

# Questionnaire by the High Level Expert Group on sustainable finance interim report

## Introduction

### About this questionnaire

The [High Level Expert Group on Sustainable Finance](#) was set up in early January 2017 to help develop an overarching, comprehensive EU strategy on Sustainable Finance by giving operational, practical, and concrete recommendations.

The questionnaire below has been prepared by and under the responsibility of the High-Level Group in relation to the [interim report, published in mid-July 2017](#) and presented at a stakeholder event on 18 July 2017. It is aimed at gathering targeted feedback on the analysis and reflections in the interim report of the High-Level Expert Group and informing the preparation of the final report.

The responses you provide will be made public (if you agree so below) and will serve as information to the expert group. In addition, an aggregated and anonymised feedback statement will be published along with the final report as a further contribution to the wider policy debate on Sustainable Finance in the European Union.

The questionnaire is not a Commission consultation. All the questions as well as evaluation of the responses are under the responsibility of the expert group. Responses will be transmitted to the High-Level Expert Group for their consideration. The Commission is providing the survey tool to gather responses. Responses will be handled in accordance subject to standard Commission protocols on data privacy (see privacy statement on this web-page).

## 1. Information about you

*Are you replying as:
an organisation or a company
*Name of your organisation:
The World Federation of Exchanges
Contact email address:
<a href="mailto:sclarey@world-exchanges.org">sclarey@world-exchanges.org</a>
*Is your organisation included in the Transparency Register?
Yes
*If so, please indicate your Register ID number:
*Type of organisation:
Industry Association
*Where are you based and/or where do you carry out your activity?
United Kingdom
*Field of activity or sector (if applicable):
Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)

## 2. Your opinion

### Question 1

From your constituency's point of view, what is the most important issue that needs to be addressed to move towards sustainable finance? (sustainable finance being understood as improving the contribution of finance to long-term sustainable and inclusive growth, as well as strengthening financial stability by considering material environmental, social and governance factors)

We believe the availability of high quality, comparable ESG data and information is crucial. We therefore suggest the recommendation in the report relating to ESG disclosure (Recommendation 4) could be enhanced. Based on our members' engagement with issuers around the world, our sense is that some of the barriers to better quality ESG disclosure are a lack of clarity about what information is required and possible disclosure fatigue amongst issuers, with issuers being asked repeatedly for the same or slightly different information by different sets of stakeholders.

While we acknowledge there is more work to be done in encouraging issuers to disclose relevant ESG information, we suggest there should be greater clarity:

- about what information issuers should disclose;
- whether there is a preferred framework for such disclosure;
- whether there are key indicators which companies are required to report (these may vary by sector or industry); and
- the preferred calculation methodology for relevant metrics.

We would encourage the EU to work with other international and national regulatory bodies to achieve greater standardisation of reporting frameworks across jurisdictions. This will further enhance the comparability of reported information and reduce the reporting burden for issuers who operate in multiple jurisdictions.

Finally, we believe there is value in the creation of a central repository for this information to enhance its broad availability.

### Develop a classification system for sustainable assets and financial products

### Question 2

What do you think such an EU taxonomy for sustainable assets and financial products should include?

We agree that examples such as the Green Bond Principles are a good reference point for the creation of a taxonomy. When thinking about the creation of a taxonomy we would reiterate:

- the importance of the availability of relevant, high-quality, comparable data to enable the creation of such a taxonomy; and
- the need to align with international or other national frameworks, where possible.

We would suggest that where possible, the EU should avoid the creation of new, parallel taxonomies, but rather seek to enhance and streamline existing frameworks.

Finally, we note the stated preference for a taxonomy to capture all "acceptable definitions of sustainability". We agree it makes sense to cater for a range of investor, bank and company preferences but suggest that it may be desirable to provide an over-arching explanation of what constitutes an "acceptable definition of sustainability" and why.

<b>Establish a European standard and label for green bonds and other sustainable assets</b>
<b>Question 3</b>
<p>What considerations should the EU keep in mind when establishing a European standard and label for green bonds and other sustainable assets? How can the EU ensure high-quality standards and labels that avoid misuse/green-washing?</p>
<p>We suggest that achieving agreement on what constitutes green and/or sustainable assets is a necessary starting point (a definition and a clear taxonomy is therefore important) for establishing a European standard. We further suggest that ensuring the availability of high quality, consistent and comparable data is a prerequisite for the creation of meaningful sustainability standards and labels. Finally, setting clear expectations around the use of labels including, for example, requiring regular reporting against compliance with the standards and an independent external review, can help to reduce the likelihood of greenwashing.</p> <p>Stock exchanges have extensive experience in creating frameworks and standards and would be in a position to contribute positively to any future work in this area.</p>
<b>Other</b>
<b>Question 12</b>
<p>Do you have any comments on the policy recommendations or policy areas mentioned in the Interim Report but not mentioned in this survey?</p>
<p>WFE member exchanges support high-quality, comparable, consistent, investor-relevant disclosure by listed issuers. We therefore agree there are many instances in which imposing a greater disclosure burden on public issuers is appropriate and justified, including requiring issuers to disclose material ESG risks (i.e. those that may impact on the ability of the firm to generate returns in the long-run). We would however caution against imposing non-market-related disclosure obligations on listed issuers alone. Imposing disproportionate disclosure obligations on listed issuers may reduce the use of public markets and diminish the ability of markets to perform a vital financing function.</p> <p>Some EU-based WFE members also suggested that in addition to the elements mentioned in the report, exchanges can also assist in encouraging greater and higher quality, ESG disclosure, in the development of a taxonomy for sustainable assets and financial products, and in the development or adjustment of existing ESG indices, if necessary, to enable the use of these for benchmarking purposes. Exchanges can also assist in developing new tools to encourage sustainable financial flows. Where the final recommendations require further work in these areas (e.g. the development of standards) we suggest that exchanges are included in steering groups or other bodies established to advance this work.</p>
<b>Question 13</b>
<p>In your view, is there any other area that the expert group should cover in their work?</p>
<p>Following from our previous observation about disclosure obligations for listed issuers and the need to ensure we do not discourage use of public markets, it may be an appropriate moment to review reporting requirements more broadly to assess whether there is an opportunity to streamline the information that listed issuers are required to report, rather than simply adding to existing disclosure requirements.</p> <p>While perhaps beyond the scope of the HLEG, we also believe that greater appreciation and awareness of ESG issues, and how and why these matter for firm performance, portfolio performance, credit risk etc. is central to achieving the EU objective of a more sustainable economy. Requiring firms to disclose ESG</p>

information, being explicit about what information is required and how it must be provided, will increase the quantity and possibly the quality of ESG information that is available. We suggest, however, that without broader societal understanding and appreciation of ESG-related risks and opportunities, and effective training of firm managers, board members, analysts, auditors, supervisory authorities etc, we will not see change on the scale that is desired. We do not suggest that other actions should be halted until the education has occurred, but that this should start to occur in parallel.

Finally, we propose that the final report, where possible, include concrete recommendations with clear assignment of responsibility, to enhance the likelihood of implementation.