

Consultation on the Renewed Sustainable Finance Strategy – EFAMA¹ hopes for a more holistic and consistent approach

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“We agree that the current COVID-19 crisis underlines the need to strengthen the sustainability and resilience of our societies. For that, the sustainable finance strategy needs to carefully consider the impact the pandemic crisis has on our society and economies and the financing needs it will create. We need a balanced transition that allows appropriate distribution of resources across the different sectors. We cannot afford leaving behind part of the economy or of society” said EFAMA’s Director General Tanguy van de Werve.

As the voice of the European investment management industry, we welcome the launch of such a comprehensive consultation, on a topic that remains rightly very high on the EU agenda.

Our initial reactions are as follows:

- Thanks to the 2018 Sustainable Finance Action Plan, we already have in place a framework to integrate sustainability. As many legislative proposals were developed in parallel, some inconsistencies and gaps have emerged. The renewed strategy needs to put the different pieces of the puzzle together and make the new rules work in practice, in a well sequenced, consistent and coordinated manner.
- While it is crucial to focus on the environment, most corporates are now in survival mode and will most likely be for quite a while. Looking at the current situation globally, it may prove necessary to increase the focus on the “S” factor, in particularly human capital and societal imbalances. The virus outbreak has exposed the flaws in our societal systems and will likely exacerbate the divide further, with more job cuts especially at the low-skilled and low-pay end of the market.
- We question whether this is the right time to dedicate a lot of efforts on the “G” factor, especially given the existence of corporate governance and stewardship codes. In addition, the revised Shareholder Rights Directive is still to be duly implemented in a number of Member States.

¹ The European Fund and Asset Management Association, EFAMA, is the voice of the European investment management industry, representing 28 member associations, 59 corporate members and 23 associate members. At end 2018, total net assets of European investment funds reached EUR 15.2 trillion. These assets were managed by almost 62,000 investment funds, of which more than 33,000 were UCITS (Undertakings for Collective Investments in Transferable Securities) funds, with the remaining funds composed of AIFs (Alternative Investment Funds). www.efama.org

- We welcome the Commission's intention to improve ESG disclosure by investee companies, as well as the market for ESG data and ratings. Robust, reliable and publicly available ESG data on investee companies is essential to make sustainable finance work in practice.
- Also, facilitating cross-border voting and providing investors with more tools and means to better perform their role as stewards of the companies they invest in, is key in developing sustainability and more long-term focus in capital markets.
- Financial literacy and promoting sustainability awareness are somewhat sidelined in the consultation, despite being key for unleashing the full potential of sustainable finance. While asset managers play an important role in providing investors with the information they need to make informed decisions, ultimately it is the investor who makes investment decisions.

A detailed EFAMA response will be filed by the consultation deadline.
