Public consultation on long-term and sustainable investment

Fields marked with * are mandatory.

Introduction

Fostering growth and investment is one of **European Commission's top priorities.**

To maintain and extend its competitiveness, Europe needs significant new long-term and sustainable investment.

These can also help achieve the EU's policy objectives linked to the transition to low carbon and climate resilient economy and promote environmentally and socially sustainable wealth creation, including respect for fundamental rights.

The Communication on Long-Term Financing of the European Economy [COM/2014/168 final] emphasized that one of the key features of long-term financing is that investors take longer-term aspects such as environmental, social, governance issues into account in their investment strategies. It further underlined the importance of ESG issues for the longer-term sustainable performance of companies and investors and announced further reflection on incentives for more sustainable investment. The Action Plan on building a Capital Markets Union [COM/2015/468 final] also reiterates the importance of ESG investments.

This consultation seeks to gather information on how **institutional investors, asset managers and other service providers in the investment chain factor in sustainability (ESG) information and performance of companies or assets into investment decisions.** The consultation will also gather information about possible obstacles to long-term, sustainable investment.

The results of this consultation will be used by the Commission to assess the state of play in this field. A feedback document outlining the overall results of the consultation will be made public.

Definitions

For the purpose of this consultation, the following definitions are used:

Sustainable or responsible investment is a comprehensive approach to investment that explicitly takes account of environmental, social and governance (ESG or sustainability) issues and the long-term health and stability of the market as a whole. The evaluation of ESG issues is a fundamental part of assessing the value and performance of an investment over the medium and longer term. It also implies that an investor should be an *active asset owner* engaging with companies (for example through dialogue on strategy, risk, corporate governance) to improve their performance. [See Principles for responsible investment, What is responsible investment?]

Material *environmental* factors include, among others, carbon emissions, climate change risks, energy usage, raw material sourcing and supply risks, waste and water management. *Social* factors include, in particular, customer and employee relations, health and safety, human capital management, fundamental rights. *Governance* matters include, in particular, board accountability, structure and size, management ability to deliver a strategy, executive compensation schemes, bribery and corruption.

Specific Privacy Statement:

SpecificPrivacyStatement.pdf

About the respondent

*1. Please provide your full name (authority, association, organisation, enterprise, ..., as applicable)

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Conselho Empresarial para o Desenvolvimento Sustentável (BCSD Portugal)
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*2. Please provide contact details (e-mail, phone number, postal address)

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1070 - 067 Lisboa, Portugal
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*3. Are you replying as:

- ○ a. Public authority
- ○ b. Institutional investor
- ○ c. Asset manager
- ○ d. Other service provider or advisor
- ○ e. Company
- ● f. Association
- ○ g. Retail investor
- ○ h. Private person
- ○ i. Other

*f. Association

- ○ Investor association
- ○ Association of beneficiaries of institutional investors
- ○ Association of asset managers
- ○ Business federation
- ○ Trade Union

- ○ NGO
- ◉ Other

*Please specify:

Business association (a private non-profit association). BCSD Portugal is a business association which aims to promote sustainable development issues amongst companies.

*4. Is your organisation registered in the EU Transparency Register? (If not, you may register here, although you do not have to be registered to reply to this consultation.)

- ◉ Yes
- ○ No

*If registered, please indicate your ID number:

683460021154-38

*5. Please indicate your country of residence or establishment:

- ○ Austria
- ○ Belgium
- ○ Bulgaria
- ○ Croatia
- ○ Cyprus
- ○ Czech Republic
- ○ Denmark
- ○ Estonia
- ○ Finland
- ○ France
- ○ Germany
- ○ Greece
- ○ Hungary
- ○ Ireland
- ○ Italy
- ○ Latvia
- ○ Lithuania
- ○ Luxembourg
- ○ Malta
- ○ Netherlands
- ○ Poland
- ◉ Portugal
- ○ Romania
- ○ Slovakia
- ○ Slovenia

- Spain
- Sweden
- United Kingdom
- Other

*6. Please indicate whether you consent to publication:

- (selected) Under the name indicated – I consent to the publication of all information in my contribution, and I declare that none of it is under copyright restrictions that prevent publication.
- Anonymously – I consent to the publication of all information in my contribution, except my name/the name of my organisation, and I declare that none of it is under copyright restrictions that prevent publication.
- No, I do not consent to the publication of my contribution. I understand that my anonymised responses may be included in published statistical data, for example, to show general trends in the response to this consultation.

Please note that before completing the survey you will have the opportunity to upload documents to further support or illustrate your views.

Questions

1. Rationale for ESG inclusion into investment decisions

1.a. Do ESG factors pay a role in the investment decisions of investors? If not, why?
If yes, please specify which considerations are reflecting in your investment policy and mandates? In what form is this commitment expressed?

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ESG factors have gradually becoming more relevant on investors decisions. But
it is not yet a generalised practice. Our mandate as a business association,
which congregates banks, insurance and companies (some of which are
institutional investors), is to raise awareness amongst our members about the
importance of having policies on Social responsible investments. Regarding our
own activities as, our savings do not have any ESG criteria since this market
is still not widely developed in Portugal.
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1.b. What is the main rationale for institutional investors and asset managers to take ESG risks and opportunities into account in their investment decisions? Please indicate all the relevant issues (multiple choice)

- [x] a) risk management:
- [x] b) alignment of investment policies with the long-term interests of beneficiaries of the institutional investor,
- [x] c) pressure from clients on whose behalf the institutional investor invests funds,
- [x] d) seeking a positive social or environmental impact of investments,
- [x] e) ethical considerations,
- [x] f) legal or regulatory constraints, please specify,
- [x] g) other, please specify.

a) risk management:

- [ ] i) managing asset value risk in the short-term, including preservation of investment value, better investment performance,
- [x] ii) managing asset value risk in the medium-to long-term, mitigation of exposure to long-term and systemic risks,
- [ ] iii) management of liability risks,

*f) legal or regulatory constraints, please specify:

When a country has legislation on environmental, social and governance issues applied on companies, or on the financial markets, then institutional investors and fund managers should take those into consideration.

*g) other, please specify:

Integration.

Please provide an explanation :

Companies need to make sustainability an integral part of their strategies, products and services, and need capital from investors to finance sustainability solutions. A great number of investors are sending signals that gives to companies their clear interest in integrating sustainability into their investment portfolios.

2. Information on ESG risks and opportunities

2.a. Which ESG risks do you perceive as material to investors?

It depends on the sector, but in general the perceived risks as material can be:

Environmental: Climate change effects; resources/raw materials scarcity; evolution of commodities international market; energy efficiency, water usage/effluents.

Social: Complying with labour standards and human rights in the company and on its supply chain; recognised legitimacy from consumers; human capital management.

Governance: executive benefits and compensation, bribery and corruption, shareholder rights, reputation/business ethics, board structure, risk management, whistle-blowing schemes, stakeholder dialogue, lobbying, and disclosure.

Economical: related to the provenance of revenue resulting from conflicting issues such as tobacco, pornography, weapons, specific mineral, etc.

Geopolitical risks: interstate conflict; failure of national governance; state collapse.

Technological risks: data fraud and cyber-attacks.

2.b. What are the main sources of reliable and relevant information for investors on material medium- to long-term risks and opportunities, particularly on ESG issues?

Despite of the investor's loss of trust in corporate information since the global financial crisis, as referred by ACCA - Association of Chartered Certified Accountants in 2013 (http://www.accaglobal.com/content/dam/acca/global/PDF-technical/sustainability-reporting/tech-tp-wdir.pdf), sustainability/CSR reports and annual reports still are the most reliable and relevant information, as well as ESG data providers/ESG research firms that have grown and consolidated their resources and are providing well-developed, reliable commercial datasets for investment decisions.

The company website is also a good source of information, as well as the direct engagement - namely through dedicated questionnaires and/or online meetings - with Investor Relations and/or Corporate Responsibility/Sustainability departments are also deemed valuable in an investor assessment of a company.

Many NGOs are also actively collecting data on a variety of issues, expanding the sustainability information available to investors.

Another mechanism in use to outline the ESG information provided by the companies is the screening made by some raters (e.g. investment managers, research teams) through questionnaires, documentation that they make available to companies and external documentation.

2.c. Is it difficult for investors to access such information? If so, please specify:

Most of investors are using a combination of the mentioned methods referred before to access ESG information from the companies. The great problem with that kind of approach is the type of screening: positive, negative, integration, engagement, and others, which results in a lot of sustainability indexes. That means that, in most cases, each index "measures" a particular aspect of ESG considerations and may miss the global picture. One exception may be the Company assessment associated with the Dow Jones Sustainability Indices.

In addition, we also believe that in some situations can be difficult for investors to access to such information, since some companies still don't report on all those issues and also because there's still a gap between corporate ESG reporting and the information that investors want. Therefore, it might be interesting for investors to engage with ESG data providers who develop an intensive work in gathering all sorts of information collected from the sustainability reports and other sources.

2.d. Is access to such data expensive? If so, please specify:

The preparation of ESG information suggest a hard work time, but this is similar to the development of financial segment. The process of picking ESG information doesn't appear differently from Financial Information. The big step to take is to have a pattern concerning ESG information, similar to what was done with the financial rules (IFRS). For an Investor much of the information may be freely accessed in company websites and other pieces of reporting. However, benchmarking and sector analysis may have a cost for investors.

2e. What factors may prevent or discourage companies from disclosing such data?

Despite the growing number of companies in disclosing ESG data, some of the issues that might prevent some companies to do it can be:
- Difficulty to translate ESG material factors into financially issues.
-Lack of knowledge about the growing number of asset managers and investors that are concerned with ESG factors.
- Do not see EGS factors as strategic or as differentiation issues for its business.
- Do not feel the pressure from society, shareholders or clients to do so.

Some major collaboration between different teams in the company (financial department, communication department, investors department, sustainability department) is required. It is also important to have a change in the behaviour of investor in order to have high global consciousness for looking ESG information about companies.

2.f. What is the main rationale for companies to publish such information? Please indicate all the relevant issues. (multiple choice)

- [x] a) relevance of ESG issues to company performance
- [x] b) attracting financing for specific projects, for example green bonds
- [x] c) legal or regulatory constraints
- [x] d) demand from investors
- [x] e) pressure from stakeholders
- [x] f) other

*f) other - please specify:

Voluntary standards on environmental and ethical issues like those outlined by United Nations Global Compact Principles, UN on Human Rights, Global Reporting Initiative, among others.
It must be referenced that companies with strong ESG practices have all the

interest to widely communicate them as only in conjunction with the universe of Stakeholders they will make sense.

2.g. Is there sufficient accountability for the disclosure by companies of such information?

Companies are disclosing an increasing amount of sustainability data on a regular basis. Thanks to reporting and standardization initiatives such as the Sustainability Accounting Standards Board (SASB) or the Global Reporting Initiative (GRI), published data is also becoming more meaningful and comparable across issuers.

Although, the information in ESG disclosures can still be confusing for investors and stakeholders, hence limiting the effectiveness of reporting as a tool in recognizing and rewarding sustainable companies. Thus, accountability mechanisms on ESG information should be more effective and promote the focus on materiality, transparency, objectiveness about the company's business model, comparability on ESG performance and clearness about the risks and opportunities that are material to the business and to society. Nevertheless, that effectiveness shouldn't mean turning sustainability/CSR reporting into a bureaucratic compliance exercise.

There is some accounting that assure the reporting requirements from the companies in a regular basis, normally annually. In order to provide information in a feasible way to stakeholders, namely investors, it is important to ensure that the numerous disclosures do not conflict each other, and are aligned with a universal accountability, that is understand by all stakeholders. There is room to open an innovation accounting that links financial statements, to sustainability statements. There is still a lack of uniformity in the reporting of non-financial information (and, in particular, ESG information) what makes very difficult, for an Investor, to decide between different alternatives for investment. This lack of uniformity is very clear across business sectors and also geographies (e.g. USA vs Europe).

2.h. What are the best practices as regards internal corporate governance processes to ensure proper reliability of the disclosed information?

The community of corporate ESG reporting is working to respond to its challenges with new frameworks such as integrated reporting (a single report bringing together financial and ESG aspects, with a narrative on the firm's ability to create value in the future), and various guidelines and practices.
Proper reliability of ESG information is better achieved if corporate reporting with ESG issues is a result of an integrated thinking and an integrated performance in an organization (a company's performance once it has integrated the extra-financial dimensions of its actions, taken the full measure of its other, non-financial, capitals and reflected them in its business model).
Some tools and standards can be used by companies to identify ESG factors for better reporting:
- UN Global Compact's best practices related to the GC Advanced Communication

on Progress in the areas of human rights, labour, environment and anti-corruption;
- UN Guiding Principles Reporting Framework addresses reporting on human rights according to the UN Guiding Principles on Business and Human Rights;
- UNCTAD's Guidance on Good Practices in Corporate Governance Disclosure establishes a benchmark for identifying corporate governance issues that could be included in corporate reporting;
- CDP's disclosure requirements regarding emissions, water and forests;
- Climate Disclosure Standards Board's (CDSB) Framework for reporting environmental information and natural capital in mainstream financial reports;
- GRI G4 Sustainability Reporting Guidelines, with over 140 indicators that address ESG issues across all sectors, vetted by an array of stakeholders;
- The International Integrated Reporting Framework and its six capitals;
- Sustainability Accounting Standards Board's (SASB) standards identify factors that are likely to constitute material information for companies in an industry (with a median of five disclosure topics per industry).

Given the referred diversity of standards, there is room for improved reporting ESG information, through Integrated Reports - a framework that reflects the way to communicate the full range of factors that affect an organization's ability to create value in the long term. This standard could potentially improve the needs of the decisions of investors, while encouraging the development of companies' strategies to support longer-term value creation. The Integrated Report should be an instrument that answers to the essentials elements to take an investment decision: organizational overview; strategy; governance; business model; risks and opportunities; performance; outlook; external presentation.

In addition, external verification of the information disclosed is also an essential aspect of ensuring reliability (and credibility) of the information provided by companies.

2.i. What is the role of specific ESG investment instruments, like green bonds?

Is to make a better connection between finance and sustainability performance, and to demonstrate that there are investments with a positive impact on the environment which are also attractable for investors and for the financial system.
"Labelling bonds 'green' or 'climate' help investors identify investments that address climate or environmental issues.
Since the repayment comes from the general funds, the bond benefit from the same credit rating as other bonds of similar composition from the same issuer. This makes it attractive to investors seeking an environmental impact like SRI investors. Nevertheless, if SRI investors still represent the lion's share of green bond buyers with 60-80% of the demand,
mainstream investors are also becoming interested in these instruments." (in European SRI Study 2014).

Green Bonds are an attractive form of investment, particularly from the point of view of sustainability-oriented investors. The latter have high expectations in terms of the social and environmental standards of green bond issues and are particularly sensitive to any suspicion of greenwashing, they want to secure that the green bond will meet the requirements of sustainability-oriented investors.

3. Integrating ESG information into risk assessment models of institutional investors and asset managers

3.a. What should an appropriate long-term risk assessment methodology look like? Please indicate some examples of good practice.

A long term risk assessment methodology should analyse:

- if the company knows and manages its EGS risk, and also if the company is able to think and act on emerging new ESG risks.
- the implementation of their internal policies on ESG issues.
- the linkage between their ESG policies and their mission as a company.
- the linkage between their ESG policies and their Governance model.
- the type of Governance Model (Shareholder, Stakeholder, Enlighted Shareholder).
- the evolution of their KPI on their material ESG issues.

3.b. Are there specific barriers, other than those of a regulatory nature (see question 9) for investors to integrate medium-to long-term risk indicators, including ESG matters in their risk assessment? If so, please indicate what you consider to be the main barriers.

Based in a study made for the Spanish case, we agree that in Portugal the main barriers can be:

Technical impediments: no single accepted methodology to measure ESG issues; complexity and difficulty of managing ESG issues, especially measuring them (should be calculable and quantifiable); ESG information should be contrastable and comparable; No interconnection between financial and ESG information.

Internal issues: segregated team approach; imbalanced hierarchy of team functions; lack of sectorial specific knowledge on the identification of the ESG risks across the existing risk management teams; a believe that funds with ESG criteria provide with lower returns.

External issues: lack of pressure from clients to provide with such analysis; limited dimension of some national financial markets; the perception that this is a market just for more developed and wider markets.

We consider that there are barriers, besides the regulatory constraints, for investors to integrate medium-to long-term risk indicators. In fact, investing taking into consideration ESG factors means to embrace a long term perspective and, in many instances, investors press for short term returns. In capital markets with low liquidity, we find a small number of companies that are concerning with this kind of things. Even considering the European markets, only 2,500 of the 42,000 major companies currently publish sustainability reports.

On the other side we have few investors concerning ESG issues.

In order to promote the increase of ESG integration, it is important:
a. From the side of companies - the development of the familiarity with this theme and improve the relationship between teams for communicating with investors on the ESG performance.
b. From the side of investors, it is important to increase their awareness of the potential long term benefits from ESG information.

With the increase of awareness from the side of companies and investors we could have in the future:
a. for the majority of companies the suitable explanation of ESG issues with consistent data.
b. for the investors the available ESG data from service providers, with methodologies clearly understood.

4. Integration of ESG aspects in financial incentives

4.a. When selecting and remunerating asset managers, how do institutional investors take into account asset managers' integration of ESG issues into investment strategies? What are the best practices in this area?

In our perspective, institutional Investors can choose what type of investments they want to do, based on their values, on their investment policy and expected returns (which can be financial, environmental and social returns). Therefore, an institutional investor that wants to invest in a ESG fund, needs to understand the existing supply on those funds, and choses those asset managers with whom he wants to work. These asset managers will have their remuneration fees, just like any other.

4.b. Is ESG performance and active asset ownership taken into account in the remuneration of the executives and/or board members of institutional investors? What are the best practices in this area?

We don’t have specific information on that.

5. Capacity of institutional investors

5.a. Do you think that the lack of scale or the lack of skills and resources of some institutional investors may affect their ability to integrate ESG factors in investment decision-making and engage on such issues? If so, how? Please provide evidence if possible.

Despite the fact that sustainable investment will tend to continue to grow - global market shares of SRI represented in 2011 30.2% of total -, we consider that the answer should be “Yes”.

1. Integration requires that investors take a broader perspective of business risks and opportunities to include them in the decision process. The 2008 crisis intensified the scrutiny of companies. So, the next question is: the ESG platform could help to prevent future crisis? For having an answer, it is important that companies, asset owners, and other types of investors promoting and supporting ESG information. It is important for that, i.e. to gain scale, to take the lead in driving integration. We observe a great mix in which only a few companies are doing communication about ESG, and a few asset owners are demanding integration, and a few investors are asking for ESG strategy or ESG performance.
2. Shareholders continued demands for strong short-term financial performance that compete with ESG investments, which are longer term by nature.
3. A lack of long-term empirical evidence that, unequivocally, links ESG criteria to financial returns requires an increased effort in order to demonstrate outperformance compared to a baseline without integration.
4. A lack of consistent reporting on ESG factors to enable consistent comparisons between companies.

Nevertheless, institutional investors’ capacity has increased as a result of having more companies’ engaging with ESG data providers that led to better disclosure of ESG information. The existence of specific performance indexes such as Dow Jones, Footsie4Good and Ethibel, among others and publications from EUROSIF, UNEP FI, EIRIS, Vigeo, Bloomberg, and other data providers has enhance the ability of investors to integrate those factors in their investment decisions.

5.b. Please indicate measures/practices that have contributed to enhance institutional investors' capacity and ability to integrate ESG factors in investment decision-making and engage on such issues.

Over the past years we have assisted to track a number of initiatives that have contributed to enhance institutional investors' capacity and ability to integrate ESG factors in investment decision-making.

1. The number of signatories to the Principles for Responsible Investment (PRI) rose in 2014 to over 1,350. They pledge, among other things, to take ESG criteria into account in their analyses and investment decisions.

2. Moreover, other initiatives such as the increasing number of vocational training programs by e.g. the European Federation of Financial Analysts EFFAS or the reporting initiative of the SASB (the US Sustainability Accounting Standards Board) show that investors worldwide are taking action.

3. More recently, the EU Commission has adopted a Directive on compulsory sustainability reporting which makes it obligatory for companies which have more than 500 permanent employees and are publicly listed or part of the insurance and banking sector to publish a sustainability report.

4. Studies on sustainability and performance.

5. Publications from EUROSIF, from UNEP FI, form EIRIS, among others.

All these instruments would be an effect in investors to make an active decision in favour of sustainable investments.

6. Internal governance and accountability of the institutional investor

6.a. To what extent can good internal governance of institutional investors, such as mechanisms aiming to align interests between beneficiaries, board and key executives, influence their ability and willingness to integrate ESG factors in investment decision-making and engage on these issues? Please provide evidence or good practices if possible.

By institutional investors we consider asset managers, pension funds, mutual funds, insurance companies, activist hedge funds. They have more than 60-70% of the companies' shares, and its responsibilities take different forms, which are connected to a different governance structure. The point here is to assure that institutional investors make informed and independent voting decisions at investee companies. Furthermore, all of them do not sufficiently focus on the long term performance of companies but often on share-price movements and the structure of capital market indexes. So its decisions aren't focused in great majority in the longer-term value capacity of companies. The point here is to change the focus, which should be consistent with the objective of delivering value over the long term for the benefit of beneficiaries or clients.

However as responsible investors they should play an active promoting corporate governance and other best practices at investee companies by engaging with them on pertinent financial and other relevant matters.

So, there is need a major engagement to monitor companies on their non-financial performance. This should help foster sustainable long-term performance by these companies to the benefit of all investors.

6.b. Do beneficiaries of pension funds and other institutional investors with long-term liabilities obtain sufficient and clear information about how the fund or investor is managing ESG risks? Can they give their opinion/be consulted on these aspects? Please provide examples of good practice.

Generally, no. As long as we know, that kind of information is not easily accessible and common consumers that have their own pension funds or that invest in funds, do not have access to that kind of information. Better information certainly exists in the case of Social Responsible or Green Funds when they are available.

To accomplish its mandate, institutional investors should be focused on interests of their clients or beneficiaries. So they should disclose to their beneficiaries, or clients, clear information in particular with regard to their decision of investments and in an understandable language. They should monitor closely the companies in which they invest in order to assess their individual circumstances, performance and long-term potential. They should be clear about standards that they will applying and how they will monitor investee companies.

From the other side, it is also important for companies to be aware of the practices that shareholders are adopting.

We believe that, as in other areas, beneficiaries should play a more active role in assessing the ways in which their money is managed in the long term.

6.c. Are beneficiaries interested in matters referred to above? Please provide evidence if possible.

Generally, beneficiaries might not be aware of the issue and the relevance of the ESG factors, and therefore do not ask about how those issues are managed. But once they know about this new market, some will become more aware an interested. Obviously, the beneficiaries that invest in Social Responsible Funds have interest in those matters. Therefore, we think that those matters should be clear and accessible to the beneficiaries of all types of investments.

7. The role of other service providers

7.a. Is there sufficient long-term oriented, reliable and relevant external investment research? Are there barriers to good quality external investment research on ESG risks and opportunities? If so, please explain. What role, if any, do financial incentives or conflicts of interests of some service providers play?

It is important to have good external service providers which work is ESG preparation investment portfolio construction data and analysis. Actually there are some good external service provider: MSCI ESG Research, EIRIS, RobecoSAM, Thomson Reuteurs, FTSE, Sustainalitics, VIGEO, Trucost, Carbon Disclosure Project, Bloomberg, etc. They collect, aggregate and evaluate corporate documentation and reporting on ESG. This research is included in responsible investment indices, such as the FTSE4good index and DJSI, and provide a powerful incentive for companies to improve their practices.
More than the number of entities performing ESG research work, what is needed to be improved is the quality and comparability of the results of such research. Furthermore, and as mentioned before, the research on the long term impact on companies' values of the adoption of sound ESG practices needs to be deepened to aim more uncontroversial results.

We think that there is no need to create additional in-house research teams, which may not always be possible for asset managers with limited resources allocated to ESG and they should continue to work in eliminate the obstacles that exist and don't assure an effective use of ESG data (they should always eliminate companies that do not comply with certain standards from investment universe, or only consider those companies that perform well on ESG issues), but the most effective use of ESG data means a more engagement between all agents in value chain. However, this last aspect it is more important for

Strategy SRI as engagement and integration.

This could mean:
1. To increase the AuM (assets under management) with SRI strategy based on engagement, through the increase of dialogue between the shareholder and the company in order to improve the company's value in the long term. However, this strategy is more time-consuming than the mentioned before based on an approach of screening by service providers.
2. To increase the demand for investors with a long-term outlook, which means more work done on materiality ESG factors and more comparable data within companies and across sectors and regions.

7.b. To what extent do investment banks, investments analysts and brokers provide information on medium-to long-term company performance, including corporate governance and corporate sustainability factors, when they make buy, sell and hold recommendations to investors?

We believe that the entities that have this type of behaviour are marginal. However, we also believe that investors may have a key role to change that.

7.c. To what extent do investment consultants consider the asset managers' approach to ESG issues and active asset ownership when advising institutional investors about the selection of asset managers?

We don't have information on that.

7.d. To what extent do proxy advisors consider medium-to long term performance of companies, including ESG performance, in their voting recommendations?

We don't have information on that.

7.e. To what extent do credit rating agencies take medium-to long term performance of companies, including ESG performance, into account in their ratings?

We don't have information on that, but we would expect that most of the rating companies do not include such ESG considerations in their ratings. Most of the assessments are still made under an economical/financial philosophy.

7.f. What are the best practices as regards independent external assurance (for example auditor review) for the disclosure by companies of material medium- to long-term risks and opportunities, particularly ESG issues?

We don't have information on that.

8. The role of non-professional investors

8.a. Do you know of initiatives that led to more sustainable and responsible investment from non-professional investors? Please provide details about them.

Non-professional investors, and their increasing weight in the global asset management, may have a key role in changing both the behaviour of companies in pursuing stronger EGS approaches and the behaviour of institutional investors in increasing the considering these issues in their recommendations and investment strategies.

9. Legal or regulatory constraints

9.a. Are there legal or regulatory constraints likely to significantly and unduly prevent or discourage investors from taking a long-term view in their investment strategies and decisions and from investing in a sustainable way? If so, please provide details.

If there is a legal requirement in a country about the obligation of the company in maximizing the dividends for shareholders, and not specifying the time period, then this could become a limitation.

If the fiduciary duty of asset managers to not express the relevance of the ESG issues, then this could become a limitation.

If there is an obligation of providing the market with quarterly earnings, then this could become a limitation.

Therefore, the legal and regulatory framework influence the adoption of a sustainable approach and are important to guide to such kind of behaviour. Nevertheless, it is also important that investors have a proactive attitude with regard to the implementation of such requirements. One of the main constraints, for instances, could be related with cross-border investment obstacles (like tax treatment, tax uncertainty).

9.b. Do you believe that there are any barriers to the understanding by institutional investors and asset managers of their fiduciary duties that would not enable them to appropriately take ESG factors into account in their investment decisions? Please explain.

Yes. Probably some or many of them do not realise that their fiduciary duty also includes looking at the medium - long term and, on that sense, it implies analysing the ESG risks of companies. We think it’s a matter of raising awareness and education for sustainability/sustainable investments.

10. Others

10.a. Are you aware of any other incentives or obstacle(s) with a significant impact? If so, which ones?

In the Netherland, the Green Fund Scheme is a good reference as a mechanism that created the incentives to connect environmentally friendly projects with banks and with consumers. This example could be use as inspiration in the ESG funds context.

10.b. Would you consider further increase in sustainable investments if market or regulatory conditions for sustainable investment would be more favourable? If so, please provide estimations, if possible.

Yes. Especially if there could exist some fiscal incentives for the investors

You can upload additional documents here:

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This document is a working document of the Commission services for consultation and does not in any manner prejudge the final form of any future decision to be taken by the Commission.

Contact

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