



Public consultation on institutional investors and asset managers' duties regarding sustainability

Fields marked with * are mandatory.

Introduction

At the end of 2015, governments from around the world chose a more sustainable path for our planet and our economy by adopting the Paris agreement on climate change and the UN 2030 Agenda for Sustainable Development.

Sustainability has since long been at the heart of the European project. The EU is committed to development that meets the needs of the present without compromising the ability of future generations to meet their own needs ([Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 'Next steps for a sustainable European future European action for sustainability' {SWD\(2016\) 390 final}](#)).

The EU wants its financial system to be aligned with its sustainability objectives. The commitment to incorporating sustainability elements into EU financial services policies and cross cutting initiatives is ingrained in the Mid-Term Review of the Capital Markets Union Action Plan ([Mid-Term Review of the Capital Markets Union Action Plan - COM\(2017\) 292 final](#)).

To develop the overall vision of sustainable finance that this requires, the Commission decided last year to appoint a High-Level Expert Group (HLEG) on sustainable finance under the chairmanship of Christian Thimann. This group is supporting the Commission to develop an overarching and comprehensive EU strategy on sustainable finance.

On 13 July 2017, the HLEG published its interim report which provided a comprehensive vision on sustainable finance. It identified two imperatives for Europe's financial system. "The first is to strengthen financial stability and asset pricing, by improving the assessment and management of long term risks and intangible factors of value creation. The second is to improve the contribution of the financial sector to sustainable and inclusive growth by financing long-term needs and accelerating the shift to a sustainable economy".

In its interim report ([EU High-Level Expert Group on Sustainable Finance, 'Financing a sustainable European economy' Interim report, July 2017](#)), the HLEG proposed eight early recommendations for policy action on sustainable finance. The third recommendation focused on establishing a "fiduciary duty"

that encompasses sustainability. The HLEG suggested clarifying that the duties of institutional investors and asset managers explicitly integrate material environmental, social and governance (ESG) factors and long term sustainability.

Given the maturity and the interest of the HLEG recommendation, the Commission has decided to start work on an impact assessment to assess whether and how a clarification of the duties of institutional investors and asset managers in terms of sustainability could contribute to a more efficient allocation of capital, and to sustainable and inclusive growth.

The duties of care, loyalty and prudence are embedded in the EU's financial framework governing obligations that institutional investors and asset managers owe to their end-investors/scheme members. These duties are the foundation of investment process.

The implementation of these duties implies fulfillment of various obligations for asset managers and institutional investors that include, for instance, the duty to act in the best interest of beneficiaries /investors, with due care, skill and diligence in performing their activities, including the identification and management of conflict of interests. They are also required to act honestly, and ensure adequate and proportionate performance of their activities.

Although these duties are embedded in the EU financial legal framework, it appears unclear that they require institutional investors and asset managers to assess the materiality of sustainability risks (i.e risks relating to environmental, social and governance issues). Market practices indicate that institutional investors and asset managers generally understand these duties as requiring a focus on maximising short-term financial returns and disregard long-term effects on performance due to sustainability factors and risks. This can lead to misallocation of capital and might give rise to concerns about financial stability since markets can be vulnerable to abrupt corrections, such as those associated with the delayed transition to low carbon economies.

This consultation will help the Commission gather and analyse the necessary evidence to determine possible action to improve the assessment and integration of sustainability factors in the relevant investment entities' decision-making process.

Please note: In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact fisma-investors-duties-sustainability@ec.europa.eu.

More information:

- [on this consultation](#)
- [on the protection of personal data regime for this consultation](#)

Glossary

Relevant investment entities: entities managing assets entrusted to them

Sustainability factors: for the purpose of this consultation, sustainability factors refer to environmental, social and governance issues as defined by the United Nations Environment Programme (UNEP) ([UNEP Inquiry, Definitions and Concepts: Background Note, 2016](#)). The exact scope of sustainability factors to be addressed is also the object of this consultation.

Environmental issues relate to the quality and functioning of the natural environment and natural systems including biodiversity loss; greenhouse gas emissions, renewable energy, energy efficiency, natural resource depletion or pollution; waste management; ozone depletion; changes in land use; ocean acidification and changes to the nitrogen and phosphorus cycles

Social issues relate to rights, well-being and interests of people and communities including human rights, labour standards, health and safety, relations with local communities, activities in conflict zones, health and access to medicine, consumer protection; and controversial weapons.

Governance issues relate to the management of investee entities. Issues include board structure, size, diversity, skills and independence; executive pay; shareholder rights; stakeholder interaction; disclosure of information; business ethics; bribery and corruption; internal controls and risk management; and, in general, issues dealing with the relationship between a company's management, its board, its shareholders and its other stakeholders.

1. Information about you

* Are you replying as:

- a private individual
- an organisation or a company
- a public authority or an international organisation

* Name of your organisation:

Eumedion

Contact email address:

The information you provide here is for administrative purposes only and will not be published

rients.abma@eumedion.nl

* Is your organisation included in the Transparency Register?

(If your organisation is not registered, [we invite you to register here](#), although it is not compulsory to be registered to reply to this consultation. [Why a transparency register?](#))

- Yes
- No

* If so, please indicate your Register ID number:

65641341034-11

* Type of organisation:

- Academic institution
- Company, SME, micro-enterprise, sole trader
- Institutional investor
- Consultancy, law firm
- Consumer association
- Industry association
- Media
- Non-governmental organisation
- Think tank
- Trade union
- Other

* Where are you based and/or where do you carry out your activity?

The Netherlands

*Field of activity or sector (*if applicable*):

at least 1 choice(s)

- Accounting
- Auditing
- Banking
- Credit rating agencies
- Insurance
- Occupational pension provision
- Personal pension provision
- Collective Investment Management
- Individual portfolio management
- Financial advice
- Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
- Service provider (e.g. index provider, research providers)
- Other
- Not applicable


* Please specify your activity field(s) or sector(s):

Representative body of institutional investors



Important notice on the publication of responses

* Contributions received are intended for publication on the Commission's website. Do you agree to your contribution being published?

([see specific privacy statement](#) )

- Yes, I agree to my response being published under the name I indicate (*name of your organisation /company/public authority or your name if your reply as an individual*)
- No, I do not want my response to be published

2. Your opinion

2.1 Questions addressed to all respondents:

I. General overview

1) Do you think relevant investment entities should consider sustainability factors in their investment decision-making?

- Yes
- No

No opinion

Please explain the reasons:

The participants of Eumedion, which include pension funds, insurers, asset managers and mutual funds with a long-term investment horizon, would like to emphasize the importance of engaged and responsible share ownership. This means, among other things, informed voting by institutional investors, their willingness to conduct a constructive dialogue with the management of listed companies and to monitor the company's environmental, social and governance (ESG) performance, besides financial performance.

In general, considering relevant and material sustainability factors in the investment decision-making process improves the risk-return profile of the investment portfolio, especially for those investors with a long-term investment horizon. Taking ESG issues into account also contributes to making capital markets more responsible and increases the flow of capital towards a more sustainable economy which is in the interest of the ultimate beneficiaries of institutional investors. In the Netherlands, there is also a legal obligation for pension funds to disclose how ESG-factors are taken into account in their investment policies.

2) What are the sustainability factors that the relevant investment entities should consider? (Please make a choice and indicate the importance of the different factors (1 is not important and 5 is very important). (Please refer to the definition in the Glossary).

	Yes	No	No opinion
Climate factors (these include climate mitigation factors as well as climate resilience factors)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other environmental factors	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Social factors	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Governance factors	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Others	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please specify others:

Although integrating environmental, social and governance factors is considered as the standard approach for responsible investment, it does not fully capture the essence of sustainability. Sustainability relates to all relevant aspects that impact a company's ability to create long-term value for its stakeholders. Which aspects are relevant and material to a company depends, amongst others, on the nature of its business, its strategy, its stakeholders and the geographical scope of its operations.

Importance for climate factors:

- 1
- 2
- 3
- 4
- 5

Importance for other environmental factors:

- 1
- 2
- 3
- 4
- 5

Importance for social factors:

- 1
- 2
- 3
- 4
- 5

Importance for governance factors:

- 1
- 2
- 3
- 4
- 5

Importance for others:

- 1
- 2
- 3
- 4
- 5

Please specify, which specific factors within the above categories you are considering, if any:

Participants of Eumedion are of the opinion that sustainability relates to a broad range of aspects including, but not limited to, performance, strategy, climate change, other environmental issues, social and governance factors. Sustainability relates to all relevant aspects that impact a company's ability to create long-term value for its stakeholders. Which aspects are relevant and material to a company depends, amongst others, on the nature of its business, its strategy, its stakeholders and the geographical scope of its operations.

Climate factors: all potential risks and opportunities – both physical and transitional – related to climate change for the business model and the strategy of a company.

Other environmental factors: all relevant and material environmental aspects for companies, including pollution, water quality and availability, waste management, biodiversity and deforestation.

Social factors: issues related to human rights, child labour and rights of indigenous people, but also human capital, for example working conditions, living wages, equal opportunities, and talent development.

Governance factors: aspects related to good governance, including strategy, performance, board composition (including diversity), executive pay, risk management, ethics, business conduct and shareholder rights.

3) Based on which criteria should the relevant investment entities consider sustainability factors in their investment decision making?

Please explain:

It is primarily the responsibility of the individual institutional investors to determine how to consider sustainability factors in their investment decision making. The justification for integrating sustainability factors into investment decision making differs per institutional investor. However, most institutional investors with a long-term investment horizon share the ambition to align the financial objectives of their ultimate beneficiaries with the aim to contribute to a sustainable economy.

In the Netherlands, there is also a legal obligation for pension funds to consider sustainability factors. The Dutch Pension Act, which entered into force in 2013, contains the requirement for pension funds to disclose how ESG-factors are taken into account in their investment policies. Other drivers for integrating sustainability factors include moral considerations (for example by excluding tobacco or controversial weapons), explicit sustainability objectives (for example impact investing) and the belief that integrating sustainability factors will lead to a lower risk profile of the investment portfolio and hence an improved risk-return profile.

4) Which of the following entities should consider sustainability factors in their investment decision-making? (Possibility to select several answers). If so, please indicate the level of impact that this would have (1 is the smallest impact and 5 is the highest impact).

	Yes	No	No opinion
Occupational pension providers	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Personal pension providers	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Life insurance providers	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Non-life insurance providers	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Collective investment funds (UCITS, AIF, EuVECA, EuSEF, ELTIF)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Individual portfolio managers	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please explain:

All institutional investors should act in the best interest of their ultimate beneficiaries and based on the preferred investment approach of their clients. To do so, the institutional investor could identify short-, medium- and long-term risks and opportunities associated with their investments. Integrating sustainability factors in their investment decision-making process can help to mitigate risks, identify opportunities, and prevent negative social and environmental impacts associated with their investments. In addition, institutional investors should act as active owners of their shares by implementing stewardship principles, as outlined in the recently revised Shareholder Rights Directive.

Regarding the indication below for the level of impact generated by the entities mentioned in question 4, it remains unclear what is meant by 'impact', and on whom or what the impact is made. Eumedion is of the opinion that institutional investors can have a significant impact on making the European capital markets,

economies and societies more sustainable by considering sustainability factors in their investment decision-making process. This question is understood and answered as if all the entities mentioned would consider sustainability factors in their investment decision-making.

Level of impact for occupational pension providers:

- 1
- 2
- 3
- 4
- 5

Level of impact for personal pension providers:

- 1
- 2
- 3
- 4
- 5

Level of impact for life insurance providers:

- 1
- 2
- 3
- 4
- 5

Level of impact non-life insurance providers:

- 1
- 2
- 3
- 4
- 5

Level of impact for collective investment funds (UCITS, AIF, EuVECA, EuSEF, ELTIF):

- 1
- 2
- 3
- 4
- 5

Level of impact for individual portfolio managers:

- 1
- 2
- 3
- 4
- 5

II. Problem

5) To your knowledge, what share of investment entities active in the EEA (European Economic Area) currently consider sustainability factors in their investment decisions?

	All or almost all	More than two thirds	More than half	More than a third	None or almost none	No opinion
Occupational pension providers	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Personal pension providers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Life insurance providers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Non-life insurance providers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Collective investment funds (UCITS, AIF, EuVECA, EuSEF, ELTIF)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Individual portfolio managers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

6) To your knowledge, which is the level of integration of sustainability factors by the different investment entities (active in the EEA)?

	High integration	Medium integration	Low integration	No integration	No opinion
Occupational pension providers	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Personal pension providers	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Life insurance providers	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Non-life insurance providers	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Collective investment funds (UCITS, AIF, EuVECA, EuSEF, ELTIF)	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Individual portfolio managers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

7) Which constraints prevent relevant investment entities from integrating sustainability factors or facilitate their disregard. Please provide the importance of the different constraints that you consider relevant (1 is not important and 5 is very important).

	1	2	3	4	5	No opinion
Lack of expertise and experience	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of data/research	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Lack of impact on asset performance	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Inadequate methodologies for the calculation of sustainability risks	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Inadequate sustainable impact metrics	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Excessive costs for the scale of your company	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
No interest from financial intermediaries	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
No interest from beneficiaries/clients	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
European regulatory barriers	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
National regulatory barriers	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of fiscal incentives	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of eligible entities	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Others	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please specify others:

A lack of resources may hinder the integration of sustainability factors. Conducting research, analysis, and stewardship activities can be resource-intensive.

Please provide more details on what the constraints/reasons are and how they limit the integration of sustainability factors:

To better factor sustainability issues into the assessment of risks, institutional investors need qualitative, informative, comparable and assured corporate reporting, preferably delivered through an integrated report. Material ESG factors are having an impact on the ability of companies to create sustainable long-term value. Qualitative and material sustainability information enables investors to make better informed long-term investment decisions (and is in turn also relevant for other stakeholders).

The lack of clear, widely accepted classification standards may create uncertainty for investors, companies and other stakeholders and may be a barrier for financial institutions to take more action regarding investments in sustainable assets and financial products. Clear standards will increase trust in sustainable assets and financial products among investors and will reduce the costs of sustainable investing.

Finally, governments should develop mechanisms for the proper pricing of social and environmental externalities. When for example the effects of CO₂- emissions are priced into the assets of companies, sustainable alternatives will become more attractive for institutional investors, and this will enhance the move towards sustainable finance system.

8) How challenging is it for relevant investment entities to integrate the different sustainability factors? (1 is not challenging and 5 is very challenging) - Please refer to the definition in the Glossary).

	1	2	3	4	5	No opinion
Climate factors (<i>these include climate mitigation factors as well as climate resilience factors</i>)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other Environment factors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Social factors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Governance factors	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Others	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

Please explain:

Integrating sustainability factors into investment decision making depends on many factors, including the level of ambition, the availability of information as well as the availability of resources and expertise. Since companies are already required to disclose governance information, it is in general easier for institutional investors to consider governance factors compared to environmental and social factors. From book-year 2017 onwards, large public-interest companies with more than 500 employees within the EU are required to disclose sustainability information in their annual report, making it easier for institutional investors to include ESG factors in their company assessment.

III. Policy options

9) In which area should relevant investment entities consider sustainability factors within their investment decision-making? Please make a choice and indicate the relevance of the different areas (1 is minor relevance and 5 is very high relevance).

	Yes	No	No opinion
Governance	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Investment strategy	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Asset allocation	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Risk management	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Others	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please specify others:

Stewardship – Pension funds, insurers and asset managers should disclose their position regarding stewardship. By doing so, the institutional investors are transparent on their voting and engagement policy, and how they monitor the performance of their investee companies. Elements of stewardship are also part of the recently revised Shareholder Rights Directive, including the obligation for institutional investors to publicly disclose an engagement policy (or to disclose an explanation why they have chosen not developed such a policy).

Mandates – Asset owners should hold their asset managers to account for integrating sustainability factors and stewardship principles within the asset managers' investment decision-making process. This can be achieved by embedding such sustainability and stewardship standards within the contractual agreements between asset owners and asset managers.

Relevance for governance:

- 1
- 2
- 3
- 4
- 5

Relevance for investment strategy:

- 1
- 2
- 3
- 4
- 5

Relevance for asset allocation:

- 1
- 2
- 3
- 4
- 5

Relevance for risk management:

- 1
- 2
- 3
- 4
- 5

Relevance for others:

- 1
- 2
- 3
- 4
- 5

10) Within the area of governance, which arrangements would be most appropriate to enable the integration of sustainability factors? (1 is the not appropriate and 5 is the very appropriate).

	1	2	3	4	5	No opinion

Specific sustainability investment Committee	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Specific sustainability member of the Board	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sustainability performance as part of remuneration criteria	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Integration of sustainability factors in the investment decision process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Integration of sustainability checks in the control process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Periodic reporting to senior management/board	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Others	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

Please specify others:

Integrated responsible and sustainable investment approach - The participants of Eumedion are of the opinion that the integration of sustainability factors should be conducted throughout all aspects of the investment process. Therefore, establishing a specific sustainability investment committee or the appointment of a specific sustainability member of the Board may not encourage full integration of sustainability factors for all operations.

11) Should insurance and pension providers consult their beneficiaries on an annual/periodic basis on their preference as regards sustainability factors?

- Yes
- No
- No opinion

Please explain:

In aligning the sustainability objectives with financial performance, it is important to consult the ultimate beneficiaries and clients of insurance and pension providers. Various Dutch larger pension funds like ABP and PME already survey their constituency on the sustainability priorities of their preference. Consulting ultimate beneficiaries and clients may provide the institutional investor with valuable insights regarding the direction of the responsible investment strategy, as well as the willingness to make investment decisions in a more sustainable way. In addition, consulting ultimate beneficiaries and clients provides the investor with an opportunity to explain the investment strategy in place. The participants of Eumedion are not, however, in favour of a legal obligation for insurance and pension providers to consult their beneficiaries on their preference regarding sustainability factors.

12) Within the portfolio's asset allocation, should relevant investment entities consider sustainability factors even if the consideration of these factors would lead to lower returns to beneficiaries/clients in the medium/short term?

- Yes
- No
- No opinion

Please explain:

We do not believe that considering sustainability factors will lead to lower returns to beneficiaries/clients in the short to medium term. Considering sustainability factors may lead to a lower risk profile of the investment portfolio and hence an improved risk-reward profile. Moreover, institutional investors have a long-term investment horizon. Research conducted by various organisations (e.g. Thomson Reuters/Bank of America Merrill Lynch, <http://bit.ly/2I3SbZA>, Harvard Business School, <http://bit.ly/2ApQPQm>, and NN Investment Partners, <http://nnip.co/2j5okRd>) suggest a positive correlation between integrating ESG-factors and investment performance. In case an institutional investor gives sustainability factors priority over returns to beneficiaries or clients, this consideration should be subject to disclosure towards beneficiaries or clients.

13) Within the area of risk management, does the current set of corporate disclosures provide the relevant investment entities with adequate information to perform sustainability risk assessments in respect of investee companies?

- Yes
- No
- No opinion

Please explain where the possible gaps are, if any:

Eumedion participants are of the opinion that corporate reporting should be more focused on providing information on the strategy aimed at sustainable long-term value creation. Integrated reports in accordance with the IIRC framework give investors when making investment decisions better insight into the long term value creation model of the company, its competitive landscape, the accompanying risks, and integrates financial and non-financial information. Eumedion supports an EU requirement for listed companies to draft their management reports in accordance with the IIRC framework. In addition, Eumedion argues that companies should align their existing sustainability objectives, targets and executives' KPI framework with the Sustainable Development Goals, the underlying targets and indicators of the goals.

14) Do the overall information or risk metrics available enable the relevant investment entities to adequately perform sustainability risk assessments?

- Yes
- No
- No opinion

Please explain where the possible gaps are, if any:

The quality of available information, as well as data analysis to support institutional investors' risk assessment is insufficient. It is expected that companies will start providing additional non-financial information from book-year 2017 onwards as required by EU-legislation. As motivated under question 13, Eumedion is in favor of sustainability information being disclosed through an integrated report following the IIRC framework. Also, the Task Force on Climate-related Financial Disclosures installed by the Financial Stability Board developed a framework for voluntary climate-related financial risk disclosures can be used by companies in providing information to their stakeholders.

Regarding the effectiveness of credit rating agencies considering ESG factors, Eumedion is of the opinion that these agencies need the freedom to judge credit risks, and credit risks only. Credit rating agencies already regularly identify ESG factors in their reports and ratings, simply because these factors are judged to be relevant for credit risks. We welcome that several credit rating agencies expressed in the PRI statement on ESG in credit ratings that they recognise the needs of investors for greater clarity on how ESG factors are considered in credit analysis. And that those credit rating agencies affirmed their commitment to evaluate the

extent to which ESG factors are credit-relevant for different issuers. However, a requirement imposed by the European Commission or Member States prescribing that ESG factors should be part of the content of credit ratings or the methodologies used would be a step too far.

15) Do you think that uniform criteria to perform sustainability risk assessments should be developed at EU level?

- Yes
- No
- No opinion

Please explain:

It is the ultimate responsibility of institutional investors to perform a sustainability assessment based on their responsible investment strategy, in line with the objectives of ultimate beneficiaries and clients. Uniform mandatory criteria to perform sustainability risk assessments will restrict the investor's task to manage the entrusted funds to the best of its abilities.

16) In case material exposure to sustainability factors is identified, what are the most appropriate actions to be performed by the relevant investment entity?

When relevant or material sustainability risks at an investee company are identified, the institutional investor may share its concern with the company by writing a letter to explain the issue. The investor can also engage with the company by setting up a dialogue, possibly with other shareholders. Depending on the nature of the issue, the investor can choose to issue a public statement, take legal action or sell its shares.

In case a material sustainability factor presents itself as an opportunity, for example in the form of applicable energy efficiency measures or an innovation improving the circularity of a product line, the institutional investor may urge the investee company to take advantage of the opportunity.

17) Should relevant investment entities disclose how they consider sustainability factors within their investment decision-making?

- Yes
- No
- No opinion

Please explain:

It is very important to actively communicate how sustainability factors are integrated in investment decision-making, for example by disclosing a responsible investment policy and an annual review of that policy. By doing so, the institutional investor is transparent towards the ultimate beneficiaries and clients on the strategic priorities and performance regarding sustainability, but also towards financial supervision authorities and other relevant stakeholders. Openness on how sustainability factors are considered in investment decision-making is relevant information for (potential) investee companies. Transparency on how sustainability factors are considered in investment decision-making is part of the revised Shareholder Rights Directive, which asks institutional investors to disclose an engagement policy including how non-financial performance of investee companies is monitored.

If yes, what areas should the disclosure cover? Please make a choice and indicate the relevance of disclosure within the different areas (1 is minor relevance and 5 is high relevance):

	Yes	No	No opinion
Governance	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Investment strategy	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Asset allocation	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Risk management	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

Relevance for governance:

- 1
- 2
- 3
- 4
- 5

Relevance for investment strategy:

- 1
- 2
- 3
- 4
- 5

Relevance for asset allocation:

- 1
- 2
- 3
- 4
- 5

Relevance for risk management:

- 1
- 2
- 3
- 4
- 5

If yes, where?

	Yes	No	No opinion

Pre-contractual disclosure (e.g. prospectuses)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Semi-annual/annual reports	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Periodic reports	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Website	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Newsletters	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Factsheets	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Marketing materials	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Others	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

IV. Impacts for stakeholders

18) Which stakeholder groups would incur costs and which would benefit from integrating sustainability factors within investment decision-making by relevant investment entities?

	Benefits	Costs
Occupational pension providers	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Personal pension providers	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Life insurance providers	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Non-life insurance providers	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Collective investment funds (UCITS, AIF, EuVECA, EuSEF, ELTIF)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Individual portfolio managers	<input checked="" type="checkbox"/>	<input type="checkbox"/>
General public	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Retail investors	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Financial advisors	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Service providers (index provider, research providers...)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Other stakeholders (please specify)	<input type="checkbox"/>	<input type="checkbox"/>

Please explain:

The costs and benefits from integrating sustainability factors within investment decision-making depend on the design of the investors' sustainable investment policy. Costs may include resources, research, fees to service providers as well as reporting requirements. Ultimately, a sustainability policy, executed by either governments, companies or institutional investors, should be designed to pursue financial, economic, social

and environmental benefits for the ultimate beneficiaries and clients, and for society at large. We are aware of the fact that in the short run, executing a sustainability policy may be accompanied by additional costs, but in the long run these costs will be compensated by less risks and a positive financial and sustainable impact.

2.2 Questions addressed to end-investors

1) Do you take into account sustainability factors when you choose your investment products or investment entity?

- Yes
- No

3. 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:

Useful links

[More on the Transparency register \(http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en\)](http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)

[Consultation details \(https://ec.europa.eu/info/consultations/finance-2017-investors-duties-sustainability_en\)](https://ec.europa.eu/info/consultations/finance-2017-investors-duties-sustainability_en)

[Specific privacy statement \(https://ec.europa.eu/info/files/specific-privacy-statement-institutional-investors-and-asset-managers-duties-regarding-sustainability_en\)](https://ec.europa.eu/info/files/specific-privacy-statement-institutional-investors-and-asset-managers-duties-regarding-sustainability_en)

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