

First meeting of the High Level Expert Group on Sustainable Finance Meeting report

24 January 2017, 14:00-18:45 &
25 January 2017, 9:00-17:00
Brussels

Day 1: 24 January 2017

1. Welcome by VP Dombrovskis

Vice President Dombrovskis (VP) welcomed the participants and stressed the importance of the work the group is doing against the backdrop of recent international developments. In his speech, the VP stated that he would like to ensure that Europe's approach to sustainable finance is ambitious and at the forefront of innovation. The VP expects the expert group to help determine how the current financial policy framework should be adjusted to get private capital to throw its weight behind sustainable investments; and to help have a clearer picture of financial risks related to the transition to a low-carbon sustainable economy. The VP said that the focus should be on environmental aspects due to the ambitious timetable, but that solutions and policy recommendations developed for the environmental side could be applied to encourage sustainable finance more broadly, including its social or governance dimension.

Chairman Thimann opened the meeting by underlining the importance of the expert group and their work, recalled the tight timeline as well as the Commission's expectations: concrete policy recommendations on how to reform the EU financial policy framework and better align it with EU sustainability goals. He stressed that the focus of work should be on environmental finance and its risks while, wherever possible, suggesting how solutions could be transposed into the wider social and governance dimensions. During the first phase, the group needs to widen their scope to frame the overall discussion, and then zoom into the problem areas that have been identified to propose recommendations during the second phase.

2. Tour de Table

Members and observers introduced themselves and the ESG work they have done in the past. They provided brief overviews of what they consider the most immediate topics to be addressed in the area:

- *Structural obstacles*: Sustainable companies need to have better access to capital than unsustainable ones. This could be achieved by, among others, focusing on incentives or by increasing disclosure requirements and accountability.
- *Broadening the focus*: The need for a holistic view was stressed, considering the nature of the climate change threat, as well as the long-term nature of the work on sustainability.
- *Regulatory aspects*: The right balance between market forces and regulation as well as building on existing initiatives, rather than "re-inventing the wheel", was stressed.
- *The International perspective*, particularly the post-US election environment, whereby the EU should turn towards countries more receptive to ideas of sustainability, such as India and China.

- *Financial stability*: Transitioning to a more sustainable financial system could have an impact on financial stability, while not transitioning poses its own risks, such as through overpricing of carbon assets.
- *Impact is paramount*: The group will need to prioritise those areas where the highest leverage impact can be, particularly since urgent change is needed.

3. Objective and Scope of Mandate

The Chair re-iterated that the *key objective* of the group, from the Commission's point of view, is to help develop an overarching, comprehensive EU strategy on Sustainable Finance by giving operational, practical, and concrete recommendations. This should help the EU identify how private capital can be mobilised to ensure sustainable growth, how financial stability can be safeguarded while transitioning, and how these solutions could be deployed on a pan-European scale to avoid market fragmentation.

In terms of *scope*, phase 1 should serve to identify and prioritise key existing challenges in the market, whereas phase 2 should focus on concrete policy recommendations to overcome the bottlenecks that had been previously identified.

Day 2: 25 January 2017

4. Relevant issues/challenges to enhancing sustainable finance

The Secretariat (DG FISMA) introduced relevant issues/challenges to enhancing sustainable finance such as definitions and analytical tools/processes to support them, structural obstacles to sustainable finance, issues around disclosure and transparency, as well as financial stability considerations and the current economic context (supply vs demand) for potential reforms.

The discussion focused on themes discussed on Day 1, such as the importance of an overarching vision, incentives, investor governance, information asymmetries, and management of risks. It was agreed that there is still a need to fine-tune the theoretical framework and work streams ahead of the 2nd meeting.

5. Non-Financial Reporting (presentation by the Commission (DG FISMA))

DG FISMA presented the directive on Non-Financial Reporting and outlined its preliminary thinking on non-binding guidelines on non-financial reporting. The HLEG members and observers provided advice on how these guidelines can be made most useful.

6. Organisation of the group's work

Four distinct operational topics were discussed:

- Rules of Procedure (approved, following some modifications);
- Introduction of the IT collaborative platform (Wiki);
- Potential communications strategies;
- Organization of work into work streams.

7. Concluding Remarks: Wrap-up of meeting and Next Steps

The Chair reminded the participants of further action to be taken on structure, logo, and the communication guidelines, and encouraged the group to launch the work streams as soon as possible.

8. List of Participants

Members		
Expert	Title	Organisation
THIMANN, Christian Chairperson	Group Head of Regulation, Sustainability and Insurance Foresight	AXA
BECKER, Julie	Member of Executive Committee	Luxembourg Stock Exchange
BILLING, Magnus	CEO	ALECTA
CANFIN, Pascal	CEO	WWF France
DUPRE, Stan	CEO	2° Investment Initiative
FISHER, Paul	Senior Associate	University of Cambridge
GROSZEK, Mieczyslaw	Vice President	Polish Bank Association
HARRIS, David	Head Sustainable Business and Director of ESG	London Stock Exchange Group
HOLMES, Ingrid	Director	E3G
HUSSON-TRAORE, Anne- Catherine	CEO	NOVETHIC
KIDNEY, Sean	CEO	Climate Bonds Initiative
KIVISAARI, Esko	Deputy Managing Director	Federation of Finnish Financial Services
KRUSE, Claudia	Managing Director, Global Responsible Investment and Governance	APG Asset Management
MATTISON, Richard	CEO	TRUCOST (S&P Global)
McCarthy, Arlene	Special Advisor to the Chairman, Bloomberg	AMC Strategy
MICILOTTA, Flavia	Executive Director	EUROSIF
SCHMIDT, Michael	Board Member	DEKA Investment
VANDER STICHELE, Myriam	Senior Researcher	SOMO
WAYGOOD, Steve	Chief Responsible Investment Officer	AVIVA investors
ZAOUATI, Philippe	CEO	MIROVA

Observers		
Expert	Title	Organisation
BARKMAN, Andreas	Project manager	European Environment Agency (EEA)
DUCRET, Pierre	Special advisor for climate change	European Association of Long-Term Investors (ELTI)
EIBEHOLM, Lars	Head of Treasury	Nordic Investment Bank (NIB)
ELDERSON, Frank	Director	Single Resolution Board (SRB) [De Nederlandse Bank N.V.]
FABIAN, Nathan	Director of Policy & Research	Principles for Responsible Investment (PRI)
KREIVI, Eila	Director, Head of Capital Markets	European Investment Bank (EIB)
PFAFF, Nicolas	Senior director	International Capital Markets Organisation (ICMA)
PRZEWOSKA, Paulina	Project manager	European Systemic Risk Board (ESRB)
ROBINS, Nick	Director	United Nations Environment Programme

