

Roundtable on sustainable finance

Summary of the roundtable discussion organised by the European Insurance and Occupational Pensions Authority (EIOPA) on 20 June 2018 at EIOPA's premises in Frankfurt am Main

Why EIOPA organised a roundtable on sustainable finance?

On 20 June 2018 EIOPA organised a roundtable discussion on sustainable finance. Those attending included members of EIOPA's Stakeholder Groups, representatives of national supervisory authorities, a representative of the European Commission, consumer representatives, representatives of the insurance and pensions industries, representatives of the asset management industry, and representatives of civil society.

In his welcoming remarks the EIOPA's Chairman, Gabriel Bernardino, set out reasons why EIOPA was holding this roundtable:

- *Firstly*, that EIOPA saw a clear affinity between prudential supervision – which is concerned with financial sustainability – and other forms of sustainability. In the end, financial sustainability and sustainability more widely are two sides of the same coin. Sustainable finance was not just a nice to have.
- *Secondly*, that of all the parts of the financial sector, insurance and pensions have the longest time horizons and hence the greatest stake in sustainability.
- *Thirdly*, that this was a good time at which to receive stakeholders' input, as approaches to sustainable finance are being developed. It was also recognised however that there has already been significant action by insurers and pension funds in the area of sustainable finance and this experience also provided important learning.
- *Fourthly*, that a number of key players, including the European Commission, are engaging in activities such as development of a taxonomy. This makes it a good time for EIOPA to enhance its engagement on sustainable finance.

Session 1: Sustainable finance in business models: How is sustainable finance integrated in insurers and pension funds business models

The roundtable heard from representatives of an insurer and a pension fund. See below the main points raised during the discussion:

- Some insurers and pension funds had been carrying out activity for many years, for example investment in social housing, which would now be described as sustainable.
- There appeared to be diverse attitudes to sustainability issues in different countries within Europe, for example in the extent to which sustainable finance was prioritised by supervisors.
- On whether there was a trade-off between sustainable assets and return on investments, there were also different perceptions about whether this was an issue for institutional investors.
- There was sometimes a lack of clarity about responsibility for sustainability issues in the chain starting with the consumer via the asset manager to the institutional investor. From the perspective of the institutional investor, engagement with asset managers was needed.
- The exclusion of investments in certain sorts of business, for example coal, should be regarded as a spectrum rather than a binary choice between inclusion and exclusion. The distinctions between different types of business were often quite subtle.

Session 2: Sustainable finance plans: Priorities and expectations in the light of the European Commission's Action Plan

The roundtable heard from a representative of the European Commission, and then from a consumer representative and a representative of the asset management industry. See below the main points raised during the discussion:

- A general welcome for the development by the European Commission of a taxonomy. It was evident however that there were different interpretations of what was desired from the taxonomy. For some, it was important that any taxonomy preserved existing flexibilities of approach and included existing investments regarded as sustainable; for others it was important that the taxonomy was sufficiently granular to be decisive in what was sustainable or not.
- There were also different views on the European Commission's proposal to begin with a taxonomy in respect of climate change. Some stressed the interconnectedness between the environmental, social and governance aspects of sustainable finance, for example an environmental investment in a country with a poor human rights record should not be regarded as sustainable. Moreover, it would be costly for asset managers and others to adapt to repeated iterations of the taxonomy rather than a single change. On the other hand it was recognised that in practical terms it made sense to start with one area rather than attempt wholesale change.

- One issue raised was whether the European Commission had the ambition to define gradations of sustainability. This was not something which was yet envisaged.

Session 3: EIOPA's strategy and next steps: How to integrate sustainable finance principles in the insurance and occupational pensions sectors

The roundtable heard from representatives of a major insurers and reinsurer, and a response by EIOPA staff. See below the main points raised during the discussion:

- Sustainable finance was not a new issue, certainly for a number of insurers.
- Regulation and supervision were very important, but it was not the only factor supporting sustainable finance. One factor which required attention was the supply of sustainable projects.
- Supervisory interventions would cover a range of areas including financial stability, consumer protection, and supervisory convergence. Financial literacy was one potential area for consideration.
- Public disclosure of sustainability practices by different firms was important, rankings and other tools would impact on behaviour.
- Market prices were neither the friend nor the foe of sustainable finance. Market prices were certainly not perfect but it was questionable whether there were any better alternatives.
- Different views were expressed on whether there should be adjustments to capital charges for sustainable investments.

Annex – Agenda

09:30	Registration & welcome coffee
10:00	<p>Welcome & introductory remarks</p> <p>Gabriel Bernardino, Chairman, EIOPA</p> <p>followed by audience Q&A</p>
10:30	<p>Sustainable finance in business models: <i>How is sustainable finance integrated in insurers and pension funds business models</i></p> <p>Dieter Pscheidl, Head of European Affairs, Vienna Insurance Group</p> <p>Marta Jankovic, Senior Responsible Investment and Governance Specialist, APG Asset Management</p> <p>followed by audience Q&A</p>
12:00	Lunch
13:00	<p>Sustainable finance plans: <i>Priorities and expectations in the light of the European Commission’s Action Plan</i></p> <p>Robert Hintze, Policy Officer, European Commission</p> <p>Responses:</p> <p>Marie Vial, Policy Officer, Better Finance</p> <p>Bernard Delbecque, Senior Director, Economics and Research, EFAMA and EIOPA OPSG member</p> <p>followed by audience Q&A</p>
14:30	<p>EIOPA’s strategy and next steps: <i>How to integrate sustainable finance principles in the insurance and occupational pensions sectors</i></p> <p>Hugh Francis, Director of External Reporting Developments, Aviva and EIOPA IRSG member</p> <p>Michael Menhart, Chief Economist, Munich Re</p> <p>Response by Justin Wray, Deputy Head of Policy Department, EIOPA</p> <p><i>Q&A and discussion with audience</i></p>
15:45	Concluding remarks