1) Are there additional actions that can contribute to making it easier for companies to enter and raise capital on public markets?

The Commission has already highlighted the critical role played by new start-up companies and SMEs as engine of growth for the economy. The CMU implementation state of play already indicates positive advancements for several actions. This positive result demonstrates the extent to which those are likely to spur concrete positive results, helping companies gain easier access to finance. Eurosif continues to advocate further scaling up of long-term sustainable growth by leveraging financial innovation. In order to 'combine' this latter concept and sustainability, we call for environmental and social reporting and screening to become a standard feature of all the investment vehicles and financial instruments aligned with the CMU objective.

With regards to corporate transparency, Eurosif membership strongly emphasises the need for the Directive on Non-Financial Reporting Article 3 and possibly target legislative proposals to enable it to have significant impact and clearly refer to the TCFD recommendations. Particular emphasis should be put on the disclosure on governance, strategy, risk management, as well as metrics and targets as they relate to Directive's requirements.

Increasingly there is demand among investors for a consistent approach to ESG reporting. This is closely related to the TCFD[1] recommendations and the LSE[2]'s new reporting guidelines, in view of consistency in public reporting as a tool for companies seeking easier access to capital.

[1] Task Force on Climate Related Financial Disclosure
[2] London Stock Exchange

Screening should also become an eligibility requirement for underlying assets in ELTIFs, EuVCA and EuSEFs, as well a big infrastructure investments. It should also constitute a key eligibility criterion for credit enhancement and risk-sharing mechanisms, for an intervention by the European Investment Bank and other similar players. This would help mitigate reputational and financial risks that may materialize over the long-term, and, therefore, improve the risk-return profile of these investments, while meeting growing investors' concerns about environmental and social considerations.

A common methodology to assess the social outcomes as per the European Social Entrepreneurship Fund label should be proposed also for the 'European Venture Capital Fund' one and environmental targets should be clearly mentioned for both.

In view of the work currently being undertaken on tax incentives for venture capital and business angels, it should be ensured to incorporate tax incentives and disincentives into EuSEFs and EVCAs, but also in ELTIFs, as well as in the context of the foreseen large infrastructure projects, provided that they meet certain conditions, such as environmental and social screening. The Commission could explore this point further with Member States in March 2017 during the second expert workshop.

2) Are there additional actions that can contribute to fostering long-term, infrastructure and sustainable investment?

Eurosif has long lobbied for reinforcing the consensus around the meaning of fiduciary duty across member states. We stand for a better understanding, at Member State level, of "fiduciary duties" and incorporation of financial materiality into the investment process. As stated in the Eurosif CMU Action Plan launched in December 2015, we call for a clear definition of the concept of fiduciary duty, too often interpreted by many investors, investment advisors and pension consultants, as a duty to maximise short-term financial return. Building on the long-standing work carried out by Eurosif and its members to analyse in detail at national level, the evolution of ESG as part of responsible investing, our organisation would be happy to contribute to moving forward to determine a European approach to this concept. As climate and wider ESG risks are material to business, we believe that acting in the beneficiaries' best interest means having a long-term approach to business and fully factoring in ESG issues in investment decisions. Asset managers and institutional investors, who are naturally interested in maintaining high portfolio returns, should be able to ensure that ESG risks in their portfolios are properly measured and managed. Therefore, we urge policy-makers to develop a clear definition of fiduciary duty as requiring a long-term approach on investment, with full consideration of ESG risks. As UKSIF highlights, a 2016 survey showed that over half of UK trustees, scheme managers and pension professionals polled did not believe climate change was a financially material factor to investments. This is despite a Law Commission[3] report in 2014 and changes to the LGPS[4] regulations and TPR[5] guidance which reflected that all Fm[6] factors should be considered including those from ESG. Further to that, a 2015 report by the PRA/Bank of England, explicitly recognizes climate change as a financially material factor[7]. In the same vein, the very large philanthropic sector, is also one where trustees have the duty to fulfill a 'charitable' mission with the support of their advisers. Charities

3 The Law Commission is the statutory independent body created by the Law Commissions Act 1965 to keep the law of England and Wales under review and to recommend reform where it is needed. The aim of the Commission is to ensure that the law is: fair. modern. Simple www.lawcom.gov.uk/

4 The Local Government Pension Scheme

5 The Pension Regulator (UK)

6 Factor for pension in payment to a member

7 (http://www.bankofengland.co.uk/publications/Pages/speeches/2015/844.aspx)

should be required to write a pension-style “SIP” [Statement of Investment Principles] which mentions their approach to ESG; and advisers/consultants should be required to abide by these, and in general to ensure that their proposals are in line with the charitable mission of their clients; and to be required to provide a statement of how they comply with the mission.

Pension funds often lack the size, resources and expertise to invest in infrastructure on their own. Cross-border investments outside Europe is also a point of attention, as a general trend shows investors have a focus outside Europe. The Commission should invest more in redirecting the attention of pension funds to opportunities under the Investment Plan[8] and point out to best practice in this sense. The Investment Plan for Europe, through mechanisms such as EFSI, could increase pension funds’ cross-border investment in the EU. Also, pooling of assets may be one way to overcome this obstacle as we have seen in the UK with the pooling of some LGPS funds. The UK has also set up a National Infrastructure Commission which aims to provide advice to the Government on long-term infrastructure challenges and opportunities.

For social and impact investments the problems in the UK are mainly due to lack of scalability of the investment and sometimes lack of education i.e. the pension fund does not think they are legally allowed to make the investment. For the latter, clarity of the law and education are key. For the former, the UK has seen various initiatives forming to address this. In particular, the Law Commission and the Government’s Inclusive Economy Unit are looking at barriers and opportunities for pension funds to do social investment, including on

[8] The Investment Plan for Europe

the viability of a label/standard. A report is expected in the course of 2017.

A recommendation for European regulators in Member States is to examine the extent to which climate change may impact financial stability in their country. This should then be examined and reviewed at the European level.

The French Banking Federation has recently made some relevant concrete proposals aimed at successfully funding the energy transition, recognizing the big challenge the cost of funding represents. The proposal has been termed 'the green supporting factor' and refers to the commitment taken by French banks to champion green growth. The concept revolves around: easing capital requirement for financing and investing in assets to finance the energy transition referring to CBI[9] terminology to define asset eligibility. Due to the strong climate component, the clear definitions by way of the TEEC[10] label and inclusion of all economic agents (individuals, SMEs and companies), Eurosif encourages the European Commission to derive useful evidence from this proposal, which could be easily transposed at European level.

Infrastructure investment should become a more accessible asset class for institutional investors, through increasing transparency and harmonization of project pipelines, structures, financing and performance. Charities are strong players in the field too (in the UK circa £83bn) and are mainly attracted by infrastructure funds as they are able to bring both certainty and sustainability of the income

[9] Climate Bond Initiative
[10] Le label Transition Énergétique et Ecologique pour le Climat

stream, on top of generating positive societal impact. Their main focus is typically liquid and easily accessible infrastructure funds.

Lack of benchmarking and performance data for the industry and national infrastructure pipelines that have few commercially viable projects should be addressed with the development of a more standardized, transparent, pan-European and harmonized infrastructure capital market.

3) Are there additional actions that can contribute to fostering retail investment?

Financial literacy is absolutely crucial in order to mainstream sustainable investment. The UK experience is interesting in this respect, as the country has tried to bypass a lack of financial literacy with automatic enrolment to ensure all working people have a pension. This has rightly been considered a success, however this has not addressed the fundamental problem of a lack of financial literacy, it has only by-passed this problem. The UK now has millions more people saving into pensions, and yet many of them do not realise that they are not saving nearly enough to retire on. More is being done now by the UK Government to promote financial education at schools, still not enough. More widely speaking, European citizens need to be confronting this issue and have the appropriate knowledge of the fundamental of finance. Increased financial literacy means more people understanding how the financial systems work across Europe, which both drives demand for retail investment and allows savers to match their values with their investments, boosting sustainable finance throughout the continent. Higher standards of financial literacy is also required for retail advisers, as this shortfall ultimately harms investors and undermines confidence in the financial system. European legislations that are addressing the retail market, through retail investment and insurance products (PRIIPs) and individual pan-European personal pension products (PEPPs) can drive further the understanding and awareness of citizens across member states of environmental and social criteria. In the case of PRIIPs, this is already a reality and the ESAs' ongoing consultation on the inclusion of EOS criteria in investment and insurance products. This represents what our membership recognizes as a game changer and an opportunity to increase awareness and improve information, while mainstreaming SRI. It is also very much in line with the recent trend in SRI (Sustainable and Responsible Investment) across Europe and highlighted in the Eurosif SRI study 2016, the increase in the retail market from 3.40 to over 22%[11] in the last two years.

[11] Eurosif SRI study 2016 page 52