



## Promoting Environmentally and Socially Sustainable Investment

19 November 2015 – European Parliament

### Key take-aways

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#### Event agenda:

##### **Panel 1 – Current EU initiatives to promote Green investment | 15:00 - 16:30**

Steven Maijoor (ESMA); Sven Gentner (European Commission); Benoît Lallemand (Finance Watch); Camilla de Ste Croix (Shareaction).

##### **Panel 2 – Best practices to promote Green investment | 16:45 - 18:00**

Thierry Philipponnat (Eurosif); Timo Busch (University of Hamburg); Christian Klein (University of Kassel); Antje Schneeweiß (SüdWind Institute); Frank Wagemans (VBDO).

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- **Key areas of focus:** Capital Markets Union (CMU) Action Plan; Regulation on key information documents for packaged retail and insurance-based investment products (PRIIPs);
- **Legal definitions and standards** for sustainable and responsible investment (SRI), green bonds and other ESG-related concepts would help to clarify SRI and limit greenwashing, which is still a big issue; **mandatory audits and disclosure** would be equally important;
- Sustainable investment approach should not be limited to **risk and return considerations**, but should fully consider **environmental and social impact of investments and the moral dimensions thereof**, which should be monitored at every level;
- **CSR/ESG reporting** is key: there can be no credible SRI without credible environmental & social measurements at issuer level;
- **CMU Action Plan covers ESG only in the context of green bonds**; however, **ESG is an approach not a product** and this needs to be properly reflected in legislation;
- **IORPs Directive** current draft text (where all ESG elements have been removed by rapporteur) serves the interests of pension funds, instead of those of their members; serving beneficiary long-term interest in line with **fiduciary duty** means that **ESG issues should be fully considered**; **pensioners' awareness and demand for SRI are increasing**; The very framing of ESG as 'non-financial' is not accurate, as ESG issues are material to business;
- **Lack of transparency** makes it hard for stakeholders to know what institutional investors (e.g. pension funds, insurance companies) are doing with their money;
- **Need to tackle the whole policy-making process, not just the content of policies**;



- **Needs to change mainstream investment;** for that we have to make clear that ESG risks/issues are material to all assets, and therefore they should be included in all investment decisions (as opposed to focusing only on niche products like green bonds);
- **Too little engagement in pushing SRI agenda forward at EU level: more ambition needed;** Holistic approach needed: apart from investment, one should also focus on **credit, loans and banking;**
- **Need to increase transparency EU-wide;** many EU countries already have legislation on **mandatory ESG disclosure** in place (e.g. Austria, Belgium, France, Germany, Italy, Netherlands, UK); national particularities exist, they roughly go in the same direction; **implementation remains problematic. Such legislation should be adopted at EU level.**
- **French financial regulator** has adopted position whereby it will check how investors implement SRI and whether they do greenwashing; **EU regulators should also make sure that legislative requirements are properly implemented by issuers and investors;** Two consequences of doing this at EU level: **1) monitoring and making sure that law is enforced will create momentum for action; 2) will put on agenda the fact that monitoring is key;**
- **Retail investors are increasingly aware and interested in SRI;** for instance in the Netherlands consumer interest in SRI is growing with 5% per year;
- **Important aspect not addressed so far: the role of investment advisors in promoting SRI;** EU policy-makers should think about them and how they could activate SRI;
- **Need to see the big picture:** apparent continuous growth of SRI, including PRI signatories; **however:** greenwashing still a big issue; SRI still a niche; large proportion of AuM still invested in fossil fuels; ESG issues still not sufficiently considered; results still limited so far (e.g. often the sum of relative GHG emission reductions does not mean an absolute emission reduction). **Need to ramp up SRI ambition fast if relevant impacts are to be achieved;**
- **E, S and G are all important and SRI requires a long-term approach;** Good governance is a prerequisite for properly functioning structures and processes which can deliver on E and S.
- **Although SRI still has a long way to go, making small steps in the right direction is better than giving up SRI altogether and making no progress at all;** however, **in the context of current environmental and social challenges, huge steps in SRI are needed;**
- **SRI developments are encouraging. Example:** three phases for pension funds in Netherlands – first: exclusions; second: ESG integration; third: SRI goals stated in core business strategy – it is the third, more mature approach on SRI that will make the change.



## About Eurosif

Eurosif is the leading pan-European sustainable and responsible investment (SRI) membership organisation whose mission is to promote sustainability through European financial markets. Eurosif works as a partnership of Europe-based national Sustainable Investment Forums (SIFs) with the direct support of their network which spans across over 400 Europe-based organisations drawn from the sustainable investment industry value chain. These organisations include institutional investors, asset managers, financial services, index providers and ESG research and analysis firms totalling over €8 trillion in total assets. Eurosif is also a founding member of the Global Sustainable Investment Alliance, the alliance of the largest SIFs around the world. The main activities of Eurosif are public policy, research and creating platforms for nurturing sustainable investing best practices.

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