Triodos Bank

Triodos Bank's response to the consultation on the renewed sustainable finance strategy of the European Commission

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The italicised responses are only included in this online publication and are not submitted to the European Commission. These responses provide extra context to some of the questions of the consultation.

Question 1: With the increased ambition of the European Green Deal and the urgency with which we need to act to tackle the climate and environmental-related challenges, do you think that (please select one of the following):

- Major additional policy actions are needed to accelerate the systematic sustainability transition of the EU financial sector.
- Incremental additional actions may be needed in targeted areas, but existing actions implemented under the Action Plan on Financing Sustainable Growth are largely sufficient.
- No further policy action is needed for the time being.

Response: The COVID-19 crisis has shown how vulnerable the social-economic system including its financial system is. Major reviews of existing policies are needed to move 450 million EU-citizens, their corporates and governments onto a sustainable path. Consistency of conditionality applied to recovery plans on EU and national level will reinforce the effectiveness of those plans. Synergy between short-term conditionality requirements and long-term sustainable financing strategies will be achieved by integrating medium and long-term criteria in short-term support measures (i.e. planetary boundaries and social minima).

With compulsory labels, holistic but simple reporting standards and procurement and state aid frameworks, EU policies would lead by example, containing high standards - maybe multiple set standards - so that the market can build their new business models with that certainty and move towards that standard. If initiative is left to the market only, the standard is much lower. EU ESG rules should be the benchmark, not the last thing you hop through when signing a finance contract.

Question 2: Do you know with sufficient confidence if some of your pension, life insurance premium or any other personal savings are invested in sustainable financial assets?

- Yes/No/Do not know.
- If yes, do you consider that you have had sufficient access to information with regard to the integration of sustainability criteria and options to invest in sustainable financial assets? Please explain and specify whether you searched for the information yourself or whether the information was made available to you.
- If no, would you like to be offered more information with regard to the integration of sustainability criteria and options to invest in sustainable financial assets and divest from non-sustainable assets?
- Yes/No/Do not know
- If necessary, please explain your answer

Response: Sustainability of assets is not presented a possible deciding factor when investing. Information is provided following the factors in Article 25 MiFID (risk, reward, knowledge, goals). ESG should be one of the standard information factors in Article 25 MiFID.

Question 3: When looking for investment opportunities, would you like to be systematically offered sustainable investment products as a default option by your financial adviser, provided the product suits your other needs?

- Yes/No/do not know

Response: *Yes, any product offered must by default be sustainable. Non-sustainable products should not be offered to investors at all.*

Question 4: Would you consider it useful if corporates and financial institutions were required to communicate if and explain how their business strategies and targets contribute to reaching the goals of the Paris Agreement?

- Yes, corporates;
- Yes, financial institutions;
- Yes, both;
- If no, what other steps should be taken instead to accelerate the adoption by corporates and financial sector firms of business targets, strategies and practices that aim to align their emissions and activities with the goals of the Paris Agreement?
- Do not know.

Question 5: One of the objectives of the European Commission's 2018 Action Plan on Financing Sustainable Growth is to encourage investors to finance sustainable activities and projects. Do you believe the EU should also take further action to:

	1	2	3	4	5	Don’t know / No opinion
Encourage investors to engage, including making use of their voting rights, with companies conducting environmentally harmful activities that are not in line with environmental objectives and the EU-wide trajectory for greenhouse gas emission reductions, as part of the European Climate Law, with a view to encouraging these companies to adopt more sustainable business models					X	
Discourage investors from financing environmentally harmful activities that are not in line with environmental objectives and the EU-wide trajectory for greenhouse gas emission reductions, as part of the European Climate Law					X	

In case you agree or strongly agree with one or both options [4-5]: what should the EU do to reach this objective?

Response: The motivation of engagement and the demotivation i.e. discouragement of investing in harmful activities requires transparency that companies are involved in harmful activities, for instance by disclosing simple stats in simple format (this product contains … (similar to e.g. sugar level per 100g)).

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?

Response:

Barriers:

1. International accounting and reporting rules as determinants for longer term assessments of financial soundness, which ignore subsidies for harmful energy-sources and other negative impact. And financial disclosure requirements which do not include mandatory sustainable impact reporting measures contributing to the agreed SDGs.
2. Consistent increase of prudential requirements and bank levies within the EU for regulating and sanctioning of banks based on the EU’s one-size-fits-all approach without differentiating between one-year horizon oriented (short-term) and value creating oriented (long-term) banks.
3. Lack of citizens empowerment for lack of simple framework for direct investing and uniform cross border protection standards and thus restricted offering of safe investment funds like UCISS, including equity investments.

Opportunities:

1. Fundamental clean-up of the use of accounting and reporting rules (e.g. improvement of subsequent measurement rules applied for financial instruments, which are more driven by the intrinsic long-term value rather by temporary fair value changes).
2. Investor protection across the Union such that citizens, professional

investors and SMEs can find and complement each other, also cross border, including equity participations, if and only if firms meet sustainability requirements; restrict harmful investments.

3. Stabilize banks by shifting focus from short term risk to resilience in various longer-term scenarios, and by explicitly enhancing diversity in the sector, recognizing different business models' added value. Differentiate supervision between short versus long term oriented bank business models, by choosing focus in daily supervision and enforcement, and by differentiating regulatory levies depending on the positive impact provided by the banks, thus avoiding banks from growing beyond an unsustainable size and from engaging in short term business that ultimately affects banks' added value in society.

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? Please provide a maximum of three examples.

Response:

1. The current "split" accounting framework of the Accounting Directive versus the Non-Financial Reporting Directive, with different scopes of application and differing degrees of enforceability, hampers investors from collecting relevant information about their investees. An integrated Reporting Framework, with the same scope, same degrees of enforceability proportional to firms' sizes, and combining financial with ESG information, would enable investors to make well-informed decisions.
2. The set of investment funds regulations, organized as forms of transferability of the shares, is confusing (UCITS, AIFMD, ELTIFs etc), and especially for citizens, retail investors, hampering investing their savings in sustainable causes. More effective would be a framework for professional investors and a framework for retail investors. The latter, meant for individual citizens, should regulate investor protection for any investment fund, also for sustainable funds that are offered cross border in a frame that protects investors across the EU in the same way. The tested and proven framework of UCITS could easily be adapted for sustainable funds investing in non-transferable securities and responsibly managing liquidity (see proposal for UCISS as attachment to this response).
3. The short horizon of the Basel framework for banks doesn't support their role in society, which is about taking care of longer-term relationships and longer-term finance. The short-term horizon of CRR and CRD ignore impact beyond this horizon. Rather, Europe could choose with CRR and CRD for an approach that requires and acknowledges longer term, scenario and risk management based, approaches, as was done with Article 501bis CRR II.

Question 8: 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?

Response: Values-based banks have consistently applied positive people, planet & prosperity impact assessments before financing corporates or projects; even more so, values based financed corporates also show adaptiveness and flexibility to withstand shocks in order to keep adding their PPP value, and they are embedded in a support system that serves as a back-up for severe shocks. With these conditions, values-based banks have financed only those firms that provide sustainable development as meant by Brundtland, ensuring people fulfil their needs today without harming the ability of other people or future generations to fulfil theirs. The European Just Transition Fund will be instrumental in achieving this kind of sustainable development.

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?

Please express your view by using a scale from 1 (not important at all) to 5 (very important).

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

For scores of 4 to 5, 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?

Response: Very important. The clarity, stability and consistency of the regulatory environment and public policies are essential for banks as well as companies to engage in long-term business models and decision-making. Note that meaningful regulation is more important than overly complete regulation, in order to prevent firms to be excluded based on too small to comply.

Clarity about political intentions and policies today and in the future certainly support corporates making business decisions for today and the future, and consistency of criteria across the small medium sized and large corporates of an economy is crucial for political credibility and effectiveness, but the lack of it should never justify corporates to ignore their impact on others and the planet! Policies like carbon-pricing, and taxing the use of the commons in general, will definitely steer business decisions, but before those are in place, business themselves should also show their Corporate Social Responsibility.

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
- Do not know

Response: No, disclosing a path to 2,3,4 degrees does not make sense. Rather, simplify the disclosure rules and require all corporates including financial actors to disclose their actual carbon footprint, with methods like PCAF, and have them show they are decreasing that footprint credibly to zero in 2050, and to 65% reduction in 2030 to achieve the 1,5 degree. ambition. Institutional investors and credit institutions should disclose their pathways and its yearly progress to zero.

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,2 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?

- Yes/No/Do not know

If yes, please specify potential actions the EU could take.

Response: Yes. The negative impact of biodiversity loss and degradation of ecosystems on food security and nutrition is alarming. Financial institutions should take into account the impact of economic activities on the biodiversity in their investment decisions, as part of ESG criteria. Different initiatives in the EU are trying to get a better understanding of how the financial sector can contribute to restoring biodiversity. The EU could support such initiatives by helping to develop standards, metrics and open data sources to create a clear picture of pro-diversity projects and innovation.

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?

Response: Credibility of both public funding schemes and private finance regulation comes with consistency across the board. That implies that for example state aid in corona-times should always meet certain hygiene-filters as meant by the SF agenda, and respect social minimum needs (access to food, health services, education, housing, and essential basics such as clean water, energy, transport and financial services) as well as planetary boundaries. Moreover, blending finance, where public funds leverage private funds with guarantees or first loss co-financing, investment criteria must be the same. An overall logic of soundness filters must be applied across the board.

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.

Response: Before anything else, the valuation of commercial and financial assets is key to making sustainable decisions. The current IFRS9 valuation rules as applied to finance decisions result in pro-cyclical dynamics as they are based on daily transferability of tradeable securities. The concept of daily transferability fundamentally conflicts with commitment, ownership, loyalty, longer term relationships, support systems and many more crucial elements of sound business behaviour. First and foremost, we therefor plead for de-connecting IFRS from valuations meant for longer term finance, such as banking, insurance and closed end investment funds, and valuing the latter's assets based on true value instead, or simple net asset value standards corrected for use of the commons. Also: non-sustainable investing should be made very expensive tax wise, so include the harm done by the activity in the applicable tax as society (tax-income) will have to cover for the clean up on longer term.

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?

- Yes/No/Do not know

If yes, please explain how it should be structured and what type of ESG information should feature therein.

Response: Yes. The EU should support development of a centralized database that would facilitate building of ESG disclosures and the access to relevant and reliable data at the EU level (ideally in a standardized form but also providing access to disaggregated raw data), facilitated either by the Joint Committee of the ESAs, or Eurostat, or both.

The Commission should build or support, based on existing solutions, an EU infrastructure that could collect periodically, with the help of new reading technologies, existing climate change mitigation and adaptation data of companies that published non-financial statements under the NFRD and other available relevant information, ESG metrics and relevant data points (ideally in a standardized form but also providing access to disaggregated raw data). The Commission should take an active role in improving the quality of data. It should also be possible to upload information to the register on a voluntary basis. Data should be collected in a central EU database and made available digitally to users of non-financial information, not only investors, but also lenders and other users in order to ensure that data are widely accessible across MS in an open source format. The EU should also open up its databases that collect environmental reporting data and make those re-usable for finance providers via the central repository. Goods and Services (activities) EGSS under the UN System for Environmental Economic Accounting should be complementary to the data that companies and financial institutions report. This data is critical for financing, and to track the economic performance of sustainable activities.

Eurostat data sources should be made re-usable for finance purposes, for example to apply in deterring the carbon footprint of an activity following the PCAF method.

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/Do not know

If yes, once the EU Taxonomy is established (end-2020 for climate change mitigation and adaptation), 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)? Please use a scale of 1 (not likely at all) to 5 (very likely).

- 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.

Response: Neutral. Triodos Bank has been applying Environmental, Social and Governance criteria when assessing finance decisions since 1980. We apply our own methodology, which is stricter than the Taxonomy and encompasses a range of values. Activities include retail banking, business banking, investment management, charity and catalysing money. All areas of finance are connected to sustainability including the financing of renewable energy, organic food and farming, social housing, community business, charities, education, arts and cultural projects, microfinance and fair trade. On all these activities we apply our minimum standards. https://www.triodos.com/governance

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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?

- Yes/no/do not know

If yes, what is in your view the most important area (please provide details, if necessary):

- Impairment and depreciation rules.
- Provision rules.
- Contingent liabilities.
- Other, please specify.

Response: We do not agree with the re-introduction of recycling. Under IFRS 9, there's the ability to present fair value changes within the OCI for equity instruments with a non-trading intention. If a FVOCI election is made, all fair value changes, excluding dividends that are a ROI, will be included in OCI with no recycling of amounts from OCI to PL. The cumulative gain/loss can be transferred within equity. This accounting choice is suitable for long-term equity investments, where value creation of the underlying corporate can be achieved over a longer time horizon. We apply this rule for providing equity funding to values-based banks.

However, the application of accounting rules must reflect a true and fair view of the business. For banks, that business should regard the longer-term relationships with depositors and clients, i.e. the impact of banks on society. Using IFRS for booking short term gains (benefiting from volatility instead of correcting for it) doesn't reflect a sound banking business and should as such be forbidden.

The EU could lead in enriching the subsequent measurement rules by applying fair values consisting of an observable market price and a sustainable margin spread which considers the impact that the asset creates by taking sustainability measures into account. This enrichment requires a global orientation of the pricing of negative and positive impact. To this end, the EU could introduce a carbon, plastics and a financial transaction tax, and as such introduce a price for the use of clean air, the use of fossils in plastics, and for the commercial abuse of volatility in financial markets which have no connection to the real economy.

Furthermore, short term cashflow based valuation as determinant for longer term assessments of financial soundness, ignoring subsidies for harmful energy-sources and discriminating equity in funding structures, is not compatible with longer term viability of businesses, their resilience nor with socio-economic stability

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Question 17: Do you have concerns on the level of concentration in the market for ESG ratings and data?

Please express your view by using a scale of 1 (not concerned at all) to 5 (very concerned).

- 1 - Not concerned at all
- 2 - Rather not concerned
- 3 - Neutral
- 4 - Rather concerned
- 5 - Very concerned
- Don't know / no opinion / not relevant

If necessary, please explain the reasons for your answer.

Response: Rather concerned. Our concern is not so much related to the level of concentration of the market for ESG ratings and data as more to how the market currently operates and competes. ESG ratings and data providers all want to be unique in their collecting and reporting of data and this puts enormous pressure on companies to provide more data. A lot of the data currently reported by ESG ratings and data providers is not particularly material for the sustainability performance of a company. Still, by asking companies to collect, analyse and report on this data, it means extra work for companies. In general, although companies are increasing their level of reporting on sustainability data, there is a lack of material sustainability data. See outcome research Alliance for Corporate Transparency. Our concern with ESG ratings and data providers is that there is insufficient overlap in the requirements they demand from companies. Furthermore, when data quality and reliability is lacking, we as investors proactively take our role, in setting specific standards and methodologies on how companies should report on carbon emissions and impact on biodiversity. Both through collaborative engagement programs PCAF (https://carbonaccountingfinancials.com/ and PBAF (https://www.responsible-investor.com/articles/dutch-financials-join-in-biodiversity-impact-measurement-push)

A European solution would make general statistical information available in a simple and centrally accessible way, so that finance providers can easily check a company's energy-mix, social impact (jobs & equality) and legal structure.

Question 18: How would you rate the comparability, quality and reliability of ESG data

from sustainability providers currently available in the market?

Please express your view by using a scale of 1 (very poor) to 5 (very good).

- 1 - Very poor
- 2 - Poor
- 3 - Neutral

- 4 - Good
- 5 - Very good
- Don't know / no opinion / not relevant

If necessary, please explain the reasons for your answer.

Answer: Poor quality. Quality and reliability of ESG data is gradually improving. Often though, the data is backward looking (i.e. based on the latest Annual or CSR Report by the company). We are more interested in forward looking indicators to capture a trend of the transition of a company towards a more sustainable business model. Furthermore, as data is not always reported by companies in a uniform way (or not reported at all!) it is very difficult to aggregate the data. Aggregation of data is only possible when making use of estimates.

One must truly understand the specific methodologies that each ESG data providers uses, as the correlation between the rankings of different ESG data providers is often low. Moreover, looking at the constituents of many ESG or sustainability indices that are based on either one of the ESG data providers are often focused on best-in-class. Many of these companies would not make it into the Triodos investment universe as we focus on positive impact. Data quality on impact investing is still under development for most ESG data providers.

Question 19: How would you rate the quality and relevance of ESG research material currently available in the market?

Please express your view by using a scale of 1 (very poor) to 5 (very good).

- 1 - Very poor
- 2 - Poor
- 3 - Neutral
- 4 - Good
- 5 - Very good
- Don't know / no opinion / not relevant

If necessary, please explain the reasons for your answer.

Answer: Very poor. The focus of ESG rating and data providers is often related to efforts (policies and programs) and risk (controversies). Focus on actual impact, particularly positive impact, is missing or of poor(er) quality.
Sell-side research firms are clearly increasing their exposure to ESG. The quality of ESG research is improving both in terms of thematic sustainability research as well as a more integrated approach.

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	2	3	4	5	Don't know / No opinion
Individual			X			
Aggregated		X				

If necessary, please explain the reasons for your answer.

Response: In Triodos Bank the first step in the selection process of a company relates to the contribution of a company to sustainable transition. This means that we need information on the actual (positive) impact generated by companies. It is not easy to find this information and/or to aggregate the positive impact of the total investment portfolio. Often the data is only focused on the companies' revenue (or products and services). While we find the processes and operations of companies important as well. Data on operations is often more difficult to find. The same counts for relevant ESG data on the supply chain. A European solution would make general statistical information available in a simple and centrally accessible way, so that finance providers can easily check a company's energy-mix, social impact (jobs & equality) and legal structure.

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

- Yes/No/Do not know

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?

Response: Yes. Despite the NFRD requirements, research from the Alliance for Corporate Transparency shows that non-financial disclosures are of poor quality. We think that it is important for the European Commission to clarify and strengthen company reporting obligations so that material non-financial information becomes widely available for investors. Companies need to be forced to report on the most material non-financial indicators in a uniform and comparable way. This basic information needs to be available (open source) to all. ESG rating and data providers can then collect and assess additional data from specific angles. Because the most relevant data is already reported by companies, companies can be bolder in choosing which ESG rating and data providers to support with data.

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?

- Yes, at European level
- Yes, at a national level
- No
- Do not know

If necessary, please explain the reasons for your answer.

Response: Yes, at European level. As the EU green bonds are important for fixed income investment products to obtain the EU green label, we consider it important that these bonds are subject to accreditation. This should be coordinated at European level and can be executed at a national level.

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?

- Yes/No/Do not know

If necessary, please specify the reasons for your answer.

Response: No, there is a difference between the need to regulate an EU standard (like EU Green Bonds) or the market for voluntary third-party service providers (as investors can choose which service provider to use).

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/Do not know

If necessary, please specify the reasons for your answer.

Response: Yes. This will depend on the requirement of European fixed income fund providers to exclusively invest in EU Green Bonds. Any incentive for non-European issuers will therefore be market driven. If the demand is not there, it is most likely that issuers will continue to follow the existing green bond market standards. We consider it a concern that there is so little overlap/synergy between the different standards. The advantage of the ICMA Green Bond and Climate Bond Principles is that these labels already exist and are well-known and applied worldwide.

Question 27: Do you currently market financial products that promote environmental characteristics or have environmental objectives?

- Yes/No/Do not know

If yes, once the EU Taxonomy is established, 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

Response: Neutral, we will use the taxonomy for information about products that promote environmental objectives, but we will apply stricter criteria for our investment decisions.

Question 28: 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
- 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

Response: *Citizens' engagement and empowerment would be facilitated with accessible and relatively safe, well-regulated funds, available across borders without a patchwork of detailed national investor protection rules, for instance with a concept like UCISS (units of collective investments in sustainable securities). The taxonomy also needs to be for S and G to address broader sustainability denominations, and better disclosure standards on these.*

Question 29: Should the EU establish a label for investment funds (e.g. ESG funds or green funds aimed at professional investors)?

- Yes/No/Do not know

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

- Yes/No/Do not know

If necessary, please explain your answer.

Response: Yes, but not one label but a series allowing for different levels of ESG - scaling level 1-2-3 which are very recognizable and visible to the general public, and simple. Clarity and disclosure on the level of ESG is key, the general public can and will then decide for themselves.

Question 32: Several initiatives are currently ongoing in relation to energy-efficient mortgages6 and green loans more broadly. Should the EU develop standards or labels for these types of products?

- Yes/No/Do not know

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

Please specify what type of standard or label on sustainability in the loan market you would like to see.

Response: A broad standard or label for sustainable mortgages and loans (including social and environmental considerations); a wide standard of homes that are energy-efficient up to zero on the meter (Label G to NOM and Energy-neutral). This would enable us to encourage customers with mortgages on an inefficient home to invest in sustainable solutions. Triodos Bank currently offers differentiated loans for homes, both for sustainability reasons and also for risk reasons: the value of a more energy efficient house with label A, B or C develops better than the value of a house with and energy label D or worse.

In the beginning of 2021, a new "BENG" standard will be introduced in the Netherlands based on Kwh per m2 Requirements for BENG. From 1 January 2021, we will determine the energy performance for nearly zero-energy buildings in the Netherlands on the basis of 3 requirements:

1. the maximum energy requirement in kWh per m2 of usable area per year
2. the maximum primary fossil energy consumption, also in kWh per m2 of usable area per year
3. the minimum percentage of renewable energy in percentages.
   Dutch laws and regulations for the energy performance of buildings are based on the European Energy Performance of Buildings Directive (EPBD). The changes with regard to the NZEB requirements will be included in the Building Decree. Other regulations arising from the EPBD can be found in the Energy Performance of Buildings Decree (BEG) and the Energy Performance of Buildings Regulation (REG).

A partial standard, on greenness or renovations only, doesn't make sense, as it would ignore potential adverse impact by other factors, such as the use of the house (for example, a perfect zero carbon house detached from any transport or social infrastructure will not be occupied and thus not be profitable).

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?

- Yes/No/Do not know

If no, please explain the reasons for your answer, if necessary.

If yes, please explain what the key elements of such a benchmark should be.

Response: After all environmental and social criteria in the taxonomy are specified, green benchmarks must be replaced by sustainable, ESG benchmarks that respect the doughnut economy criteria and include both Paris-alignment and social impact minima.

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/Do not know

If yes, what should they cover thematically and for what types of financial products?

Response: After all environmental and social criteria in the taxonomy are specified, green labels must be replaced by sustainable, ESG labels that respect the doughnut economy criteria and include both Paris-alignment and social impact minima.

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)
- Other

Please specify what other recommendation(s) have the highest potential to effectively tackle short-termism.

Response: Other. Revise valuation such that financial values are corrected for volatility and use of the commons. Impose closed end funds and regulate gates for trading. Require loyalty shares in banks, or redefine CET1 as at least one year holding capital. Short termism should be expensive, and warnings should be applicable. ESG should be the new normal.

Also, it should be possible to by-pass banks when investing as a citizen in sustainable corporates, certainly locally. Banks are expensive. So provide for simple formats for loans matching local investors with local sustainable investment, possibly backed to a certain degree by the local government. Think of not only green but also (local) housing and care for elderly, schools etc.

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?

- Yes/No/Do not know

If yes, please explain what action(s).

Response:

1. Short term cashflow based accounting rules must be replaced by longer-term oriented valuation standards, correcting financial values for volatility and use of the commons and rewarding ESG performance, in order to serve as determinants for longer term assessments of financial soundness.
2. Citizens must be empowered to contribute with a simple framework for direct investing and also uniform cross border protection standards; for example, with safe investment funds like UCISS or for (semi)professional investors sustainable ELTIFs including equity investments.
3. The horizon of the banking rules must be matched with their supposed role in society, taking care of medium to long term finance relationships; stop sanctioning banks that aim for longer term soundness & resilience and rewarding those that focus on one-year horizon cashflows and risk-calculations only.
4. Leveraged finance must be made much more difficult and/or expensive, certainly for non-banks, as that now forces the buyer to earn back money quickly and only focus only on (short term) financial gain.

Question 40: In your view, should there be a mandatory share of variable remuneration linked to non-financial performance for corporates and financial institutions?

- Yes/No/Do not know

If yes, please indicate what share.

Response: No. Linking performance to financial awards is disputable and does in our view not lead to the desired behaviour and results. Triodos Bank chooses not to have any bonuses (such as variable awards that are linked to predetermined targets or achievements). However, if companies do have variable remuneration, the non-financial performance is of great importance, especially ESG factors. In the case of carbon emission reductions, especially companies in high polluting industries should include carbon emission reductions in their directors' variable remuneration.

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/No/Do not know

Response: Linking performance to financial awards is disputable and does in our view not lead to the desired behaviour and results. Triodos Bank chooses not to have any bonuses (such as variable awards that are linked to predetermined targets or achievements). However, if companies do have variable remuneration, the non-financial performance is of great importance, especially ESG factors. In the case of carbon emission reductions, especially companies in high polluting industries should include carbon emission reductions in their directors' variable remuneration.

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?

- Yes/No/Do not know

If yes, what action should be taken? Please explain or provide appropriate examples.

Response: Yes. long termism could and should be further enhanced, and certainly made more concrete. SRD is a nice start, but it regards only documents and policies, which can be set aside by behaviour too easily. Also, SRD II 's applicability is limited to mainly institutions & asset managers (as investors) investing in listed companies (as investee). It would be good to have a broader scope to facilitate long termism, also in different ways:

1. Investee: force to make long term goals more concrete, preferably against a set of set of factors to report on. Make it compulsory item on the agenda with shareholders, do not allow an 'explain'
2. Investor: Have defined, easily available long-term investment structures / low medium risk/ for retail more available. Think of ELTIF and Corona Recovery Funds, with maybe a set period of investment (no redemption possible) for 5 years, with limited risk. Make long termism sexy again, as an alternative for saving.
3. Make long term tax savvy, both for investor as investee.
4. Investee: also bring non-listed in scope, certainly the bigger ones.

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?

- Yes/No/Do not know

Response: Voting rights could be better embedded in the governance rules, and a separate item to discuss and vote on (similar to 'remuneration of the board'). All EU investors would benefit from the same minimum governance basis.

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/No/Do not know

If yes, please explain.

Response: Voting rights could be better embedded in the governance rules, and a separate item to discuss and vote on (similar to 'remuneration of the board'). All EU investors would benefit from the same minimum governance basis.

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?

- Yes/No/Do not know

If no, please explain the reasons for your answer if necessary.

If yes, in your view, what do you think this impact is, do you think that the EU should address it and how?

Response: Yes, as it allows to be laid back on ESG issues, as it just follows the index regardless of what is in the index. For that reason, all index itself should have a ESG rating - maybe on a scale, depending on level of ESG - so that when an index is followed, the investment/product can be labelled as well. That way, investors can choose passive investing conditional upon ESG criteria and the fund manager can be engaged on their behalf.

Question 46: 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?

- 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

Response: Yes, holistic. It is also in the best interest of the company, as research shows that companies that apply a stakeholder approach in their decision making outperform their peers. And companies have a responsibility towards society. They depend on resources from society (without them they cannot survive) so it only fair that companies will consider the best interest of society also in their decision making.

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?

- Yes/No/Do not know

Response: Yes, as meant in the taxonomy, it should apply to any activity, and if not done, investors should know the project or firm was not checked for human rights. If supply chain due diligence is not required this provides an incentive for companies to show clean hands while the controversies take place in the supply chain. Companies are responsible for practices that take place in the full supply chain.

Question 48: Do you think that such a supply chain due diligence requirement should apply to all companies, including small and medium sized companies?

- Yes/No/Do not know

If yes, please select your preferred option:

- All companies, including SMEs
- 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

If necessary, please explain the reasons for your answer.

Response: Yes, in the EU Social Charter, human rights and human dignity at its core are taken as a basic value and principle of operating in the EU as a citizen, a corporate or a government body. All companies should at least be aware of human rights and environmental issues, and proportional to its size, they can be held accountable for their own corporate social responsibility. In order to be able for smaller companies to comply, the compliance burden needs to be in line with their size. Only for high risk sectors full compliance should be required.

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?

- Yes/No/Do not know

If necessary, please provide an explanation of your answer.

Response: Yes, provided that this detailed guidance comprises a minimum level, on top of which may be built on by advisors as they seem fit. The questions should be asked in an adequate way, but key is keeping it simple and not overdo it. For this, a simple framework with set labels/levels of ESG would help, in which products can be framed (or not). The general public at large is very interested in ESG info and products, but is helped in decision for ESG by good, pre-defined labels. Most citizens are very ESG interested but do not have the time or will to study all the facts or factors, and do not want 50 granular questions about this. They would be helped by simple choices, which they now stand for something due to the applicable framework/label.

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?

- Yes/No/Do not know

Response: *Not as one of the options, but as the only default option. All products offered should be sustainable. All products should be accompanied by information on the level of harm it does. So the investor has all relevant factors cost/revenue/ ESG presented equally, to weigh against each other. Then let the investor decide.*

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

If you agree (for scores of 4 to 5), please choose what particular action should be prioritised:

	1	2	3	4	5	Don't know / No opinion
Integrate sustainable finance literacy in the training requirements of finance professionals					X	
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	
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	
Directly, through targeted campaigns		X				
As part of a wider effort to raise the financial literacy of EU citizens					X	

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			
Promote the inclusion of sustainability and sustainable finance in the curricula of students, in particular future finance professionals					X	
Other					X	

Please specify what other action(s) should be prioritised.

Response: We welcome extensive education of the direct demand and supply side on sustainable finance and raise levels of financial literacy with the wider public. We warn against mixing sustainable finance with the government promoting "rights" of the citizens or governments directly targeting citizens. It risks dragging sustainable finance in the political, optional domain whereas we see sustainable finance as a necessary hygiene measure.

In order to sustain the market developments and safeguard an inherent proper assimilation, it is important, from the outset, to promote Sustainability Literacy among all stakeholders, and develop special Literacy programs for groups such as owners of small and medium-sized enterprises (SMEs) and retail investors but also integrate finance literacy in the training programs for financial professionals.

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

What actions should the EU take in your view?

Response: Very important. We believe that it is important to better measure, and manage, the impact of financial products on sustainability factors. We note that many of the tools and metrics needed to assess and track the sustainability performance and impact of financial products already exist. We, therefore, suggest that the Commission starts by engaging with the UNEP FI Positive Impact Finance initiative and the IMP Structured Network to understand the current landscape.

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/No/Do not know

If no, please explain what you would consider to be the most impactful products/instruments to reallocate capital in this way.

Response: No, only products/instruments which invest directly in companies, projects, individual citizens or government institutions can truly guarantee sustainable impact across the duration of a sustainable investment. The impact of stacking investments or employing derivatives is much less measurable than direct investments and may even misallocate sustainable capital. Example: a 100% investment in two ecolabel funds with a minimum threshold of 50% sustainable investments according to the taxonomy can easily result in a 25% sustainable exposure overall.

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
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

If necessary, please explain your answer.

Response: Neutral. We value all actions which increases the capacity of green finance, provided that direct interaction, identification and verification between investee and investors remains possible. We note that a bank's policy and execution of loan origination and servicing can materially affect the impact of the sustainable finance. The STS framework should provide strong safeguards on this metrics before we would fully back STS securitisations.

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?

- Yes/No/Do not know

If yes, please list the barriers you see (maximum three).

Response: No, the STSA framework sufficiently allows for green securitisations.

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

- Yes/No/Do not know

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?

Response: *No, the STS framework sufficiently allows for green securitisations.*

Question 57: Do you think EU policy action is needed to maximise the potential of digital tools for integrating sustainability into the financial sector?

- Yes/No/Do not know

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.

Response: *No. We are of the opinion that digitalisation is a means, not a goal on itself. Of course, we do recognize that digitalisation techniques are valuable on a wide score of the green finance value chain, but besides building and safeguarding strong institutions and standards, the EU should not venture further in this field.*

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?

- Yes/No/Do not know

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.

Response: Yes. Tech-enabled financial solutions, such as mobile phone technology, data analytics, new digital products and approaches, and the deployment of agent networks, have the potential to radically enhance and foster financial inclusion. They do this at a much faster pace and larger scale than traditional financial inclusion players. While fintech holds tremendous potential, it also poses very real risks, especially for low-income customers. Risks include lack of cyber-security and data privacy, overpricing, over-lending, and fraud. We see an important role for governments to play, as their fintech regulation policies can either promote or stifle the progress of financial inclusion.

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?

- Yes/No/Do not know

If yes, please detail, in particular if you see a role for EU intervention, including financial support.

Response: Yes. The Capital Markets Union aims to connect "saver Paul" with "entrepreneur Anna", but if Anna is not listed, or if Paul regards crowdfunding too risky, they cannot find each other across the Union. Some member states do allow for AIFs investing in non-listed companies to be sold to retail investors, but only within their jurisdiction. Next to creating a simple, sustainable fund offered to retail investors across the Union, allowing them to invest in non-listed, sustainable firms, the EU could also make crowdfunding less risky. A European Union crowdfunding platform were EU citizens can participate in local sustainable projects would increase the number of possibilities for EU citizens to invest in a sustainable Europe.

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.

Response:

Key market obstacles:

1. Risk of low prices in the electricity market in the medium and long term, esp. for the potential cannibalization of some technologies. This risk could be covered setting up auctions to guarantee a minimum price.
2. Lack of support to emerging green technologies, notably storage and sustainable hydrogen.

Key regulatory obstacles:

1. Long and expensive steps to get permits and connection to the grid.
2. Mid and long-term uncertainty in Feed in Tariffs (in Spain) and legal framework.
3. Support for solar PV projects, national regulatory failures; PV cap of 52 GW.
4. Wind energy investments on hold after adverse German energy law.
5. Conventional power not paying fair price including external effects.
6. Lack of stable, long term price agreements for energy storage (tender system on 6-hrs base, which makes cash flows unpredictable).
7. Saving costs for society of enlarging grid capacity impossible to include in business cases (example: if a solar plant invests in battery storage, which as a result leads to less investments by the grid operator, the savings from the grid operator cannot be partly transferred to the solar plant, leading to suboptimal solutions for society).
8. Lack of pricing of negative externalities, such as GHG emissions, which complicates bankability of sustainable economic activities. Lack of effective Carbon emissions trading system (ETS) or otherwise an effective price for carbon emissions.

Question 61: Do you see a role for Member States to address these obstacles through their NECPs (National Energy and Climate Plans)?

- Yes/No/Do not know

If necessary, please provide details.

Response: Yes, these obstacles include national items, which have to be solved at member state level. The national energy & climate plans provide the base for any further action. However, the ambitions are not yet set on a high level or the agreements are delayed or not put into regulation. It took e.g. the German government more than 5 months to get rid of the solar PV cap after the plan was agreed.

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.

Response:

1. Equity investment programs must be established through the EIB, EIF or the European credit agencies.
2. Public guarantees to loans from commercial banks for SMEs and smaller professional investors, also revealing governments' willingness to support this new kind of energy; lead by example in procurement & state aid criteria.
3. For citizens empowerment, simple & safe & sustainable UCITS i.e. UCISS investing in non-listed companies framed in liquidity and process fund-requirements; on-line platforms to meet small investors with different needs.

Question 63: How could the EU ensure that the financial tools developed to increase sustainable investment flows turn R&I into investable (bankable) opportunities?

Response: Bankability requires reliable cashflows or strong collateral/back up. To this end, governments would support R&I projects if they would:

1. Develop guarantee structures in which the EU can take over several risks which cannot be borne by individual projects, such as Take or pay contracts for sustainable heat projects, Off-taker risk insurances, First loss insurances for new technologies which have reached the phase of proven concept, and are planning to take the step towards commercial projects, Product warranty coverage for start-ups who developed new products.
2. Develop products in venture capital structures, covering the significant lack of risk bearing capital for new technologies.
3. Establish a European guarantee fund for the development of renewable technologies.
4. Establish fair and harmonized tax benefits for companies investing in energy transition
5. Participate through equity investment programs in EIB, EIF or the European credit agencies.
6. Subsidize the development and hard investments (equity) for the first pilot projects. In Germany, the first storage projects were supported with

significant first loss equity of the regional government. So, with the developer's equity, the residual financing can be less than 50% which mitigates the risks for the bank.

Question 64: In particular, would you consider it useful to have a category for R&I in the EU Taxonomy?

- Yes/No/Do not know

Response: No, the taxonomy provides clear thresholds per sector, which serve as a benchmark, a target, for any innovation in that sector. For example: transport is sustainable (in transition to zero carbon in 2050) if its emissions are lower than 50 g CO2e/pkm. R&I for alternatives in transport can focus on achieving this threshold. Construction is sustainable (in transition) if a building's LCA emissions are near zero. Innovations in the construction sector can then aim for near-zero emissions. A separate category for R&I would be confusing.

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

If necessary, please explain your answer.

Response: Financing of non-mainstream projects has its specific challenges and obstacles for investors. These can be caused by the immaturity of a new technology, for example (deep) geothermal and the immaturity of the market. This may result in high up-front costs or risks and uncertainties like e-efficiency, ESCO, smart grids; a lack of scale, since small projects have high handling costs and need standardisation and bundling; and new legal forms of ownership structures like cooperatives, PPP and crowdfunding structures. Also, non-mainstream projects may involve innovation: technologically, structurally like bundling or standardisation, financially and socially. It is of great importance that different stakeholders in society, so both financial institutions and governments/EU, work together to overcome the bottlenecks of financing non-mainstream projects.

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
- 3 - Neutral
- 4 - Functioning rather well
- 5 - Functioning very well
- Don’t know / no opinion / not relevant

Please specify your answer.

Response: Not functioning so well. Sustainable investments suffer from the implicit subsidies given to harmful investments, for not taxing the negative impact, harm, done by non-sustainable investments, and for not recognizing the positive or regenerative impact of sustainable investments. The latter will lose that fight when their production costs are comparable, while the costs to society of the former are much higher.

Secondly, as long as environmental impact is not disclosed by all, investors cannot estimate the harm done either. Comparable information and comparable prices, including social and environmental impact, are possible if accounting rules are adapted for both volatility in financial values and non-financial impact, and if the use of the commons is taxed.

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

In case 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 using a scale of 1 (not effective at all) to 5 (very effective).

	Bonds	Loans	Equity	Other
Revenue-neutral subsidies for issuers	1	1	1	-
De-risking mechanisms such as guarantees and blended financing instruments at EU-level	5	5	5	-
Technical Assistance	5	5	5	-
Any other public sector incentives - Please specify in the box below.	5	5	5	-

Please specify the reasons for your answer (provide if possible links to quantitative evidence) and add any other incentives you would like the Commission to consider.

Response:

- Subsidies are never effective, unless for research & innovations;
- De-risking such as guarantees and blended finance are very effective for any innovative sector and most efficient way of using public funds;
- Technical assistance can significantly support the success of a project;
- Other public incentives, notably carbon tax, or alike tax on the use of the commons is effective as prices will re-balance and justify a broader assessment.

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

For scores of 4 to 5, in case 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

Please specify what other specific incentive(s) would support best increasing sustainable investments.

Response: Fiscal advantages like the Dutch green tax agreement would support best increasing sustainable investments.

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).

Response: We favour a creation of a specific European Sustainable Finance Guarantee Fund aimed at providing guarantees to financial institutions (private banks or medium/long term investors such as funds or insurance companies) to support sustainable lending and investments, thus increasing additional sources for these projects as opposed to substituting existing lending sources with cheaper funding for the ultimate beneficiaries(i.e. SMEs and MidCaps). Guaranteed green bonds should be offered to retail investors to increase the involvement of retails clients into sustainable investing.

Investors could be granted tax relief on personal or corporate income tax against a sustainable investment made, for example in a sustainable-labelled investment fund or company. Investment income (dividends, interest, capital gains) in green companies/bonds could also be exempted from taxation up to a certain level (e.g. bond: 5 % interest tax free. Governments could grant premiums for investments in green companies/bonds (e.g. premium of 5 % of invested amount).

Additionally, sustainable investments could be promoted by establishing tax incentives in the Corporation Tax for the financing of such investments, for example, by increasing the limit on the tax deduction of interest expenses incurred by the borrower within the limits established in article 4 of Council Directive (EU) 2016/1164 (i.e. ATAD I) and a tax credit (on the cost of the funds) to the lender.

Analysis should also be conducted to determine conditions under which subscription taxes could be waved for sustainable investment funds to support growth in sustainability. A preferential tax treatment on the gains from the sale of sustainable investment could also be considered.

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?

- Yes/No/Do not know

If yes, what would be your main three suggestions for actions the EU should prioritise to address this issue?

Response: Yes.

1. Simplified reporting requirements for SMEs.
2. Risk sharing schemes.
3. Set-up of a dedicated platform that would allow SMEs to access easily technical assistance services by ESG experts and, implicitly, decrease the costs related to these services.
4. Introduction of financial and/or tax incentives for green investments and for transition ones.

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 partially
- No
- Don't know / no opinion / not relevant

Please explain which public authority could use it, how and for what purposes.

Response: Yes, it must be. For businesses it's crucial to know which crystal-clear criteria imply they are regarded to be involved in sustainable business activities or not. Criteria and thresholds cannot be different for public vs private purposes. That would be confusing and costly, as it would also imply duplications in reporting sets and forms etc.

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 partially
- No
- Don't know / no opinion / not relevant

Response: *Yes. Public procurement is the first area where it should have been implemented long ago, public procurement has a role model function in the economy; private funders follow the example of the public funder when it regards innovative or new business activities.*

Question 72: In particular, should the EU Taxonomy8 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

If yes, but only if social objectives are included; what role do you see for a social, climate and environmental taxonomy?

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

Please explain what role you see for a social, climate and environmental taxonomy in the context of some EU spending programmes.

Response: Public procurement offers a valuable tool that must be used to apply the same EU-wide green/inclusive spending criteria and ensure the necessary uptake of shovel ready green projects and products. A recalibration of public spending would start with avoiding financing harmful activities, i.e. applying at least the DNSH and human rights criteria (extended with the European Pillar for Social Rights criteria of jobs and equitable access to food, education, health services, housing and essential basic needs as clean water etc) for selecting sectors to support. Beyond those criteria, a test of longer term oriented corporate behaviour would avoid supporting those companies that are in the market for the short-term gain. Finally, resilience requires redundancy and embeddedness in support systems, which example also can be given through public procurement and (local, regional) government stakes in viable economic sectors.

As long as we do not have legally enforceable criteria for measuring positive social impact, issue guidelines on how to measure positive social impact using existing GIIN criteria and SASB indicators.

Please explain what role you see for a social, climate and environmental taxonomy in the context of EU state aid rules.

Response: In order to confirm their credibility and to increase the effectiveness of their policies with consistency across the board, governments must use medium and long-term criteria (planetary boundaries and social minima) as basis for state-aid support, even in short-term (‘rescue missions) corona-exit strategies. Building resilience is key.

Consistency of conditionality applied to vertical integration and alignment between corona-recovery plans on EU and national level, will reinforce the effectiveness of those plans. Regional transitional plans hold a lot of potential but are not reviewed at the EU-level. Synergy between short-term conditionality requirements and long-term sustainable financing strategies will be achieved by integrating medium and long-term criteria in short-term support measures (i.e. planetary boundaries and social minima).

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?

- Yes/No/Do not know

Response: *Yes, if the EU GBS exists, public issuers should make use of it. Ideally,* *the EU GBS is aligned with the green bond standards that already exist so that there won't be a patchwork of different standards.*

Question 74: Do you consider that targeted investment promotion services could support the scaling up of cross-border sustainable investments?

- Yes/No/Do not know

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

Please specify what other type(s) of services would be useful for this purpose.

Response: First, the Capital Markets Union aims to connect "saver Paul" with "entrepreneur Anna", but if Anna is not listed, or if Paul regards crowd-funding too risky, they cannot find each other across the Union. Some member states do allow for AIFs investing in non-listed companies to be sold to retail investors, but only within their jurisdiction. There is no harmonized set of rules regulating the connection of saver Paul and entrepreneur Anna across national borders if Anna is not listed, while there is demand.

Second, more and more entrepreneurs choose a sustainable business model, which includes staying away from transferable securities and thus the short-termism of public exchanges. So especially if entrepreneur Anna is a sustainable entrepreneur and chooses to stay away from short-termism, funding by a collective of retail investors through UCITS is no option for her.

Third, recent events have shown that the key-concept of UCITS, transferability of its securities, does not guarantee sufficient liquidity of the fund. The notion that transferability implies liquidity has been falsified and a revised concept for the liquidity of funds is called for.

Finally, the Taxonomy framework would empower citizens to make their own informed choices as to investment funds, but they don't have the choice of investing in simple, sustainable funds, and if so on a national basis, then not across the border of their own jurisdiction. A Unit for Collective Investments in Sustainable Securities – UCISS - could provide them this simple, safe and sustainable choice across the Union, if embedded in the proven-and-tested UCITS framework and adapted for sound liquidity management in funds.

Question 75: Do you consider that the investment protection framework has an impact on decisions to engage in cross-border sustainable investment? Please choose one of the following:

- 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

Response: Investment protection for retail investors has a significant impact as long as each member state has its own retail investor protection rules. More general, investment protection hampers small scale funding for alternative projects. The aim of protecting results in the situation that deliberate risk taking is in some cases barely possible (for instance: small scale living cooperatives and energy cooperatives).

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
- 2 - Rather insufficient
- 3 - Neutral
- 4 - Rather sufficient
- 5 - Fully sufficient
- Don't know / no opinion / not relevant

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?

Response: Rather insufficient. The global nature of these issues as well as the global nature of financial markets justify a global response and global public-private partnership. We support EU coordination efforts at global level and encourage expanding the use of the EU taxonomy as a common language outside the EU once enough progress at the EU level has been made. The global use of taxonomy is important to remove uncertainty, ensure comparability and allow competitive solutions on a level playing field. The success of the taxonomy will however mainly depend on its usability and its potential to be applied in an automated way into IT systems and processes.

The recent IIF-EBF survey https://www.ebf.eu/wp-content/uploads/2020/01/Global-Climate-Finance-Survey-2020.pdf showed that the regulatory fragmentation is a big source of concern. Many firms remain concerned about the increasing number of new initiatives with similar goals. Many of these frameworks overlap and it can be difficult to distinguish between the goals of the initiatives. Over 65% of survey respondents believe that current regulatory initiatives will have a material impact on the market environment for sustainable finance. Citing the EU Action Plan for Financing Sustainable Growth as the single most common factor shaping global trends at the moment, we believe EU should reinforce its efforts to drive the agenda globally. The NGFS workstreams and the TCFD recommendations on climate-related financial disclosure are other common factors highlighted by survey participants.

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.

Response: Redefining the values on which our economies operate must also have consequences for the future of globalisation. The corona crisis revealed shortcomings and weaknesses here as well. Emerging markets appear to be extra vulnerable. They often depend on export-models with a narrow base, typically exploiting natural resources balanced by inflows of private capital. It’s time for these countries to develop a more diverse and resilient economic approach, funded by international financial institutions and private sector impact-investments. The current global free-trade regimes could support this change by adopting and promoting fair trade principles.

Although free trade can benefit everyone—since specialisation creates wellbeing—there are still companies that use it to exploit labour or nature. Companies should for instance always pay fair, living wages to their employees. Their obligation is not only to comply with existing, low, national statutory wages, they have the moral obligation to pay decent wages. The crisis has also highlighted the vulnerability of the efficiency-optimised complex international value chain. Differentiation in chains and more local production, can strengthen the global economy. Especially with food production, local chains can make the system more resilient and better connect people with nature.

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

Please specify what other main barrier(s) private investors face when financing sustainable projects and activities in emerging markets and developing economies.

Response: The lack of internationally comparable sustainable frameworks is one of the main barriers for financing sustainable projects in emerging markets. E.g. B loan participations are set up for mobilizing private funding but are deemed to be seen as high risk tax structures. Also, many international developers and public development funds use so called back listed countries for their domicile as these countries offer steady and stable financial structures.

International support programs do not always cover major risks such as FX risk. We do see support programs which need to pay in local currency instead USD or EUR which entails high currency FX risks to private investors.

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.

Response: Offer tools for covering first losses, shorten tenors to acceptable levels, a broadly accepted level playing field respecting fair tax, mitigating FX risk for local developers, harmonizing EU legislation to support mechanism of EU member states, e.g. green arrangement in NL.

In order to mobilize private commercial funding MDB's and DFI's should be willing to have junior positions with regards to longer tenors, innovative/new markets, bridge construction and refi to private funding. On a regular base we have been outcompeted by an MDB/DFI offering e.g. tenors of > 15 years, lower rates or higher amounts. MDB/DFI's are specifically to fill gaps, accept higher risk etc. where private money should be mobilized for lower risk projects. In other words, we see MDB/DFI's are looking for the easy way and compete with us on bread and butter projects where they should seek for new and innovative markets and projects to create impact.

E.g. the Electrification Financing Initiative (ElectriFI) is a helpful fund for financing (innovative) renewable energy in developing countries. However, the mandate of 10 year does not match the long-term investments that are needed. The limited tenor and narrow scope don't meet the requirements of developers and projects.

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

Response: Some tools can be applied, but not all of them The EU sustainable finance tools can be used for European tax schemes and other incentives to invest in developing countries. However, data may not always be readily available, so requirements need to be adjusted. In the case of the taxonomy, the IFC Performance Standards could be used as it include criteria for risk management, labour, resource efficiency, community, land resettlement, biodiversity, indigenous people and cultural heritage. With these different topics, the IFC Performance Standards go beyond the 6 objectives of the taxonomy and include social aspects as well.

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

If no or yes, but only partially, please explain why and how the obstacles you identify could be best addressed.

Response: Yes, the taxonomy is suitable for use when crowding in private finance. In the Netherlands it could be used within the Green tax arrangement. However, it is already common to use the IFC Performance Standards in the international field of investing in developing countries. Therefore it would be helpful if the 'Do not significant harm criteria' could be replaced by the IFCS Performance Standards. These Standards include a broad spectrum of both social and environmental topics. Namely, risk management, labour, resource efficiency, community, land resettlement, biodiversity, indigenous people and cultural heritage.

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?

- Yes/No/Do not know

If yes, what would be the purpose of such a brown taxonomy?

- Help supervisors to identify and manage climate and environmental risks

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

Please specify what would be the other purpose(s) of such a brown taxonomy:

Response: Yes, for all reasons mentioned. De-browning the economy requires a clear cut-off point, provided by the DNSH criteria. This point must move to zero harm in 2050 and clearly communicated to the market, including with supporting and sanctioning measures, so that entrepreneurs can adapt their business models accordingly.

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/No/Do not know

If yes, what should be the purpose of such a taxonomy?

Response: yes, but as simple as possible: “brown” starts with the exclusion list in the JTF plus all activities that don't meet the upper bound of the threshold of DNSH criteria. This cut off point given by the DNSH criteria moves to zero harm in 2050; this cut off point must be reviewed every five years. In the end, all finance is impact finance and so all economic activities should be in scope of the taxonomy eventually.

Question 84: 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.

- Physical risks
- Transition risks
- Second-order effects
- Other

Please specify, if necessary, what are these physical risks.

Response: The most important channel for values-based banks will be physical risk, as transition risk is not relevant for us given our sustainable mission. With respect to physical risk, there is not sufficient historical evidence to suggest what the levels could be. However, one can expect the damages to be increasing in a non-linear way and be more severe to the extent we are closer to a tipping point. Overall, we are of the opinion that eventually this burden is unlikely to be borne without significant systemic risk and many financial institutions reaching financial hardship, the issue being that neither we nor scientists can judge easily and objectively exactly when this will start to occur.

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.

Response: Triodos Bank is a founding member of the Partnership for Carbon Accounting Financials (PCAF), a Dutch initiative of financial institutions that started in 2015. The group has developed an effective methodology to assess the carbon footprint of assets and portfolios. This approach enables financial institutions to measure the CO2 impact of the projects and companies they finance. Triodos Bank disclosed the results of this methodology in their annual reports of 2018 and 2019.

In the context of the Dutch Climate Agreement (the Dutch NDC), Triodos Bank has actively promoted the adoption of PCAF or likewise methodologies (e.g. PACTA) to measure and reduce the carbon footprint of assets and portfolios, in cooperation with sustainable friends in the financial community and the Dutch government. This has resulted in a general commitment of over 50 financial institutions to the goals of the Dutch Climate Agreement in July 2019. This commitment contains the promise that all endorsing financial institutions – banks, insurance companies, pension funds and investment management companies – will disclose the carbon footprint of relevant assets, by 2020, and set reduction targets, no later than 2022. The scope of this commitment is about EUR 3,000 billion.

In September 2019, the UN Principles of Responsible Banking were adopted. These principles set out a roadmap for banks across the world to improve the knowledge of their impact on society and to act accordingly. Triodos Bank has played an active role as member of the founding group of banks, sharing our experience and discussing the principles of the GABV. We hope and expect that many banks will adopt these principles and change the way they operate to contribute to the realisation of the SDGs and the Paris Agreement goals.

Question 86: 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

For scores of 1-2, what solution would you propose?

Response: The framework is rather insufficient from a systemic risk point of view. There are several flaws in the current structure:

1. The current framework is primarily focused on holding capital, not so much on preventing a risk from occurring. This is an important flaw for the category of difficult to predict risks that have a high impact to society. For such types of risk, one can argue the use of calculating capital to hold for situations that cannot be mitigated (e.g. physical risk), only prevented. Finally, the corona crisis has shown that extreme losses for banks may have such large repercussions that the systemic risk will occur independent of the available capital, therefore may not be of a sufficiently preventative nature. The role of available own funds used to be re-assuring to depositors but may have to become a disciplining means for owners to behave sustainably and avoid financing harm.
2. The framework is set up to look at a horizon of 3 years (max), and relies heavily on available statistical (i.e. backward looking) data.
3. The framework seems to be procyclical in nature, especially the interaction between prudential regulation and IFRS.
4. By the way it is set up, the framework manages risks that are often occurring, and can be statistically predicted. By their nature, these also happen to be the less impactful risks, especially at the level of the systemic risk.

Given the above, we propose making a distinction between risks that can be statistically predicted, and those that cannot. Create an additional pillar 4 to determine measures for the latter, which include portfolio-level measures that invite the desired behaviour from the point of view of the systemic risk involved. Under all circumstances prevent a conceptual mingling of 1-3years considerations / measuring and monitoring, with considerations more relevant for longer-term, difficult to predict/assess 'black/green swans'.

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/Do not know

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?

Response: Yes. We find it hard to believe there is reliable statistical data to support the notion of a risk-sensitive treatment. We'd rather support a 'Pillar 4' approach, in which banks will be rewarded for better longer-term risk management, by showing complete portfolios to be increasingly sustainable (both level and development could lead to a capital discount at total level, without touching other credit risk considerations). There are several flaws in the current structure:

1. The current framework is primarily focused on holding capital, not so much on preventing a risk from occurring. This is an important flaw for the category of difficult to predict risks that have a high impact to society. For such types of risk, one can argue the use of calculating capital to hold for situations that cannot be mitigated (e.g. physical risk), only prevented. Finally, the corona crisis has shown that extreme losses for banks may have such large repercussions that the systemic risk will occur independent of the available capital, therefore may not be of a sufficiently preventative nature. The role of available own funds used to be re-assuring to depositors but may have to become a disciplining means for owners to behave sustainably and avoid financing harm.
2. The framework is set up to look at a horizon of 3 years(max), and relies heavily on available statistical (i.e. backward looking) data.
3. The framework seems to be procyclical in nature, especially the interaction between prudential regulation and IFRS.
4. By the way it is set up, the framework manages risks that are often occurring, and can be statistically predicted. By their nature, these also happen to be the less impactful risks, especially at the level of the systemic risk.

Under all circumstances prevent a conceptual mingling of 1-3 years considerations / measuring and monitoring, with considerations more relevant for longer-term, difficult to predict/assess 'black/green swans'.

Question 89: Beyond prudential regulation, do you consider that the EU should take further action to mobilise banks to finance the transition and manage climate-related and environmental risks?

- Yes, option 1, option 2, or both options
- No
- Don't know / no opinion / not relevant

If yes, please specify which action(s) would be relevant.

Response: Stop tax subsidies to fossil based industries (like airlines), start subsidizing research and innovative sustainable alternatives for massive public transport (like trains and railways); Determine at EU level based on industry codes which industries should be actively supported post corona, and which should not be (or conditionally), this will steer private investors too as they need to confirm political backing for certain sectors.

Second, recognise the role financial institutions have in financing sustainability, therefore make financing in carbon or otherwise unsustainable industry unattractive. This can be done in multiple ways, among which the capital levels to be held (Pillar 1 or via stress testing of transition risk) and correcting those for improving sustainable performance over time.

Make investing in sustainable funds / pension plans / private equity attractive.

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/Do not know

If yes, please specify which measures would be relevant.

Response:

Yes, Values based banks have committed to the following, easily applicable to all, principles:

1. Social and environmental impact and sustainability are at the heart of the business model
2. Grounded in communities, serving the real economy, and enabling new business models to meet the needs of people
3. Long-term relationships with clients and a direct understanding of their economic activities and the risks involved
4. Long-term, self-sustaining, and resilient to outside disruptions
5. Transparent and inclusive governance

All of these principles embedded in the leadership and the culture of the member financial institution.

The UN Principles of Responsible Banking, to be confirmed in annual publications, are another example.

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)?

- Yes/No/Do not know

Question 95: How would you assess the transparency of the integration of ESG factors into credit ratings by CRAs?

- 1 - Not transparent at all
- 2 - Rather not transparent
- 3 - Neutral
- 4 - Rather transparent
- 5 - Very transparent
- Don't know / no opinion / not relevant

If necessary, please explain the reasons for your answer.

Response: Rather transparent. Triodos Investment Management is one of the signatories of the UNPRI initiative to call upon rating agencies to incorporate ESG factors in their ratings. ESG factors are important elements in assessing the creditworthiness of borrowers. We call upon CRAs to enhance systematic and transparent consideration of ESG factors in the assessment of creditworthiness.

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

- 1 - Not effective at all
- 2 - Rather not effective
- 3 - Neutral
- 4 - Rather effective
- 5 - Very effective
- Don't know / no opinion / not relevant

If necessary, please explain the reasons for your answer.

Answer: Rather effective. ESG factors hardly play a role into credit ratings. Triodos Investment Management is one of the signatories of the UNPRI initiative to call upon rating agencies to incorporate ESG factors in their ratings. ESG factors are important elements in assessing the creditworthiness of borrowers. CRAs are aware of this importance and are developing their understanding of ESG factors. As of yet, CRAs have not been able to sufficiently and effectively incorporate these factors in their rating analysis.

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

- Yes/No/Do not know

If yes, please specify what kind of action you consider would address the identified problems. In particular should the EU consider regulatory intervention?

Response: Yes. Although CRAs are committed to improve, progress is still slow. The EU can help by developing a standard that can create a level playing field.

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?

- Yes/No/Do not know

If yes, please list a maximum of three relevant initiatives.

Response: Yes. Triodos Bank is a founding member of the Partnership for Carbon Accounting Financials (PCAF). The group has developed an effective methodology to assess the carbon footprint of assets and portfolios. This approach enables financial institutions to measure the CO2 impact of the projects and companies they finance. Triodos Bank disclosed the results of this methodology in their annual reports of 2018 and 2019. PCAF methodologies are being implemented in five regions: Africa, Asia-Pacific, Europe, Latin America and North America. Each region has regional implementation teams with a clear governance structure. The lessons learned through the regional implementation feed into the refinement of the global carbon accounting standard. Building on the carbon accounting methodologies developed in the Netherlands and North America, a global carbon accounting standard for financial institutions will be developed. The global carbon accounting standard builds upon the GHG Protocol's technical guidance for calculating GHG emissions financed by loans and investments. The global carbon accounting standard will cover all major asset classes (e.g. mortgages, commercial real estate, listed equity, business loans, project finance) by providing detailed methodological guidance for each asset class. For more information, please visit the following website: https://carbonaccountingfinancials.com/

Next to PCAF, Triodos Bank is also part of the Partnership Biodiversity Accounting Financials (PBAF). The platform focuses on impact measurement of investments with a positive effect on biodiversity. The aim of PBAF is to investigate how a bank or investor could contribute to the protection and sustainable use of biodiversity and how the impact of these investments could be calculated or measured. Financial institutions could use this knowledge to formulate investment policies that consider biodiversity.

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?

- Yes/No/Do not know

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?

- Loss data
- Physical risk 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?

Response: Yes, but not loss data or physical risk data, rather carbon footprints, total GHG emissions, scope 3 emissions for financials, and strict monitoring of firms getting out of harmful activities. Governments can benefit from the current desire for transformation as part of state support programs to implement stronger monitoring and evaluation mechanisms. This is an important opportunity to ensure that we get better data out of projects, set strong assessment criteria, and coordinate/digitalise monitoring to retain credibility of financial institutions.

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?

- Yes/No/Do not know

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/Do not know

Response: No, it does not make sense to try and insure ourselves against climate risk, or apply any traditional risk management technique to this kind of high impact unknown probability kind of disastrous event. By all means, we as 450 million EU citizens, their corporates and governments, must do all we can to avoid climate events from happening.

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?

- Yes/No/Do not know

If yes, what action should the EU take? Please list a maximum of three actions.

Response: It does not make sense to try and insure ourselves against climate risk, or apply any traditional risk management technique to this kind of high impact unknown probability kind of disastrous event. By all means, we as 450 million EU citizens, their corporates and governments, must do all we can to avoid climate events from happening. This implies first and foremost to stop financing harmful activities! Avoiding climate risk from materializing is possible by (1) transparency and awareness i.e. obligatory monitoring of climate impact in any of the relevant metrics of the taxonomy, if material for the financed activities, (2) positive impact finance, i.e. only financing activities with added value for people and regenerative for the planet, (3) steering policies, i.e. carbon tax, sanctions on too high scope 3 emissions (large exposure limit on scope 3), guarantees for regenerative activities finance, obligatory risk assessments of climate impact (as in art 501 bis CRR, but better risk profile only when impact is positive). Note that climate events are not predictable with historic data series. For resilience, scenarios must be assessed against available buffers, skills and other redundancies that prove their value under stress (such as virus outbreaks). Do NOT integrate climate risk in CRR's pillar 1 or even pillar 2 assessments, as these are based on calculated risk and historic data series and as such not suitable to cater for unknown probability high impact risks.

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

Response: A non-paper concerning retail investors' access to sustainable investments was included in the response to the consultation. In the non-paper, the concept of UCISS (Undertaking in Collective Investments in Sustainable Securities) is further explained.