable economy will require significant investment in research and innovation (R&I) to enable rapid commercialisation of promising and transformational R&I solutions, including possible disruptive and breakthrough inventions or business models.
How could the EU ensure that the financial tools developed to increase sustainable investment flows turn R&I into investable (bankable) opportunities?
[2000 character(s) maximum]

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?			
Assisting the development of R&I projects to reach investment-ready stages, with volumes, scales, and risk-return profils that interest investors (i.e. ready and bankable projects that private investors can easily identify)?			
Better identifying areas in R&I where public intervention is critical to crowd in private funding?			
Ensuring alignment and synergies between Horizon Europe and other EU programmes/funds?			
Conducting more research to address the high risks associated with sustainable R&I investment (e.g. policy frameworks and market conditions)?			
Identifying and coordinating R&I efforts taking place at EU, national and international levels to maximise value and avoid duplication?			
Facilitating sharing of information and experience regarding successful low-carbon business models, research gaps and innovative solutions?			
Increasing the capacity of EU entrepreneurs and SMEs to innovate and take risks?			

Question 65.1 If necessary, please explain your answer to question 65: *[2000 character(s) maximum]*

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
X	3 – Neutral
	4 – Functioning rather well
	5 – Functioning very well
	Don't know / no opinion / not relevant

Question 66.1 If necessary, please specify your answer to question 66: *[2000 character(s) maximum]*

Despite the considerable attention given to sustainability and the rapid growth of so-called responsible or sustainable investments, impact on the real economy and the achievement of the EU's environmental and climate action objectives remain to be seen. Lack of appropriate price signals, challenges in defining sustainable activities, lack of awareness among investors, complexity of the new regulatory regime can prevent the uptake of sustainable investments.

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 (scores of 4 to 5), which specific incentive(s) would support the issuance of which sustainable financial assets, in your view? Please rank their effectiveness of each type of incentive:

a) Revenu-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						
Loans						
Equity						
Other						

Please specify the reasons for your answer 67.1 a) (provide if possible links to quantitative evidence) and add any other incentives you would like the Commission to consider:
[2000 character(s) maximum]

[Not applicable]

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						
Loans						
Equity						
Other						

Please specify the reasons for your answer 67.1 b) (provide if possible links to quantitative evidence) and add any other incentives you would like the Commission to consider:
[2000 character(s) maximum]

[Not applicable]

c) Technical assistance

	1 (not effective at all)	**2** (not effective)	**3** (neutral)	**4** (effective)	**5** (very effective)	Don't know / No opinion
Bonds						
Loans						
Equity						
Other						

Please specify the reasons for your answer 67.1 c) (provide if possible links to quantitative evidence) and add any other incentives you would like the Commission to consider:
[2000 character(s) maximum]

[Not applicable]

d) And 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						
Loans						
Equity						
Other						

Please specify the reasons for your answer 67.1 d) (provide if possible links to quantitative evidence) and add any other incentives you would like the Commission to consider:
[2000 character(s) maximum]

[Not applicable]

Question 68. In your view, to what extent would potential incentives for investors (including retail investors) help create an attractive 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]

[Not applicable]

Question 68.1 For scores of 4 to 5, since you see a strong need for incentives for investors, which specific incentive(s) would best support an increase in sustainable investments?

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

Question 68.2 Please specify what other specific incentive(s) would support best increasing sustainable invesmtents:
[2000 character(s) maximum]

[Not applicable]

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?

X	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]

1. Beyond supporting SMEs already engaged or willing to engage in a transition, it is also important to put in place incentives for companies that are not already engaged in transition and represent a high proportion of SMEs (63% of EU SMEs do not currently offer green products or services, and have no plans to do as shown in European Commission'2018 study, "SMEs, resource efficiency and green markets"). In addition, 28% of these SMEs say that "financial incentives for developing products, services or new production processes would be the most help in launching green products/services". 2. Reducing regulatory burden - As mentioned in the Communication from the European Commission on SMEs strategy, "the cumulative impact of regulation remains a major problem for SMEs", despite all UE initiatives taken to take into account their specificities in the regulatory environment. A recent study of the European Parliament (SME focus - Long- term strategy for the European industrial future, April 2020) shows that complicated and costly administrative procedures have significant impact on SMEs adaptation, notably in highly regulated sectors (chemicals for example). As such, simplification of existing rules at the European level is crucial. In addition, a better harmonization of rules amongst Member States is also be key as, according to an Eurochambres 2019 Business Survey, 70% of SMEs cite different national rules as the biggest obstacles for SMEs when operating in the Single Market. 3. Improving access to financing - Access to finance is crucial for SMEs to finance the transition. However, studies show that sources of growth financing for SMEs lack of diversity and listing on capital markets through an Initial Public Offering remains uneasy. As suggested by the EC in its Communication on SMEs of March 2020, an SME IPO Fund would be a relevant tool to support SMEs through and beyond the listing process. Such Fund could notably focus on sustainability-oriented SMEs.

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 partialy
	No
	Don't know / no opinion / not relevant

Question 70.1
If yes, please explain which public authority could use it, how and for what purposes:
If yes, but only partially, please explain which public authority could use it, how and for what purposes, as well as the changes that would required to make it fit for purpose:
If no, please explain why you consider that it is not suitable for use by public authotities, and how those reasons could be best addressed in your view:
[2000 character(s) maximum]

[Not applicable]

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 partialy
	No
	Don't know / no opinion / not relevant

Question 71.1 If no or yes, but only partially, please explain why and how those reasons could be best addressed in your view:

[Not applicable]

Question 72. In particular, should the EU Taxonomy[6] 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? Please select all that apply

	Yes, the taxonomy with climate and environmental objectives set out in the Taxonomy Regulation
	Yes, but only if social objectives are incorporated in the EU Taxonomy, as recommended by the TEG, and depending on the outcome of the report that the Commission must publish by 31 December 2021 in line with the review clause of the political agreement on the Taxonomy Regulation
	No
	Don't know / no opinion / not relevant

Question 72.1 If yes, what role should it play and is the taxonomy, as currently set out in the report of the Technical Expert Group on Sustainable Finance, suitable for the following purposes?

- ☐ In the context of some EU spending programmes
- ☐ In the context of EU state aid rules
- ☐ Other

[Not applicable]

In the context of some EU spending programmes: please explain if the EU Taxonomy is suitable for the purpose of EU spending programmes and what role it should play in this context:
[2000 character(s) maximum]

[Not applicable]

[6] 8 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.

In the context of EU state aid rules: please explain if the EU Taxnomy is suitable for the purpose of EU State aid rules and what role it should play in this context:
[2000 character(s) maximum]

[Not applicable]

Other: please explain for what other purpose is the EU Taxonomy suitable and what role it should play in that context:
[2000 character(s) maximum]

[Not applicable]

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?

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

Question 73.1 If no, are there specificities of public issuers and funded projects or assets that the existing guidance on green bonds, developed by the TEG, does not account for? *[2000 character(s) maximum]*

Comment box added by the AMF

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.

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

Question 74.1 If yes, please specify what type of services would be useful for this purpose:

	Information on legal frameworks
	Individualised advice (e.g. on financing)
	Partner and location search
	Support in completing authorisations
	Problem-solving mechanisms
	Other

[Not applicable]

Question 74.2 Please specify what other type(s) of services would be useful for this purpose:
[2000 character(s) maximum]

[Not applicable]

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 <u>the investment protection framework</u> has an impact on decisions to engage in cross-border sustainable investment?

	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** response. 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
X	2 – Rather insufficient
	3 – Neutral
	4 – Rather sufficient
	5 – Fully sufficient
	Don't know / no opinion / not relevant

Question 76.1 For scores of 1-2, 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]

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 three proposals: *[2000 character(s) maximum]*

One of the challenges to deliver on the goals of the Paris Agreement and/or SDGs is to reconcile EU or national strategies with the contribution of 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/or developing economies?
Please select all that apply.

	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 78.1 If other, please specify what other main barrier(s) private investors face when financing sustainable projects and activities in emerging markets and developing economies:
[2000 character(s) maximum]

[Not applicable]

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 three proposals. *[2000 character(s) maximum]*

[Not applicable]

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 80.1
If answer B, please explain your answer to question 80:
If answer C, please explain how you think these tools could be adapted:
[2000 character(s) maximum]

[Not applicable]

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

Question 81.1 If no or yes, but only partially, please explain why and how the obstacles you identify could be best addressed:
[2000 character(s) maximum]

[Not applicable]

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 finance.[7] 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").

[7] 9 More information on the ESAs' activities on sustainable finance is available on the authorities' websites. See in particular ESMA's strategy (https://www.esma.europa.eu/sites/default/files/library/esma22-105-1052_sustainable_finance_strategy.pdf), EBA Action Plan (, and EIOPA's dedicated webpage (https://www.eiopa.europa.eu/browse/sustainable-finance_en)

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?

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

Question 82.1 If no, please explain why you disagree: *[2000 character(s) maximum]*

[Not applicable]

If yes, what would be the purpose of such a brown taxonomy? (select all that apply)

X	Help supervisors to identify and manage climate and environmental risks
	Create new prudential tools, such as for exposures to carbon-intensive industries
X	Make it easier for investors and financial institutions to voluntarily lower their exposure to these activities
	Identify and stop environmentally harmful subsidies
X	Other

Question 82.2 Please spcecfy what would be the other purpose(s) if such brown taxonomy:
[2000 character(s) maximum]

In the longer term, a brown taxonomy can play a role in making easier for investors to assess and decrease their exposures to high-intensive carbon sectors and environment damaging activities. It will also help the harmonisation of disclosures and better comparison among peers.

In addition, a brown taxonomy could help increase alignment between the indicators for principal adverse impact of investment decisions on sustainability factors, being developed by the ESAs under Article 4 of the Disclosure Regulation, and the taxonomy framework.

While there are merits in developing such a taxonomy, its use should be carefully assessed and supported by appropriate communication.

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
X	No
	Don't know / no opinion / not relevant

Question 83.1 If yes, what should be the purpose of such a taxonomy? *[2000 character(s) maximum]*

Comment box added by the AMF

In responding to this question the AMF does not have any strong reasons for either supporting or rejecting a taxonomy for "intermediate activities", however it understands that such taxonomy could be useful for insurance purposes in order to better factor into non-life insurance climate risks, for example, of intermediate activites.
That is why, the AMF believes it is critical to evolve the Taxonomy in order to ensure it can effectively help to support the transition to a 1.5°c world. The Taxonomy needs to acknowledge and reflect the journey needed for companies, which are 'brown' today but have the ambition to transition to green in future.

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,[8]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 provide links to quantitative analysis when available.

X	Physical risks, please specify if necessary
X	Transition risks
X	Second-order effects
	Other

If physical risks, please specify, if necessary, what are these physical risks. Please provide links to quantitative analysis when available. [Box max. 2000 characters]

If transition risks, please specify, if necessary, what are these transition risks. Please provide links to quantitative analysis when available. [Box max. 2000 characters]

If second-order effects, please specify, if necessary, what are these second-order effects. Please provide links to quantitative analysis when available. [Box max. 2000 characters]

If other, please explain through what other channel(s) climate change will affect your industry? Please provide links to quantitative analysis when available. [Box max. 2000 characters]

[8] See for instance the Network of Central Banks and Supervisors for Greening the Financial System (NGFS).

Question 85. What key actions taken in your industry do you consider to be relevant and impactful to enhance the management of climate and environment related risks?
Please identify a maximum of three actions taken in your industry *[2000 character(s) maximum]*

While attention to climate and environmental related risks has been growing over the last years both in the financial and non financial sectors, considerable challenges remain from the lack of data and information systems to collect those, still nacent methodologies to assess risks, availability of skills within institutions, etc. Relevant actions include:
1. **Definition of climate and environmental-related strategies**, involving the top management, with appropriate objectives and monitoring,
2. **Investments in data and methodologies**, including through collective initiatives, as well as training.
3. **Appropriate disclosures on climate and environmental related risks and strategies**.

Question 86. Following the financial crisis, the EU has developed several 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 identity ans address potential systemic stability risks related to climate change, what solution would you proprose? Please list a maximum of three solutions. *[2000 character(s) maximum]*

[Not applicable]

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 though 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 their solvency position that may impede 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[9].

[9] 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 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

Question 87.1 If yes, please specify which actions would be relevant:
[2000 character(s) maximum]

[Not applicable]

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]

[Not applicable]

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
	No
	Don't know / no opinion / not relevant

Question 89.1 If yes, please specify which action(s) would be relevant:
[2000 character(s) maximum]

[Not applicable]

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]

[Not applicable]

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)?

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

Question 91.1 If yes, what solution would you propose?
[2000 character(s) maximum]

There is merit in adapting rules on fiduciary duties, best interests of investors and prudent person rules, but the EU should first ensure that the initiatives undertaken as part of the Action 7 on clarifying institutional investors' and asset managers' duties under the Action Plan are implemented and their effects assessed. These changes clarify manager duty regarding sustainability risks focusing on the impact on financial performance. Following the entry in vigour of the new Sustainable Finance Disclosures Regulation (SFDR), the question could be re-envisaged. The adaptation of the rules on fiduciary duties to better take into consideration the adverse environmental and social impacts of the investment decisions could facilitate the reallocation of capital, in particular when the integration of such impacts can reduce (short-term) performance.

Pension providers

Pension providers' long-term liabilities make them an important source of sustainable finance. They have an inherently long-term approach, as the beneficiaries of retirement schemes expect income streams over several decades. Compared with other institutions, pension providers' long-term investment policies also make their assets potentially more exposed to long-term risks. Thus far, the issues of sustainability reporting and ESG integration by EU pension providers have been taken up in the areas of institutions for occupational retirement provision (IORPs) ("Pillar II" - covered at EU level by the IORP II Directive) and private voluntary plans for personal pensions ("Pillar III" – covered at EU level by the PEPP Regulation) already in 2016 and 2017, respectively. The Commission will review the IORP II Directive by January 2023 and report on its implementation and effectiveness.

However, according to a stress test on IORPs run by EIOPA in 2019 and assessing for the first time the integration of ESG factors in IORPs' risk management and investment allocation, only about 30% of IORPs in the EU have a strategy in place to manage ESG-related risks to their investments. Moreover, while most IORPs claimed to have taken appropriate steps to identify ESG risks to their investments, only 19% assess the impact of ESG factors on investments' risks and returns.[10] Lastly, the study provided a preliminary quantitative analysis of the investment portfolio[11] 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.

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

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

[10] 12The 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).
[11] 13 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.

Question 92.1 If yes, please specify what actions would be relevant in your view:
[2000 character(s) maximum]

[Not applicable]

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]

[Not applicable]

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

Question 94.1 If yes, how could this be achieved, taking into account that IORPs are collective schemes whose members may have different views on ESG integration? [BOX max. 2000 characters]
[2000 character(s) maximum]

[Not applicable]

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, and 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
X	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 the reasons for your answer to question 95:
[2000 character(s) maximum]

Since ESMA's Guidelines on Disclosure Requirements Applicable to Credit Rating have only been applied since April 2020, it is too early to properly and fully assessed the level of transparency on the integration of ESG factors into credit ratings.

The French regulator considers that the three major CRAs have made progress regarding the published information. Generally speaking, they communicate about the general underlying principles, more and more about topics directly linked to integration of ESG factors - links between the materiality of ESG risks and the ratings, the time horizons - and they provide examples to illustrate those issues.

Nevertheless, the relevance of ESG considerations for credit ratings across rating agencies is not yet fully transparent. There is still room for improvement as CRA tend not to provide very detailed information on how ESG factors are taken into account in the determination of credit ratings and it is still difficult to understand the impact of ESG factors on credit ratings.

The report of the Commission services on the disclosure of ESG considerations by CRAs in 2021 will be helpful to assess improvements and need for future potential actions.

Question 96. How would you assess the effectiveness of the integration of ESG factors into credit ratings by CRAs?

	1 – Not effective at all
X	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 the reasons for your answer to question 96:
[2000 character(s) maximum]

We refer to the ESMA Technical Advice of July 2019. Further work will be needed to be able to assess the effectiveness of the integration of ESGs factors into credit ratings by CRAs, impediments and need for action.

Question 97. Beyond the guidelines, in your opinion, should the EU take further actions in this area?

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

Question 97.1 If yes, please specify what kind of action you consider would address the identified problems. In particular should the EU consider regulatory intervention? *[2000 character(s) maximum]*

We refer to the ESMA Technical Advice and response to the current consultation which highlights the need to ensure at the CRA regulatory framework keeps pace with ESG developments in other areas.

Question 98. 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?

X	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]

It is worth mentioning **two initiatives, although they remain experimental and the broader implications of such initiatives should be further assessed.**

The CARE (Comprehensive Accounting in respectif of Ecoloy & ecosystem centred accounting model) is based on :

- an inclusion of social and environmental issues in the balance sheet and income statement ;
- an extension of financial solvency to "environmental" and "social solvency" ;
- an extension of the principles of protection of financial capital to natural and social capitals.

In this context, social and environmental issues are addressed through the conservation (maintenance) of "capital" "entities" to be preserved (climate, biodiversity, soils, human beings employed, etc.) and reflected in the balance sheet and income statement by the recognition of social and environmental liabilities (debts).

The Environmental Profit & Loss account (EP&L) published by Kering since 2015 is presented as facilitating a better way of thinking and a innovative tool imagined by this corporate in its own operations and across its entire supply chain. It measures the environmental footprint and then calculates its monetary value. Further, Kering has published its E P&L methodology in order to provide an open-source tool. Kering is sharing this work to support the development of corporate accounting of natural capital, and the Natural Capital Protocol, a cross-sector industry initiative developing a global methodology for environmental accounting.

3.5 Improving resilience to adverse climate and environmental impacts[12]

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.

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

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?

X	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?

X	Loss data
X	Physical risk data

If loss 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? [Box max. 2000 characters]

If physical risk data, 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? [Box max. 2000 characters]

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 naturalcatastrophe 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?

X	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.
A- Financial support to the development of more accurate climate physical risk models						
B- Raise awareness about climate physical risk						
C- Promote ex-ante “build back better” requirements to improve future resilience of the affected regions and or/sectors after a natural catastrophe						
D- Facilitate public-private partnerships to expand affordable and comprehensive related insurance coverage						
E- Reform EU post disaster financial support						
F- Support the development of alternative financial products (e.g. catastrophe bonds) offering protection/hedging against financial losses stemming from climate- or environment-related events						
G- Advise Member States on their national natural disaster insurance and post disaster compensation and reconstruction frameworks						
H- Regulate by setting minimum performance features for national climate-related disaster financial management schemes						
I- Create a European climate-related disaster risk transfer mechanism						
J- Other						

(QA – Answer 4 or 5) If financial support, 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. [Box max. 2000 characters]

(QB – Answer 4 or 5) If raise awareness, please explain why you think it would be useful for the EU to raise awareness about climate physical risk. [Box max. 2000 characters]

(QC – Answer 4 or 5) If promote ex-ante “build back better” requirements, please explain why you think it would be useful for the EU to promote ex-ante “build back better” requirements to improve future resilience of the affected regions and or/sectors after a natural catastrophe. [Box max. 2000 characters]

(QD – Answer 4 or 5) If facilitate public-private partnerships, please explain why you think it would be useful for the EU to facilitate public-private partnerships to expand affordable and comprehensive related insurance coverage. [Box max. 2000 characters]

(QE – Answer 4 or 5) If reform EU post disaster financial support, please explain why you think it would be useful for the EU to reform EU post disaster financial support. [Box max. 2000 characters]

(QF – Answer 4 or 5) If support the development of alternative financial products, please explain why you think it would be useful for the EU to support the development of alternative financial products (e.g. catastrophe bonds) offering protection/hedging against financial losses stemming from climate- or environment-related events. [Box max. 2000 characters]

(QG – Answer 4 or 5) If advise Member States, please explain why you think it would be useful for the EU to advise Member States on their national natural disaster insurance and post disaster compensation and reconstruction frameworks. [Box max. 2000 characters]

(QH – Answer 4 or 5) If regulate by setting minimum performance features, please explain why you think it would be useful for the EU to regulate by setting minimum performance features for national climate-related disaster financial management schemes. [Box max. 2000 characters]

(QI – Answer 4 or 5) If create a European climate-related risk transfer mechanism, please explain why you think it would be useful for the EU to create a European climate-related disaster risk transfer mechanism. [Box max. 2000 characters]

(QJ – Answer 4 or 5) If other, please explain what other action(s) the EU should take in this regard. [Box max. 2000 characters]

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 101.1 If yes, which actions you would consider to be useful?

In particular, is there scope for EU action to improve the offer of products and services for climate-related disaster risk reduction, enhance insurers' potential to promote increased resilience of their policyholders beyond a mere compensatory role?

For instance, EIOPA in its opinion on sustainability on Solvency II talks about "impact underwriting which includes the development of new insurance products, adjustments in the design and pricing of the products and the engagement with public authorities without disregard for actuarial risk-based principles of risk selection and pricing".

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

Question 101.2
If yes, please explain which actions and the expected impact (high, medium, low):
[2000 character(s) maximum]

If no, please explain your answer to question 101 and 101.1:
[2000 character(s) maximum]

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?

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

Question 102.1 What action should the EU take? Please list a maximum of three actions.
[2000 character(s) maximum]

As mentioned in response to question 91, there is merit in reviewing rules on fiduciary duties, best interests of investors and prudent person rules once the initiatives undertaken as part of Action 7 on clarifying institutional investors' and asset managers' duties under the Action Plan: Financing Sustainable Growth are implemented and their effects are assessed.

ESMA published technical advice in April 2019 on the integration of sustainability risks and factors, relating to environmental, social and good governance considerations with regards to investment firms and investment funds, into MiFID II, AIFMD and the UCITS Directive. In particular, ESMA highlighted that taking sustainability risks into account will make UCITS management companies and AIFMs more resilient to adverse scenarios that might impact sectors vulnerable to e.g. climate change or leave these companies with stranded assets.The European Commission is preparing to adopt the Level 2 measures, having published drafts for comment on 8 June 2020. Once the Commission's legislative proposals have been adopted, their effect should be observed and enforced before further changes are made.

4. ADDITIONAL INFORMATION

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

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