

UKSIF Public Policy Webinar

HLEG on Sustainable Finance interim report

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HLEG on Sustainable Finance interim report – webinar

- Purpose of the webinar:
 1. To brief UKSIF members on the recommendations
 2. To prepare topics for next week's seminar
- Three key topics for discussion next week – to form the basis of the UKSIF submission
- Please email Ellie Stewart with nominated topics via events@uksif.org

HLEG Overview

- European Commission announced the HLEG on sustainable finance in September
- To make recommendations to the EC to:
 - Better integrate sustainability into EU financial policy
 - Protect the stability of the financial system from environmental risks
 - Mobilise private capital to finance sustainable investments
- HLEG interim report published July 2017
- Feedback accepted until 20 September
- Final report to be published in December

Policy Recommendations

- Recommendation 1: A classification system for sustainable assets.
 - Organise the definition of share EU classification of sustainable assets
 - Invite EIB to coordinate development of classification for climate finance
 - Develop classification systems for other green policy goals
- Recommendation 2: A European standard and label for green bonds and labels for sustainable funds.
 - Official standards for green bonds based on EU taxonomy - GBP
 - Develop a sustainable finance label funds invested in sustainable finance products including green bonds

Policy Recommendations

- Recommendation 3: Fiduciary duty that encompasses sustainability
 - EC should clarify in upcoming reviews (inc. AIMFD, MiFID II, PRIIPs, UCITS) the duties of loyalty and prudence integrate ESG
 - EC should clarify mandates of relevant existing authorities in-line with this agenda
 - EC should promote a common interpretation of fid duty
- Recommendation 4: Disclosures for sustainability
 - Support further work on frameworks and methodologies to promote sustainability reporting
 - Firms should disclose how sustainability information is integrated into the investment process and in voting and engagement
 - Firms should act in-line with the TCFD recommendations

Policy Recommendations

- Recommendation 5: A sustainability test in financial legislation
 - Impact assessments should examine environmental, social and economic impacts
 - Current methodologies of environmental and social assessment should be improved
- Recommendation 6: Create ‘Sustainable Infrastructure Europe’
 - Responsible for advising authorities on infrastructure projects and matching them with investors
 - Additional support for structuring capital-raising plans to make attractive for investors

Policy Recommendations

- Recommendation 7: Position the European supervisory agencies on sustainability
 - EC should ensure ESAs address sustainability issues within their existing objectives
 - Common guidelines and supervisory convergence on ESG disclosure by investors and lenders
- Recommendation 8: Accounting standards for energy efficiency
 - EC should support Eurostat to reinterpret guidance on the accounting consequences of EPCs.

Policy Areas for Further Discussion

- Long-term policy signals to the private sector
 - Emphasis on long-term finance
 - Review of regulation and current market practices to align with this agenda
 - Protection of those who take long-term risks in the face of short term pressures
- Governance of firms and financial institutions
 - Directors' duties to incorporate value creation and sustainability
 - Sustainability expertise on asset owner governing bodies
 - European corporate governance and stewardship principles
 - Asking clients and beneficiaries about ESG preferences

Policy Areas for Further Discussion

- Integrating sustainability in ratings
 - ESG factors and long-term risk integrated into ratings
 - Disclosure of TCFD info by credit rating agencies
- Frequency of financial reporting
 - ESMA should investigate reporting frequency
- Accounting frameworks
 - How to integrate sustainability and ensure frameworks do not inhibit long-term investment
- Benchmarks
 - Supervisors and AOs encourage use of multiple reference points by AMs
 - HLEG will review interplay of benchmarks, indices and sustainability investment

Policy Areas for Further Discussion

- Banking
 - Investigation into long-term lending by banks
- Insurance companies
 - Investigation into implications of Solvency II on long-term investment
- Stock Exchanges and green financial centres
 - EU could set up network amongst sustainable finance hubs – to exchange best practices, aligning standards and achieving market scale.
 - EU could encourage financial centres on green and sustainable finance initiatives

Policy Areas for Further Discussion

- A strong pipeline of sustainable products for investment
 - Making small and middle-scale projects sizeable for capital markets
 - Emphasis on stronger role for PPP
 - 'European Observatory' function to aggregate data, track investment needs and help re climate change policy
- Involvement of society in sustainable finance issues
 - Creation of a public goods research unit
 - Ensuring academic and professional curricula include sustainability issues
 - Promoting sustainable investment at the retail level
- Social dimensions
 - Social bond issuance
 - Defining social enterprise (consistently!)
 - Increasing Horizon 2020 funding

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Thank you

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