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EU Ecolabel for Financial Products: 1st Stakeholder Questionnaire on the product scope and criteria definition

Background to the questionnaire

This questionnaire is designed to inform the development of EU Ecolabel criteria for financial products addressed to retail investors. The EU Ecolabel criteria will define the minimum environmental performance of this product group and will be based on the requirements of the EU Ecolabel Regulation 66/2010 with the objective of awarding the label to financial products with the best environmental performance. It is also possible within the frame of the Regulation to include social criteria within the EU Ecolabel.

The development of EU Ecolabel criteria for financial products is based on the European Commission's recently adopted Sustainable Finance Action Plan. The EU Ecolabel criteria for financial products are expected to contribute to the attainment of the Action Plan by encouraging investments in sustainable economic activities. The objectives of this questionnaire are to:

- Obtain your views on what should be considered within the scope of the new EU Ecolabel criteria for financial products;
- Learn from your experience with the existing labelling schemes for financial products; and
- Evaluate what you consider as priorities for the development of EU Ecolabel criteria for financial products.

The findings from this questionnaire will be used by the European Commission's Joint Research Centre (JRC) as part of its initial background research to inform the development of first draft proposals for the scope, investment strategies and economic activities, to be complemented by findings relating to the market for these products and related user behaviour. These proposals and findings are an intermediate step in the EU Ecolabel criteria development process and will form the basis for the 1st stakeholder meeting in April 2019. Following this meeting the JRC will work towards the development of detailed criteria proposal which will then be presented and discussed at the 2nd stakeholder meeting, which is anticipated for autumn 2019.

In order to follow the criteria development process, stakeholders must register as formal consultees. You may do this by going to the following page on the project website:

http://susproc.jrc.ec.europa.eu/Financial_products/index.html

Completing the questionnaire

Within this questionnaire several areas related to the financial products are addressed - product scope definition, the definition of green portfolios, types of green portfolio strategies, assessment and verification.

We recommend that you first complete the 'company or organisation details' section and then read through the whole questionnaire before filling it in. You will need to set aside up to 40 minutes to complete it. You may save versions of the questionnaire as you complete it.

Once you have started completing the questionnaire you can save and return to your response at any time

before formally submitting it. If you save your draft response, EU Survey will provide you with a unique web address that you will need to go back to it. This will be your unique link to your draft response, so please keep it safe.

The closing date for completion of the questionnaire is **midnight CET on Friday 25th January 2019**.

All responses will be treated confidentially and will only be used as background information to this study. All reference to results from the questionnaire in the study will be anonymised.

Should you have any technical queries relating to your use of EU Survey please email the JRC at JRC-B5-FINANCIAL-PRODUCTS@ec.europa.eu.

Please feel free to forward this questionnaire to any person or organisation that may be interested in participating in the development of the EU Ecolabel criteria set.

1. Company or Organisation Details

Respondent details (personal data will be treated as confidential) and experience with environmental criteria.

Fields marked with are mandatory*

Q1.1 Name (as submitted in the registration)*

Jess Foulds

Q1.2 Email address*

jess.foulds@theia.org

Q1.3 Name of your organization*

The Investment Association

Q1.4 Which of the following options best represents the type of organization you represent (please select only one)*?

- Public financial Institutions e.g. Public Banks
- Non-governmental organization (NGO)
- Private financial entity
- Trade associations and professional bodies
- Policy maker at a Member State level or representing the European Union
- Market surveillance authority
- Environmental labelling scheme
- Consultant and/or research institution
- Other (please describe below)

If you chose other, please provide an explanation below

Q1.5 Where are you based and/or where you carry out your activity?

United Kingdom

Q1.6 Are you already registered as a stakeholder to follow the criteria development process of the EU Ecolabel for financial products?

- Yes
 No

If you answered no, you can register at any time to take part in the process by going to the JRC website here (http://susproc.jrc.ec.europa.eu/Financial_products/index.html).

2. Familiarity and experience with existing labelling schemes and initiatives

This section is intended to gain some insights into the respondents' familiarity with sustainability labelling initiatives for financial products.

Q2.1 Is your organisation currently involved in, or has it been involved in, any green/ sustainability labelling schemes for financial products or instruments?

- Yes
 No

If yes, please indicate in what capacity

- Verifier
 Label scheme owner
 Product manufacturer/retailer
 Asset/investment portfolio manager
 Distributor
 Investor
 Other (please describe below)

If you chose other, please specify below

As a trade association, we have just launched a consultation with our members on a possible product label for the retail market. We have presented a number of key parameters for consultation, including target audience and status (mandatory versus voluntary). We are yet to explore the results of this consultation but thought it might be helpful to share with you that we are undertaking this initiative.

Q2.2. If you responded yes to 2.1 please indicate which type(s) of labelling schemes

Multiple answers are possible

- National
- Private e.g. CBI
- Financial Sector schemes e.g. Rabobank, Tridos etc
- Multilateral schemes (e.g., EIB, IFC, WB, GCF – EBRD)
- Other (please describe below)

If you chose other, please specify below

In the next questions we are specifically interested in to what extent retail financial products are covered by existing labelling schemes and initiatives.

Q2.3 If you responded yes to 2.1 or 2.2, please state what kind of retail financial products are covered within the scope*

Multiple answers are possible

- Investment Funds
- Life insurance policies with an investment element
- Structured Products
- Structured Deposits
- Bonds
- Pension products
- Savings schemes/accounts
- Other (please specify below)

If you chose other, please specify below

Please indicate, if appropriate, whether financial products addressed to professional investors are also covered within the scope.

Q2.4 Does your organisation manufacture or distribute any financial products having a green certification or label?

- Yes
- No
- Not applicable

If yes, please list the products covered*

Q2.5 If you responded yes to 2.4, was/is your choice of scheme/labelling initiative based on any of the options below?

Multiple answers are possible*

- Cost
- Product portfolio

- Investors' demand
- Suitable ambition level
- Ease of verification
- Compatibility with internal systems
- Other (please specify below)

If you chose other, please specify below

Q2.6 Can you provide information about any best practices used by existing Ecolabelling schemes to raise awareness and inform retail investors about products with Eco-labels?

If yes, please provide more information and examples.

In the course of 2018, the Investment Association (IA) conducted an evaluation of existing labelling systems. From our observations, there appears to be little consistency between existing labels and little clarity around exactly what these labels are trying to draw attention to.

For any future label to be effective, we would recommend the following:

- Clarity of purpose - it needs to be very clear what this label is trying to achieve. Any label needs to have a very clear objective as to what it seeks to bring to investors' attention.
- Clarity of target audience - There should be no doubt around who the label is intended to serve. We would recommend a label focused on the retail market as this is least well served by information on sustainable investments as it currently stands. An effective ecolabel should be of use to the end investor.
- Clarity around whether the label is intended to draw attention to a particular investment process or particular investment outcomes - Similar to the clarity of purpose, it is essential that a label is clear whether it is flagging a sustainable investment approach which looks at investment process or whether it is intended to flag an investment outcome designed to support particular sustainability objectives (i.e. focused on investment outcome).
- More specifically, an Ecolabel - by name - would suggest a label to highlight "green" financial products. It is important that this purpose is made clear and explicit and it is not conflated with a more general sustainable label if that is not the intention. In this context, we would also ask that the Commission provide more clarity around how the EU Ecolabel is intended to interact with the EU Taxonomy that is currently being developed.
- Finally, as you know, there are many competing labelling systems in existence. This can provide a confusing picture for retail consumers looking to compare similar products. We would therefore stress the importance of global consistency and comparability when producing a label.

3. Product Group Definitions and Scope of Financial Products Information

The scope of this product group is proposed by the Commission to initially encompass the financial products covered by the PRIIPs ('packaged retail and insurance-based investment products') Regulation (EU) No 1286/2014 and other financial products addressed to retail investors, which can be considered as services for distribution or use.

Financial products classified as PRIIPs according to the regulation include, investment products such as investment funds, life insurance policies with an investment element, structured products and structured deposits. In addition to these, any other retail financial product or financial instruments that satisfy the definition provided by the regulation are also within its scope.

In order to maintain a level playing field among different financial products on the market, this scope may be broadened to other retail financial products. While the final scope of the EU Ecolabel criteria can be broad, it still needs to be explored which retail financial products will figure in the first product group(s) for which the labelling criteria will be developed. Other products could then be considered for later addition once the criteria have been adopted.

In this section we welcome your views on what would be an appropriate scope for the first product group for the EU Ecolabel criteria.

Initial proposed scope of financial products

The EU Ecolabel criteria are aimed to correspond to the "best 10-20% of financial products available on the Community market" within a certain product group and a preliminary market analysis has identified investment funds, in particular listed funds classified as Undertakings for the Collective Investment of Transferable Securities (UCITS), as potentially the first set of financial products that should be covered by the EU Ecolabel criteria.

Q3.1 Based on your understanding of the current state of the financial market would you agree that UCITS should be included in the first product group(s)?

- Yes
- No
- No opinion

Q3.2 More broadly, which retail financial products should be included in the EU Ecolabel first?

- Investment funds addressed to retail clients
- Life insurance policies with an investment element
- Structured Products
- Structured Deposits
- Bonds
- Pension products
- Savings schemes/accounts
- Others (please specify)

If you chose other, please specify below

We would suggest starting with investment funds addressed to retail clients and with pension products. However, any financial products targeted at retail could be seen to benefit from a label.

Involving a wide range of products should serve to avoid favouring one kind of retail product over another and should help to keep a level playing field.

Q3.3 Other than market share, what factors should be taken into account in defining the initial scope of products?

- Interchangeability or competition between financial products
- Potential for the product to deliver environmental benefits
- Level of engagement of consumer
- Objective to mainstream sustainable finance
- Other (please specify)

If you chose other, please specify below

An Ecolabel should help to demonstrate the potential for a product to deliver environmental benefits, specifically to consumers (the retail investor), and facilitate greater comparability and competition between similar products.

It can also be important to consider the availability of data for certain products for the basis upon which to establish a feasible label.

The Ecolabel needs to be sufficiently flexible to allow mainstream products to fulfil its criteria.

4. Strategies and Green Definitions

An EU Ecolabel focusing on requirements relating to environmental issues, but also taking into account social and governance issues, could ensure that issuers consider these factors in a uniform manner in their investment decision process and minimise the risks of greenwashing for clients. In order to achieve this a range of different strategies and definitions can be adopted.

In this section, we would like to gather your views on the types of strategies and definitions of green portfolios that could be reflected in the EU Ecolabel criteria.

Initial evidence suggests that fund managers adopt a range of strategies in order to make their portfolio more attractive to customers seeking green or sustainable products.

Fund managers may take a positive approach to the identification of green sectors or economic activities, possibly with reference to screening criteria or a taxonomy.

Available information indicates that an increasing proportion of assets are currently managed using Environmental Social and Governance (ESG) strategies. ESG strategies include but are not limited to community investing, sustainability-themed investing, corporate engagement, and exclusionary screening. This is also reflected in the criteria of existing schemes and labels.

Investment strategies

Initial evidence suggests that fund managers adopt a range of strategies in order to make their portfolio more attractive to customers seeking green or sustainable products.

Fund managers may take a positive approach to the identification of green sectors or economic activities, possibly with reference to screening criteria or a taxonomy.

Available information indicates that an increasing proportion of assets are currently managed using Environmental Social and Governance (ESG) strategies. These introduce additional ethical considerations into investment decisions, including the social impact of investments and the principles on which an organisation is operated and governed.

ESG strategies include but are not limited to community investing, sustainability-themed investing, corporate engagement, and exclusionary screening. This is also reflected in the criteria of existing schemes and labels.

Q4.1 What type(s) of strategies should be reflected in the EU Ecolabel criteria?

| | Not at all | Limited extent | Moderate extent | Great extent | Very great extent | Not relevant |
|---|----------------------------------|-----------------------|-----------------------|-----------------------|----------------------------------|-----------------------|
| Exclusionary (negative) screening | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| Norms based screening | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Best in class (positive) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| Thematic approaches (e.g., climate change mitigation, circular economy, social services, improving sustainability, etc) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| ESG integration | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Corporate engagement | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Impact investing | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| Other (please specify) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

If you chose other, please specify below

We wholeheartedly agree that there are many different investment strategies that can correspond to "green" or "environmentally sustainable" financial products.

Ultimately, whichever environmentally sustainable investment approach is being taken, this should be clearly articulated in the product's investment policy.

With respect to "ESG integration", any relevant, financially material ESG factors should be taken into account as a minimum and therefore ESG integration should not qualify as an investment approach that could fulfil the Ecolabel in and of itself.

Corporate engagement is also not a standalone strategy/approach which should qualify for the ecolabel.

Q4.2 To what extent do you consider that the EU Ecolabel should have criteria that address social issues?

- A wide –range of social criteria should be included so that there is a proper balance between environmental and social sustainability in line with best market practice of integrating ESG and with the Paris agreement on a just transition
- Only key social factors should be included to ensure that social objectives are not jeopardised while the focus should be on environmental issues
- Social issues should not be addressed at this stage in this first set of criteria development. They could be considered later on.
- Social issues should not be addressed in the Ecolabel because environmental issues are the most important to address
- Other (please specify)

Please add any additional comments to support your view

The Ecolabel should be designed to draw consumers' attention to financial products with particular environmentally sustainable objectives. Its scope should not be widened to explicitly focus on providing solutions to specific social issues.

Key social factors should be considered in the context of having minimum safeguards to avoid harm

Q4.3 In relation to Question 4.2, which of the following social aspects do you consider relevant for the EU Ecolabel for financial products?

- Human rights
- Labour rights
- Gender equality and diversity
- Respect for the rights of communities
- Non-Discrimination Policy
- CEO -pay ratio
- Human capital management and skills development
- Health and safety
- Other (please specify)

If you chose other, please specify below

As above, we would not recommend broadening the scope of the Ecolabel to target social issues.

We would also not recommend having a prescriptive list which limits the social factors that might be considered in the context of avoiding harm.

Our initial research suggests that a number of existing labelling schemes and initiatives incorporate criteria on corporate ethics and governance.

Q4.4 To what extent do you consider that the EU Ecolabel should have criteria that address how ethical are corporate activities and governance structures?

- A wide –range of governance issues should be included so that there is a proper balance between environmental and social sustainability in line with best market practice of integrating ESG and with the Paris agreement on a just transition

- Only key governance issues/factors should be included to ensure that governance objectives are not jeopardised while the focus should be on environmental issues
- Governance issues should not be addressed at this stage in this first set of criteria development. They could be considered later on.
- Governance issues should not be addressed in the Ecolabel because environmental issues are the most important to address
- Other (please specify)

Please add any additional comments to support your view

The Ecolabel should be designed to draw consumers' attention to financial products with particular environmentally sustainable objectives. Its scope should not be widened to explicitly focus on providing solutions to specific wider governance issues.

Key governance factors should be considered in the context of having minimum safeguards to avoid harm.

Q4.5 In relation to Question 4.4, which of the following governance aspects do you consider should be relevant for the EU Ecolabel for financial products?

- Transparency
- Anti-corruption
- Board diversity
- Board –separation of powers
- Sustainability report
- Management quality
- CEO - pay
- Director-employee pay ratio
- Dialogue with stakeholders
- Risk management including due diligence
- Task evasion
- Others (please specify)

If you chose other, please specify below

As above, we would not recommend broadening the scope of the Ecolabel to target specific governance issues.

We would also not recommend having a prescriptive list which limits the governance factors that might be considered in the context of avoiding harm.

Criteria points systems

To be deemed "compliant" for the award of the EU Ecolabel for this product group, financial products could be required to attain a certain minimum number of points based on different aspects of the investment strategy (e.g., social, environmental, governance) of a product to be awarded the label.

Various assessment systems exist. Some labels evaluate conformity of products using a pass or fail criteria linked to a specific issue. If the product does not meet the criteria, it fails. If it does, it passes. A point system is used to evaluate compliance and may incorporate totals / percentages / averages or other types

of calculations. Existing EU Ecolabel criteria for services adopt a number of mandatory criteria and a portion of optional criteria out of which a minimum number of points need to be obtained to qualify.

Q4.6 Given the range of possible investments in a portfolio and the different combinations of criteria, it might be beneficial to examine a point system for the Ecolabel. To what extent would this be appropriate for this product group?

- Not sure
- Not appropriate
- Moderately appropriate
- Highly appropriate

Q4.7 If there were to be a points system, what weighting would you attribute to each of the following possible components that contribute to the total score for a financial product?

| | Not sure | Low weight | Moderate weight | High weight |
|--|-----------------------|----------------------------------|----------------------------------|----------------------------------|
| Green activities | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> |
| Excluded activities | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| Social screening criteria | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Governance screening criteria | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Reporting and third party verification | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| Others (please specify) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

If you chose other, please specify below

We would support a points system if it meant that various "shades of green" could be reflected in the Ecolabel.

This would avoid a binary approach to the Ecolabel i.e. green or not, and also help to retain the flexibility to cater to different investors' objectives.

Q4.8 What would you see as mandatory or minimum requirements within such a point system?

To ensure credibility, financial products that are awarded the ecolabel should have underlying investments that are responsibly managed businesses

5. Sustainable Investment and Economic Activities

An EU-wide classification system (Taxonomy) is being developed, which will provide businesses and investors with a common language to identify in a first step economic activities that can be considered environmentally sustainable. In later steps it is planned to address social and ethical aspects.

The first delegated act under the Taxonomy will focus on climate change mitigation and adaptation activities and some environmental activities. It will define technical screening criteria relating to making a 'substantial contribution' to mitigation or adaptation and containing requirements that activities should 'do no significant harm' to other environmental objectives, i.e:

- sustainable use and protection of water and marine resources

transition to a circular economy, waste prevention and recycling pollution prevention and control protection of healthy ecosystems

The taxonomy will facilitate the assessment of whether investments are green on the basis of their contribution to environmental objectives, but it will not attempt to define the degree of 'greenness'. In addition, the taxonomy will only define 'green' economic activities, not 'brown' ones.

Exclusions

An exclusion requirement implies that the Ecolabel could not be granted to financial products that are linked to certain economic activities. Such activities could be excluded based on their 'brown' nature (e.g., fossil fuel exploration) or owing to other considerations related to social and governance aspects.

A non-exhaustive review of the existing labelling schemes and initiatives in Europe indicates common environmental exclusions based on specific economic activities.

We would like your views on whether the EU Ecolabel should have exclusions.

Q5.1 Should the EU Ecolabel have exclusions for specific activities on the basis of their environmental impact?

- Yes
 No

If yes, which ones below would be relevant?

- Nuclear energy
 Genetic engineering
 Fossil fuel energy generation
 Coal mining
 Petroleum extraction
 Natural gas or shale gas extraction
 Deforestation
 Others (please specify)

If you chose other, please specify below

Including definitive exclusions in a product label is problematic as different investors can have different preferences and/or views as to what is deemed to be harmful to the environment. If environmental exclusions are to be a feature of the label, more detailed consultation with stakeholders will be necessary in the future to decide on their nature.

If no, please provide an explanation.

Q5.2 Should the EU Ecolabel have exclusions for specific activities on the basis of their social and ethical impact?

- Yes
 No

If yes, which ones below would be relevant

- Tobacco
 Pornography
 Human rights violation
 Labour rights violation
 Corruption
 Poor corporate management, insufficient long-term risk management
 Poor Human capital development
 Others (please specify)

If you chose other, please specify below

If no, please provide an explanation.

This being an Ecolabel, the focus of any specific exclusions should be to do with the environment/ecological considerations. Any exclusions on the basis of their social impact would take away from the clarity of such a label.

However, there are certain activities that constitute legal and normative international standards that should not be breached under any circumstance – and which would be applicable to any investment i.e. human rights violation, labour rights violation and corruption. These are not “exclusions” per se but it is important they would be respected.

The reviewed labelling schemes possess varying degrees of “strictness”, e.g., the Taxonomy of the Climate Bonds Initiative (CBI) has sector-specific exclusions but the French TEEC lists strict and partial exclusions (for suppliers to the excluded sectors).

These exclusions could be total, in which case the products that could be awarded the EU Ecolabel would be those that have no investments in companies that are active in specific economic sectors. Alternatively, they could be partial, which would allow a portfolio to have a comparatively small investment share in companies (partially) active in specific economic sectors.

Note for partial exclusions, the threshold could be at the level of the company ('no investment in companies that have more than x% of their activities in excluded sector y') or at the level of the portfolio ('investment in excluded sector y cannot exceed z% of portfolio'), or a combination of both.

Q5.3 If exclusions are included in the EU Ecolabel, should they be total or partial?

Partial, please provide reasons

Any exclusions that do form part of the financial product should be allowed to be partial. This would recognize companies transitioning their business models to a lower carbon world.

Total, please provide reasons

No opinion, please provide reasons

Q5.4 If partial exclusions were to apply, could you provide examples of to which activities they should apply and how they could be applied, including thresholds.

Portfolio Thresholds for Greenness

A review of existing schemes and labels indicates that they tend to work at three main levels - portfolio, company and economic activity. However, other levels may be necessary.

Your views on the important levels to focus on within the scope of the EU Ecolabel are sought.

Q5.5 At what level do you consider the EU Ecolabel will need to work in order to verify the product's greenness?

Multiple selections are allowed. For each selection you consider to be needed please also complete Q5.6.

| | Not at all | Limited extent | Moderate extent | Great extent | Very great extent | Not relevant |
|--|-----------------------|-----------------------|-----------------------|----------------------------------|----------------------------------|----------------------------------|
| Portfolio (e.g., investment funds) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| Asset class (e.g., equities, bonds, securities) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> |
| Company (x% turnover or revenue in green activities) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| Activity and use of proceeds (e.g., renewable generators, green buildings) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Other (please specify) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

If you chose other, please specify below

Thresholds define the rules on minimum allocation for investment portfolios, ultimately based on the green share of the turnover of the companies issuing shares or bonds and/or the green share of the proceeds of bonds issued.

Q5.6.1 Based on your selection of 'portfolio' in Q5.5, what minimum percentage should be invested in green activities for product to qualify for the EU Ecolabel?

- at least 25%

- at least 50%
- at least 70%
- other (please specify)
- Not sure

If you chose other, please specify below

It's crucial that any approach taken encourages a vibrant and competitive market, where firms have the flexibility to continue to develop innovative solutions, whilst also facilitating comparability and reliability of products to the retail investor.

Key considerations include:

- extent to which any approach would facilitate comparability and reliability of product
- extent to which any approach could discourage green investment if not set at a realistic level

Q5.6.3 Based on your selection of 'company' in Q5.5, what minimum percentage should be invested in green activities for product to qualify for the EU Ecolabel?

- at least 25%
- at least 50%
- at least 70%
- other (please specify)
- Not sure

If you chose other, please specify below

Q5.6.4 Based on your selection of 'activity' in Q5.5, what minimum percentage should be invested in green activities for product to qualify for the EU Ecolabel?

- at least 25%
- at least 50%
- at least 70%
- other (please specify)
- Not sure

If you chose other, please specify below

Q5.7 Please explain the reason for any of your selection in Q5.6 or provide your own proposal with a justification

Q5.8 Would you suggest any other methodology for defining the minimum portfolio allocation?

Q5.9 Focussing on specific asset classes, please describe technical criteria that could apply to the following:

a) Transferable securities

Shares

Bonds

b) Financial derivative instruments

c) Money market instruments

d) Real Estate

e) Others (please specify)

When assessing the 'greenness' of shares, a threshold should be identified based on the 'greenness' of the underlying business that has issued them. To be eligible for the EU Ecolabel, issuer companies may be asked to generate a minimum proportion of their revenue from green activities.

Q5.10 When assessing the greenness of a portfolio, how should the 'greenness' of the various companies be weighted?

- Minimum threshold applying to the (weighted) average of companies' green turnover share
- Minimum share of green turnover (or revenue) required for each of the companies
- Others

If you chose other, please specify below

When assessing the 'greenness' of bonds, be eligible for the EU Ecolabel issuer companies may be asked to ensure that a minimum proportion of the proceeds of the bonds are invested in green activities.

Q5.11 To what extent should the greenness of the issuer of the bonds be taken into account?

- Not at all
- Limited extent
- Moderate extent
- Great extent
- Very great extent
- Not sure

6. Assessment and Verification Methods

This section aims to gather information on current assessment evaluation and verification practices employed for assessing the compliance of financial products with the requirements of green/sustainability labels, schemes, rating systems etc.

In this section we are interested in your views on how the verification could work and where you see the main challenges.

Portfolio verification

Given that portfolios may have investments in a number of different types of financial assets this could have implications for the assessment and verification processes. We would welcome your views on this.

Q6.1 To what extent would the following financial products require their own specific form of verification?

| | Generic verification | Very specific form of verification |
|--|-----------------------|------------------------------------|
| Investment funds addressed to retail clients | <input type="radio"/> | <input type="radio"/> |
| Life insurance policies with an investment element | <input type="radio"/> | <input type="radio"/> |
| Structured Products | <input type="radio"/> | <input type="radio"/> |
| Structured Deposits | <input type="radio"/> | <input type="radio"/> |
| Bonds | <input type="radio"/> | <input type="radio"/> |
| Pension products | <input type="radio"/> | <input type="radio"/> |
| Savings schemes/accounts | <input type="radio"/> | <input type="radio"/> |
| Others (please specify) | <input type="radio"/> | <input type="radio"/> |

If you chose other, please specify below

Please elaborate further with examples

Q6.2 To what extent would the following asset classes require their own specific form of verification?

| | Generic verification | Very specific form of verification |
|-----------------------|-----------------------|------------------------------------|
| Shares | <input type="radio"/> | <input type="radio"/> |
| Bonds | <input type="radio"/> | <input type="radio"/> |
| Financial derivatives | <input type="radio"/> | <input type="radio"/> |

| | | |
|--------------------------|-----------------------|-----------------------|
| Money market instruments | <input type="radio"/> | <input type="radio"/> |
| Real estate | <input type="radio"/> | <input type="radio"/> |
| Others | <input type="radio"/> | <input type="radio"/> |

If you chose other, please specify below

Please elaborate further with examples

Managing the verification

A key consideration for the EU Ecolabel is the cost and complexity of assessment and verification for applicants. We would welcome your initial views and examples of how this can be streamlined and minimised effectively.

Q6.3 How can the cost and complexity of assessment and verification be minimised?

Please provide working examples where possible.

- Can be minimized by grandfathering preexisting labels that on average cost 2 000 euro per label annually
- Don't duplicate assessment and costs for asset manager when good systems already exist
- Require minimum levels of transparency and disclosure (providing information on investment process) to promote investor choice depending on their specific environmental views/objectives.
- Having a centralized system for objective issuer environmental metrics (investment outcomes) so all funds can be viewed and compared on the same set of metrics

There already exists a substantial expertise in the verification of the greenness of financial products. This expertise could be employed to reduce the burden on national Competent Bodies.

Q6.4 To what extent, and under what conditions, should private verifiers be permitted to assess compliance with the EU Ecolabel criteria?

- Not at all
- Limited extent
- Moderate extent
- Great extent
- Very great extent
- Not sure

Please elaborate further on your opinion

Q6.5 Please make any other suggestions or recommendations for the assessment and verification.

Standards or principles for the label should be set by a single central authority.

In addition, we expect that private auditors would in practice verify how a firm has applied the label. Given this, any label would have to bring sufficient advantage to end investors to justify the additional cost of verification by private third party.

Contact

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