The European Sustainable Investment Forum

Eurosif response to European Commission's public consultation on long-term and sustainable investment Deadline: 25 March 2016; submitted: 23 March 2016	
Question	**Eurosif response**
1. Rationale for ESG inclusion into investment decisions 1.a. Do ESG factors play a role in the investment decisions of investors? If not, why? If yes, please specify which considerations are reflecting in your investment policy and mandates? In what form is this commitment expressed?	**ESG integration in investment decisions is considered as a valid strategy for investors to examine companies' sustainability practices and performance that can have a material impact on their financial performance. Having an holistic view of companies performance is very much in line with the concept of fiduciary duty as a mean to mitigate risks and identify investment opportunities. Consequentially, not taking into account ESG issues and the value they represent for long-term investment, could be considered as going against the concept of fiduciary duty, leaving investors exposed. The majority of European investors are committed to a greater or lesser degree to integrating ESG factors in their investment decisions, and this is reflected in their investment policies and external mandates. For asset owners, best practice in this area takes the form of monitoring external mandates and comparing them against ESG equity and fixed income benchmarks, and for directly managed assets, it means integrating ESG research and analysis in their investment decision-making process. For asset managers this takes the form of managing funds using ESG indices, integrating ESG research directly into their portfolio management process using external or in-house ESG research, or a mix thereof. As elaborated in Eurosif's European SRI Study 2014 (http://www.eurosif.org/publication/view/european-sri-study-2014/), sustainable and long-term investment approaches and strategies include: sustainability themed investment, best-in-class investment selection, exclusion of holdings from investment universe, norms-based screening, engagement and voting on sustainability matters, and impact investing.**

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1.b. What is the main rationale for institutional investors and asset managers to take ESG risks and opportunities into account in their investment decisions? Please indicate all the relevant issues (multiple choice)	**a) risk management,** **b) alignment of investment policies with the long-term interests of beneficiaries of the institutional investor,** **c) pressure from clients on whose behalf the institutional investor invests funds,** **d) seeking a positive social or environmental impact of investments,** **e) ethical considerations,** **f) legal or regulatory constraints, please specify,** **g) other, please specify.** **a) risk management:** **i) managing asset value risk in the short-term, including preservation of investment value, better investment performance,** **ii) managing asset value risk in the medium-to long-term, mitigation of exposure to long-term and systemic risks,** **iii) management of liability risks** ***f) legal or regulatory constraints, please specify: Such constraints may turn into opportunities and include ESG disclosure requirements for investors mandated by various national legislations, such as the French law on energy transition for green growth and its article 173-VI which puts in place an obligation for investment funds and institutional investors to report on ESG issues, their exposure to climate-related risks, greenhouse gas (GHG) emissions and contribution to climate and energy policy goals. This law also fosters corporate mandatory reporting on those topics. Legislation mandating investors to disclose ESG information also exists in different forms in many other EU countries such as Austria, Belgium, Germany, Italy, Netherlands, and UK. There are other examples across Europe, which have contributed to further corporate reporting and therefore opportunities, for instance the UK carbon reporting (MCR) which is mandatory for listed companies and it provides an extremely valuable tool for enhanced corporate transparency. Other initiatives, like the UK Stewardship Code is focused on encouraging investors to act in a responsible manner, but unfortunately, due to the lack of monitoring mechanism behind, it cannot provide a good measure of investors' commitment.** **Consensus on a clear definition of long-term and sustainable investment is lacking and is needed in order to meet the demands and the requirements of the stakeholders involved while respecting national legal frameworks.** ***g) other, please specify: seeking a high return on investments** **Please provide an explanation:**

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	We believe that integrating ESG factors in investment decisions makes perfect business sense and is key to improving returns on investments. In addition to the materiality aspect, integrating ESG considerations has an ethical dimension which is becoming increasingly important for investors, both institutional and individual. Notably, millennials represent a higher proportion of these investors, although proportions in each category have gone up. In a sign that the sustainable investment market has shed its image as a niche market, the top three issues for investors include corporate governance matters such as 'tax avoidance' and 'data protection', rather than the traditional environmental causes usually associated with ethical investment.
2. Information on ESG risks and opportunities 2.a. Which ESG risks do you perceive as material to investors?	As ESG risks are material to business performance, we believe that acting in the beneficiaries' best interest means having a long-term approach to business and investment which fully factors in ESG issues. Solely in relation to the carbon factor and in view of COP 21, the Bank of England has pointed out to the risks represented by fossil fuel companies, and 'stranded assets'. Further and consistent transparency on the carbon emission percentage locked up in fossil fuel companies reserves should be submitted to mandatory disclosure. Examples of material ESG risks are numerous and various according to the different sectors. To take the example of environmental risk, a rising global warming level of 6°C could lead to losses of \$13.8 trillion against the world's current \$143 trillion stock of manageable assets (Economist Intelligence Unit, 2015). Moreover, limiting global temperature increase to 1,5-2°C, as agreed in Paris, will require 80% of known fossil fuel reserves to remain in the ground and become 'stranded assets' (Carbon Tracker Initiative, 2015) which could trigger serious losses if these risks remain unaddressed. Social risks can sometimes be hidden within the supply chain (at different tier levels) that are not visible to companies themselves. Disasters like Rana Plaza, have unfortunately clearly shown the extent to which, the lack of corporate accountability for social risks in their relations with their service providers, can be damaging. On the governance side of things, the scandals linked to the 'Lux leaks' provide a good example of governance issues with tangible impact on companies and investors. However, it is widely acknowledged that there is no single standardised set of ESG factors that is relevant for all companies, and that ESG factors that affect long-term financial performance vary across sectors and geographies. Therefore, it is up to investors and their investees to work out what are the ESG factors most relevant for them, and transparently evaluate and manage those issues.

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2.b. What are the main sources of reliable and relevant information for investors on material medium- to long-term risks and opportunities, particularly on ESG issues?	**A direct source of relevant ESG information are the reports that investees produce and share with stakeholders, such as their annual reports, CSR and sustainability reports. Relevant indirect sources are third party reviews produced by ESG research and rating agencies, sustainability indices (e.g. Dow Jones, FTSE4Good), information disclosed by companies on specific indicators (the CDP is for instance the world's largest database of environmental information) and stakeholder events and civil society reviews.**
2.c. Is it difficult for investors to access such information? If so, please specify	**Finding ESG-related information is easier today than it used to be, in particular as regards large stock listed companies. However, finding high quality and comparable information proves to be more problematic, in a context of lack of comparability and benchmarking. Due to lack of harmonised reporting guidelines on ESG, companies experience difficulties in determining what ESG issues they should be reporting on and why. This situation creates information asymmetry on the issuer side which affects investors' ability to use this information in their investment decision-making processes. Investors that do not find the information sufficient develop internal research team or ad-hoc partnerships to complete their analysis.** **The Non-Financial and Diversity Disclosure Directive (2014/95/EU) is an important first policy step in providing investors with the needed ESG information. However, in order to address the issue of information asymmetry mentioned above, we believe that it needs to be complemented by a comprehensive disclosure regime that ensures that disclosed ESG information is reliable, comparable and timely (i.e. simultaneous to financial disclosure). An important part of the equation remain the rating agencies which follow each a specific methodology that remains undisclosed to the larger public. This creates extra confusion among investors that struggle to have a coherent view of issuers' performance.** **Developments such as the Bank of England's prudential review of climate risks to the UK's insurance sector, Governor Mark Carney's speech on the threat posed by climate change to financial stability, as well as the newly established Financial Stability Board (FSB) taskforce on climate-related financial disclosure, are clear signs that ESG information is becoming increasingly important to investors, which will likely improve access to such information. The FSB Task Force on Climate-related Financial Disclosures (TCFD) will develop voluntary, consistent climate-related financial risk disclosures to be used by companies in providing information to lenders, insurers, investors and other stakeholders. Eurosif believes that more work needs to be done to ensure dialogue between corporations and investors and that more transparency is needed from service providers who have an important responsibility in this context.**
2.d. Is access to such data	**While there are many free sources of ESG information (e.g. public reports produced by investee companies, publicly**

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expensive? If so, please specify:	**available CDP responses), external reviews (e.g. second party opinions and ESG research, labels and audits) come at a cost which depends on a wide range of factors including scope, industry and assurance level or certifications. This might mean that the cost of providing good ESG fund management will increase with likely pressure on margins. As regards public reports produced by investee companies through the CDP, the internal costs (time, staff) of producing such reports are often cited by companies to make the case that this reporting is too expensive and over-burdensome. While companies do incur some cost in the first year to set up reporting, we argue that costs will be minimal, and these costs will be exceeded by benefits of reporting in the long-run.**
2e. What factors may prevent or discourage companies from disclosing such data?	**Such factors may include:** - **Absence of clear and harmonised benchmarks to report against** - **Inability to have a clear perspective on what kind of ESG reporting is needed to meet investors' demands** - **Lack of clarity for issuers of how these information will be treated** - **Lack of transparency on third party reporting methodology** **If ESG disclosure would become mandatory for all issuers, along with clarity on what needs to be disclosed and why, then a virtuous circle would be created, in which the interests of all the parties involved would become clear, and ESG reporting would be perceived not only as relevant but also as a necessity.**
2.f. What is the main rationale for companies to publish such information? Please indicate all the relevant issues. (multiple choice)	**a) relevance of ESG issues to company performance** **b) attracting financing for specific projects, for example green bonds** **c) legal or regulatory constraints** **d) demand from investors** **e) pressure from stakeholders** **f) other** ***f) other - please specify:** **Branding** **Savings - reporting stimulates energy savings and emission reductions, as what gets measured can then get managed.** **Competitive edge - showing a company's efforts to manage sustainability issues can help attract new environmentally and socially conscious staff from competitors.**

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2.g. Is there sufficient accountability for the disclosure by companies of such information?	**We consider that accountability for ESG data is often insufficient. In this context, data verification by an independent third party (auditor) may be an effective way of increasing data reliability and companies' accountability.** **The new FSB Climate-related Financial Disclosures task force may assist in this area or at least advance some of the thinking currently being done.**
2.h. What are the best practices as regards internal corporate governance processes to ensure proper reliability of the disclosed information?	**- Effective data collection and validation processes, with appropriate data check mechanisms with a responsible party at Board level for ESG data** **- Senior involvement in sign-off of information to be disclosed** **- Third party verification (audit) of data and of related processes**
2.i. What is the role of specific ESG investment instruments, like green bonds?	**Specific ESG investment instruments like Green Bonds allow investors to focus specifically on environmental or social impacts. Investors are in this way, given the chance to channel their investments in support of a project focused on environmental positive impacts.** **In their turn, companies can benefit from green bonds in order to interest different investors, and therefore increasing their access to new sources of finance. Eurosif believes that green bonds are a promising investment tool for channelling long-term capital towards green infrastructure projects needed to build a low carbon and resource efficient economy. When the Capital Markets Union (CMU) Action Plan was published in September last year, we were pleased to see the Commission's recognition and pledge to support the development of the green bond market.**
3. Integrating ESG information into risk assessment models of institutional investors and asset managers 3.a. What should an appropriate long-term risk assessment methodology look like? Please indicate some examples of good practice.	**A long-term risk assessment methodology should be comprehensive in scope (covering as many material ESG risks as possible) and differentiating between systemic and specific risks companies might be facing. The methodological approach should be systematic, thorough and solid in terms of internal data validation and external verification.**
3.b. Are there specific barriers, other than those of a regulatory	**Barriers to an effective integration of ESG risk indicators in investors' risk assessment are related mainly to the lack of high quality and comparable information discussed above. Therefore, a key priority should be improving the reliability and**

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nature (see question 9) for investors to integrate medium-to long-term risk indicators, including ESG matters in their risk assessment? If so, please indicate what you consider to be the main barriers.	**comparability of ESG information on investees' own operations and supply chains. On this note, a European SRI label would be an important and much called for development.** **General lack of information among decision makers (including in financial institutions), coupled with a lack of education and formation on sustainability topics globally (at all levels: schools, universities, companies, investors, asset managers, etc.) fuels the confusion around knowledge, awareness and consequently, integration.** **Investors working with indexes and benchmarks are not taking into account ESG data and therefore focus on short-medium term returns, which is at the opposite of the concept and the idea of integrating medium to long-term risk indicators.**
4. Integration of ESG aspects in financial incentives 4.a. When selecting and remunerating asset managers, how do institutional investors take into account asset managers' integration of ESG issues into investment strategies? What are the best practices in this area?	 **Today there is a general lack of clear metrics that asset owners could use to select and remunerate asset managers according to their ESG integration policy. A toolkit or some sort of guidance would be helpful in setting the tone for those institutional investors who are less ESG and long-term investment savvy. Institutional investors should be checking the methodology of their asset managers, verifying their investments choices and ESG reporting.**
4.b. Is ESG performance and active asset ownership taken into account in the remuneration of the executives and/or board members of institutional investors? What are the best practices in this area?	**Remuneration systems linked to long-term ESG performance and targets are highly relevant across all industries, as well as for all institutional investors.** **While many studies and reports look at sustainable pay incentive schemes for company executives (see for instance Sustainalytics and Veritas Investment, Institutional Investor, or the Road to 2020: Corporate Progress on The Ceres Roadmap For Sustainability), the ESG-related remuneration of executives and/or board members of institutional investors remains a less explored area.** **The approach is rather scattered across Europe and we cannot consider real trends.** **In the Netherlands as regards pension funds and insurance companies the link between remuneration and active ownership is rather weak, typically not going much beyond specific service providers receiving bonuses for achieved milestones. However, some pension funds have set goals on sustainable investment (e.g. KPIs) according to which all their**

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	asset classes should be covered by ESG integration, also linking the remuneration of fiduciary managers with those goals (e.g. in the form of bonuses). **Likewise in the UK some asset managers have introduced elements of ESG-related pay, for example by linking a modest but meaningful part of Responsible Investment Officers' annual compensation to ESG integration.**
5. Capacity of institutional investors 5.a. Do you think that the lack of scale or the lack of skills and resources of some institutional investors may affect their ability to integrate ESG factors in investment decision-making and engage on such issues? If so, how? Please provide evidence if possible.	**Institutional investors generally lack the skills or resources needed to integrate ESG factors in investment decisions and engage on such issues. In addition, there is no clear guidance for institutional investors on how to directly or indirectly integrate ESG factors into their investment decision-making processes.** **However, there is evidence that pension funds are increasingly active on integration. From surveying coalition of investors in the UK, we found out that some UK pension funds mandate their investment managers to do stewardship on their behalf. But despite encouraging signs, it is still overwhelmingly the preserve of larger funds. In addition, in the UK some training may be needed by national financial regulators.** **In the Netherlands, we have observed that the lack of skills is rather an issue for smaller asset owners rather than larger ones, who tend to have more means and more possibilities to be selective in their demands.** **In France, there are only a few pension funds but a greater majority of insurance companies with their own asset managers and in-house methodologies.** **Beside the lack of skills, in some cases there is also a lack of transparency and disclosure.** **In recent years, the Italian investors' coalitions have been crucial to empower institutional investors' capacity to engage on ESG themes. In 2014, the largest pension fund in Italy (Fondo Cometa), together with the Italian contractual pension funds association (Assofondipensione), launched – for the first time in Italy – a collective engagement initiative with the aim to address the banking sector on climate change related issues. FFS, the Italian Eurosif member, published some guidelines aimed at institutional investors (both at pension funds and insurance companies) to help them engage on ESG issues.**
5.b. Please indicate measures/practices that have contributed to enhance institutional investors' capacity and ability to integrate ESG factors in investment decision-making and engage on such	**Although there is a large amount of information available, investors still do not know what good looks like and it is hard for them to make sure that this information is truly reliable. This creates confusion for investors when it comes to understanding the most important ESG issues that they should be focusing on. We recommend the European Commission to mandate materiality assessments for companies to make them more accountable in terms of reporting – not in the sense of making companies abide by one reporting guideline, but rather mandating companies to report on material issues to them and explain why they chose those issues. ESG data disclosure by investees according to recognised reporting frameworks (e.g. GRI, OECD guidelines for Multinational Enterprises, UNGC principles), as well as guides and e-learning**

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issues.	**programs for investment professionals (i.e. CFA Institute), are examples of useful measures to develop institutional investors' capacity and ability in this area. Other relevant measures and practices include ESG related workshop, events, seminars, working groups, as well as academic research on SRI.** **Another useful tool would be an open source database of company reporting (e.g. using UNGP, OECD guidelines) which would help to drive different information providers to improve transparency instead of holding on to their methodologies. This database should include ESG-related information as well as information on breaches of hard and soft law, which is often not publicly available.** **When it comes to analysing serious measures already in place, the European panorama offers a patchy outlook at best. In the UK a noteworthy development in this sense, was the Law Commission's recommendation on fiduciary duty. In 2014 when the Law Commission was asked to examine the concept of fiduciary duty, it stated that pension fund trustees should take into account financially material factors including ESG and may take into account non-financial factors as part of their fiduciary duty. The recommendations were that the Government should change the Investment Regulations to make clear the distinction between financially material factors (including ESG) and non-financial factors. Unfortunately, the new government decided not to follow-up.** **In France companies offering employee saving schemes have the obligation to include a responsible investment product in the offer. This has been an important lever in the increase of the demand from investors for this type of products (SRI products represent today 30% of global employees' saving scheme).** **The article 173-VI of the French law on energy transition for green growth, which sets up an obligation for investment funds and institutional investors to report on ESG issues, their exposure to climate-related risks, greenhouse gas (GHG) emissions and contribution to climate and energy policy goals will also surely take part in this enhancement.** **Nevertheless, there is still general confusion, when it comes to what is meant with ESG integration. There is a need for more demands vis-à-vis institutional investors to invest into responsible, sustainable and long-term oriented products, and there is a need for raising awareness among investors regarding why and how integrating ESG factors to create sustainable value.**
6. Internal governance and accountability of the institutional investor 6.a. To what extent can good internal governance of	**The interests of beneficiaries, investors and investees are aligned inasmuch as they are all pursuing a high return on investment and an efficient portfolio management with reference to the expected return and the risk occurred (Efficient Frontier Theory). In fact, according to the 'prudent person principle' in investment, known as 'fiduciary duty' in some jurisdictions, investors are mandated by law to act in the best interests of beneficiaries. As climate and wider ESG risks are material to business, we believe that acting in the beneficiaries' best interest means having a long-term investment approach fully factoring in ESG issues.**

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institutional investors, such as mechanisms aiming to align interests between beneficiaries, board and key executives, influence their ability and willingness to integrate ESG factors in investment decision-making and engage on these issues? Please provide evidence or good practices if possible.	**Good corporate governance and increased Board accountability can play an important role in fostering consensus over the importance of shared value and its benefits for shareholders and other stakeholders.**
6.b. Do beneficiaries of pension funds and other institutional investors with long-term liabilities obtain sufficient and clear information about how the fund or investor is managing ESG risks? Can they give their opinion/be consulted on these aspects? Please provide examples of good practice.	**Currently, beneficiaries are not provided with a satisfactory level of information on how institutional investors are assessing and managing ESG risks.** **Some pension funds in the UK (Pensions and Lifetime Savings Association-PLSA) conduct regular surveys, and empower their members to understand and fulfil their stewardship responsibilities.** **In Italy, the institutional player Mefop SpA (società per lo sviluppo del Mercato dei Fondi Pensione) has published a comparative study (working paper MEFOP n. 36/2014) on the possible applications of the Member Engagement of the pension funds, inspired by the AA1000 Stakeholder Engagement Standard (AA1000SES).** **In France, there are few actors that can be considered as pensions funds and their communication on ESG is essentially done through their website where one can find a dedicated section for SRI policy.**
6.c. Are beneficiaries interested in matters referred to above? Please provide evidence if possible.	**Although the level of engagement is relatively low at the moment, there is evidence that beneficiaries are becoming increasingly aware of ESG issues and willing to be informed and involved in investment decision-making, for instance as regards pension funds.** **In the UK, according to research commissioned by UKSIF, Eurosif's UK member and Standard Life Investments for Good Money Week 2015, 54% of British individual investors now want something in addition to financial returns such as a positive social outcome or investments that help to solve environmental issues.**

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	In France, FIR, Eurosif's French member, also conducts an annual poll testing lay people's awareness of sustainable investment. In 2015, 51% of surveyed people attached great importance to ESG criteria when taking investment decisions. Nevertheless, only a very small minority of surveyed people, a mere 8%, knows exactly what SRI is. In Italy, Eurosif's French member, FFS, has recently conducted a survey on 1000 individual investors: 47% stated to be willing to change their investment decisions according to sustainability criteria. In Germany, research showed that investors are generally interested in sustainable investment, even if not much experienced in sustainable finance products.
7. The role of other service providers 7.a. Is there sufficient long-term oriented, reliable and relevant external investment research? Are there barriers to good quality external investment research on ESG risks and opportunities? If so, please explain. What role, if any, do financial incentives or conflicts of interests of some service providers play?	We believe that the reliability and comparability of external ESG research methodologies as well as related information can be improved. The 'SRI cycle' includes a wide variety of stakeholders (buy-side fund managers, sell-side brokers, investment consultants, companies asset owners, retail financial advisors, rating agencies) with different perspectives, motivations and understanding of ESG criteria. This only adds to the complexity of the issue when determining what is 'reliable and relevant external research'. The lack of clear parameters regulating the interaction (reporting needs) between the players involved risks adding to the fragmentation of this situation. Moreover, service providers might also find themselves in conflict of interest – an element that needs to be further analysed. As ESG rating agencies use different research methodologies when assessing ESG risks and opportunities, there is often confusion on the side of companies and investors. The Arista label, which brings together several ESG rating agencies, might be a good example of an initiative trying to address this issue. Another noteworthy initiative is the Morningstar ethical rating initiative which tries to provide ESG information across funds and enable investors to compare the ESG ratings of thousands of funds, thus helping ESG integration to become mainstream. By the end of March, Morningstar is planning to publish the ESG scores of a large part of the 200,000 funds it tracks. In France, Novethic, an independent service provider, has launched in 2009 a SRI Label followed by a Green Fund label in 2013. These labels have participated in improving the market structure and practices among asset managers and therefore asset owners in implementing ESG factors. In 2016, two public labels will be launched and will structure the market – one on energy transition led by the French Sustainable Development Minister, and a wider SRI label (that will replace the Novethic label). Research on ESG has improved in quality and coverage but there is still a huge gap between financial information and non-financial information. However, classical rating agencies (Fitch, Moody's, S&P, etc.) are starting to integrate ESG criteria into their methodology.

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	Globally, there is still a lack of demand from investors for this.
7.b. To what extent do investment banks, investments analysts and brokers provide information on medium-to long-term company performance, including corporate governance and corporate sustainability factors, when they make buy, sell and hold recommendations to investors?	**Financial players have shown increasing appreciation for long-term investments, translated into corporate performance objectives more as part of a trend, rather than a conviction. Extensive literature questioning the profitability of investments factoring in the sustainability elements has been produced to demonstrate just the opposite. It remains difficult to assess the degree to which the genuine belief that SRI investments generate long-term profits has permeated the majority of the financial industry. In the UK, there has been a downward trend until 2010, which is now on the rise again. In France ESG brokerage is growing and some players are given recognition for their research.**
7.c. To what extent do investment consultants consider the asset managers' approach to ESG issues and active asset ownership when advising institutional investors about the selection of asset managers?	**It is difficult to assess the extent to which such players (Mercer, TowersWillis) have developed robust methodologies fit to cater for institutional investors' needs. Nevertheless, these players will only consider ESG aspects if part of a legal obligation for the investor.**
7.d. To what extent do proxy advisors consider medium-to long term performance of companies, including ESG performance, in their voting recommendations?	**Some niche players have taken rather strong positioning on sustainability in investments to the extent that they have made it their brand value.**
7.e. To what extent do credit rating agencies take medium-to long term performance of	**Some credit rating agencies (e.g. Moody's) have started to incorporate ESG issues in their work. Nonetheless, this category of rating is largely outsourced to 'specialised agencies' solely focused on ESG criteria (VigeoEiris, Ethifinance, MSCI, Oekom Research, Sustainalytics, imug, Standard Ethics, RobecoSAM, ECPI, and others).**

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companies, including ESG performance, into account in their ratings?	
7.f. What are the best practices as regards independent external assurance (for example auditor review) for the disclosure by companies of material medium to long-term risks and opportunities, particularly ESG issues?	**Typically an internationally recognised standard for external assurance of sustainability reports is the AA1000. In France, the Article 225 of the Grenelle II law (2012) requires companies exceeding 500 employees to report on the social and environmental impact of their activities. This non-financial information must be reported in the annual report, approved by the Board and verified by a third-party.**
8. The role of non-professional investors 8.a. Do you know of initiatives that led to more sustainable and responsible investment from non-professional investors? Please provide details about them.	**There are several initiatives led by microfinance organisations or NGOs both aiming at empowering non-professional investors and raising awareness on SRI among a broader audience. Some examples, in Italy, are financial education projects (e.g. workshops involving pupils/students, such as the ones organised by the Foundation of the Italian Banking Association "Feduf" and the ones promoted by the Italian Insurance Companies Association) and information disclosure programs. The 2015 edition of the Italian SRI Week also included a cultural festival ("I soldi che fanno la felicità"), embracing theatrical and musical performances as well as workshops for families and students – all these events being focused on sustainable finance.** **In the UK, ShareAction have various campaigns focused on both the UK government and the EU. They cover all aspects of E, S and G issues and also of ethical investment. The UK legal organisation ClientEarth uses the law as a tool for social change and have a focus on the environment.** **In Germany, few consumer associations (Bremen and North Rhine Westphalia) are quite active in raising awareness on SRI. In addition, a German initiative called "Geld mit Sinn" ("money with meaning/sense", www.geldmitsinn.de/) focuses on informing retail investors about sustainable investment, e.g. via panel discussions, events, webinars, etc. The web portal www.sustainableinvestment.org lists sustainable funds, indices, stocks and service providers etc. and thereby helps interested retail investors to find relevant information about sustainable investment opportunities.** **The platform www.gruenesgeld.at is a central information point for interested retail investors in Austria. It provides general information about sustainable investments, lists specialised financial advisors, sustainable investment products, labels, certifications and more. Whereas these initiatives are important and their resources are frequently used, it is difficult to say to what extend they have resulted into more sustainable and responsible investment.**

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	In addition, raising awareness on SRI and its relevance for the general public is also an important role of the SRI weeks in different countries, including France, UK, Spain, Italy and UK (Good Money Week). **The French SRI Week (La Semaine de l'ISR) is held in France since 2010 by FIR, the French member of Eurosif, and it aims to raise awareness of the general public about SRI and its good practices FIR has also launched the campaign "Demand SRI!" ("Exigez l'ISR") which calls on people to ask their bank or their company about SRI products or savings plans.**
9. Legal or regulatory constraints 9.a. Are there legal or regulatory constraints likely to significantly and unduly prevent or discourage investors from taking a long-term view in their investment strategies and decisions and from investing in a sustainable way? If so, please provide details.	**There are no specific regulatory frameworks that discourage long-term investments, but we do believe that there are some market constraints that have this effect. Indeed, as current interest rates for long-term investments are not significantly higher than the ones associated to short-term investments, investors may be discouraged to commit for long-term. As a consequence, we encourage the introduction of stronger measures to foster long-term view in investment strategies.** **The short-termism orientation of financial regulation today (Bale I, Solvency II) does not facilitate ESG risks to be taken into by investors to prevent risks. Precautionary provisions requiring a level of capital stock proportional to the level of risk taken only takes into consideration financial risks. There is clearly no disincentive for investors to invest into companies and assets with negative long-term effects. The regulation should thus redefine what risks are, taking into account systemic risks that mostly depend on extra-financial issues, in order to encourage investors to take a long-term view in their investment strategies and decisions.** **Regulatory constraints may be seen as a consequence of the UK's Financial Conduct Authority (FCA) which did not include reference to fiduciary duties in its new governance structure for Defined Contribution pensions. This may be particularly concerning since due to the UK's new policy of automatic enrolment, up to 9 million people will have a new Defined Contribution pension by 2020.** **VBDO, the Dutch member of Eurosif, has highlighted some barriers, as part of its latest report on impact investing. Regulators and supervisors are at the moment hampering impact investing as the regulations are not taking the specifics of impact investing into account. Governments could establish incentives for investments that demonstrably result in positive societal impact.**
9.b. Do you believe that there are any barriers to the understanding by institutional investors and asset managers of their fiduciary duties that would not enable them to appropriately take ESG	**The current debate on a general interpretation of fiduciary duty, focusing on short-term financial returns, acts as a barrier to resource efficient and low-carbon investments and other RI investment categories. As ESG risks are material to business, we believe that acting in the beneficiaries' best interest means having a long-term approach to business and investment fully factoring in ESG issues.** **Asset managers and institutional investors should be able to ensure that ESG risks in their portfolios are properly measured and managed. Therefore, in order to ensure a long-term approach to business fully taking into account ESG**

Question	Eurosif response
factors into account in their investment decisions? Please explain.	**issues, we advocate for a clear definition of fiduciary duty, according to recognised agreements, requiring investors to take into account ESG issues in their investment processes, active ownership and public policy engagement. Implementation should be strengthened through legislation, putting emphasis on the importance of ESG issues, requiring investors' transparency.** **Breaking the myth of bad performance linked to ESG investments requires specific training for the following categories of players:** - **Employees of asset owners** - **Employees (executives, analysts, sales team) of asset managers** - **Employees of banks (sales team, executives) and other organisations directly linked with individual investors and beneficiaries** **SRI investments need to be easier to compare and follow clear definitions, to help investors understand what they are choosing and differentiate between different products. However these works are not of a convincing character.**
10. Others 10.a. Are you aware of any other incentives or obstacle(s) with a significant impact? If so, which ones?	**Other than the already highlighted grey zones in ESG integration, linked to lack of professional approach or to lack of proper training, on the investor's side, there is the perception issue which still plays a big role. Because there is not enough information around sustainable investing, the general public tends to assume it is particularly risky and not return generating.**
10.b. Would you consider further increase in sustainable investments if market or regulatory conditions for sustainable investment would be more favourable? If so, please provide estimations, if possible.	**N/A.**

About Eurosif

Eurosif – The European Sustainable Investment Forum is the leading European sustainable and responsible investment (SRI) membership organisation whose mission is to promote sustainability through European financial markets. A partnership of national Sustainable Investment Fora (SIFs) across Europe, Eurosif draws from a pool of over 400 organisations and some of the main stakeholders within the sustainable investment industry. These organisations include institutional investors, asset managers, financial services, index providers and ESG research and analysis firms totalling over €8 trillion in 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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