



# CAPITAL MARKETS UNION

#CMU

**Eurosif and the High-Level Expert Group on  
Sustainable Finance: Roadshow**  
Milan, 13 November 2017

**HLEG Interim Report and next steps**

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## Policy context, challenges & opportunities

- International policy agenda: G20 Green Finance Study Group, FSB TCFD;
- EU and international policy frameworks fix ambitious environmental/climate change objectives (EU 2030 climate and energy framework; 7<sup>th</sup> Environmental Action Programme; Energy Union; Paris Climate Agreement)
- Growing activity in some Member States: need for a coordinated response to be effective and avoid market fragmentation;
- Significant investment needs in energy, transport, infrastructure, renovation of housing stock: scale of funding requires mobilisation of private capital via capital markets;
- Financial policy framework needs to set 'smart' policy/price signals, incentives and (sometimes) obligations to change decision-making by financial market participants;
- Finance cannot correct underlying market/policy failures (mispricing), but sustainability policy without finance will fail.

# Interim Report of 13 July 2017:

## 8 early recommendations

- 1. A classification system for sustainable assets:** Establish credible classification to build trust in green and sustainable asset classes;
- 2. A European standard and label for green bonds and other sustainable assets, as well as labels for sustainable funds:** Introduce an EU green bond standard and label;
- 3. Fiduciary duty that encompasses sustainability:** Clarify that managing ESG risks is part of fulfilling fiduciary duty;
- 4. Disclosures for sustainability:** Disclosure by firms and financial institutions of material information on sustainability issues should be further strengthened.

5. **A sustainability test in financial legislation:** Include sustainability considerations in impact assessments of upcoming legislation;
6. **Create 'Sustainable Infrastructure Europe':** Improve advisory on sustainable infrastructure investments and facilitate private capital flow;
7. **Position the European supervisory authorities on sustainability:** Integrate climate and wider sustainability risk assessment and supervision in ESAs' mandates;
8. **Accounting standards for energy efficiency:** Unlock investments through review of Eurostat's public sector accounting standards for energy efficiency investments involving private companies (Energy Service Companies/ ESCOs).

## 12 Policy areas for further reflection:

1. Long-term policy signals to the private sector
2. Governance of firms and financial institutions
3. Integrating sustainability in ratings
4. Frequency of financial reporting
5. Accounting frameworks
6. Benchmarks
7. Banking
8. Insurance companies
9. Stock exchanges and green financial centres
10. A strong pipeline of sustainable projects for investment
11. Involvement of society in sustainable finance issues
12. Social dimension of sustainability

## Next steps/timeline:

1. Stakeholder consultation on Interim Report concluded on 20/09; HLEG examining results and summary statement;
2. Second phase of HLEG work until December, two more meetings (15/16 November and 6/7 December): focus on specifying recommendations and reach consensus;
3. Final Report, with concrete/ operational policy recommendations, in January 2018;
4. Commission follow-up on HLEG Final Report recommendations: Commission Communication setting out EU strategy on sustainable finance + Action Plan with measures and timelines (February/ early March 2018);
5. Stakeholder conference foreseen for 22 March 2018.

## First actions undertaken:

1. Commission **review of regulations on European Supervisory Authorities (ESAs) on 20 September 2017** for an improved supervisory architecture; Commission proposal includes a dedicated section on integrating sustainability considerations (ESG) into financial supervision (ESAs to monitor how financial institutions identify, report and address ESG risks) – **addressing HLEG recommendation no. 7**
2. **Public sector accounting standards for energy efficiency investments:** Eurostat clarification/ guidance of 21 September 2017 on treatment of energy efficiency investments by public entities/ government involving private Energy Performance Contractor (EPC) counterparts; possibility to record energy efficiency investments off-balance sheet instead of public investment/ expenditure (impact on budgetary deficit figures) – **addressing HLEG recommendation no. 8**
3. Launch of **Commission public consultation (today) on fiduciary/ investors duties** of asset managers and institutional investors on how ESG factors and sustainability risks are taken into account – **addressing HLEG recommendation no. 3**