

# Public consultation on long-term and sustainable investment

Fields marked with \* are mandatory.

## Introduction

---

**Fostering growth and investment** is one of **European Commission's top priorities**.

To maintain and extend its competitiveness, Europe needs significant new long-term and sustainable investment.

These can also help achieve the EU's policy objectives linked to the transition to low carbon and climate resilient economy and promote environmentally and socially sustainable wealth creation, including respect for fundamental rights.

The Communication on Long-Term Financing of the European Economy [[COM/2014/168 final](#)] emphasized that one of the key features of long-term financing is that investors take longer-term aspects such as environmental, social, governance issues into account in their investment strategies. It further underlined the importance of ESG issues for the longer-term sustainable performance of companies and investors and announced further reflection on incentives for more sustainable investment. The Action Plan on building a Capital Markets Union [[COM/2015/468 final](#)] also reiterates the importance of ESG investments.

This consultation seeks to gather information on how **institutional investors, asset managers and other service providers in the investment chain factor in sustainability (ESG) information and performance of companies or assets into investment decisions**. The consultation will also gather information about possible obstacles to long-term, sustainable investment.

The results of this consultation will be used by the Commission to assess the state of play in this field. A feedback document outlining the overall results of the consultation will be made public.

### Definitions

For the purpose of this consultation, the following definitions are used:

*Sustainable or responsible investment* is a comprehensive approach to investment that explicitly takes account of environmental, social and governance (ESG or sustainability) issues and the long-term health and stability of the market as a whole. The evaluation of ESG issues is a fundamental part of assessing the value and performance of an investment over the medium and

longer term. It also implies that an investor should be an *active asset owner* engaging with companies (for example through dialogue on strategy, risk, corporate governance) to improve their performance. [See Principles for responsible investment, [What is responsible investment?](#)]

Material *environmental* factors include, among others, carbon emissions, climate change risks, energy usage, raw material sourcing and supply risks, waste and water management. *Social* factors include, in particular, customer and employee relations, health and safety, human capital management, fundamental rights. *Governance* matters include, in particular, board accountability, structure and size, management ability to deliver a strategy, executive compensation schemes, bribery and corruption.

Specific Privacy Statement:

[SpecificPrivacyStatement.pdf](#)

## About the respondent

---

- \* 1. Please provide your full name (authority, association, organisation, enterprise, ..., as applicable)

Société Française des Analystes Financiers

- \* 2. Please provide contact details (e-mail, phone number, postal address)

bbeauvois@sfaf.com ; 33 1 56 43 43 14 ; 135 boulevard Haussmann 75008 Paris  
France

- \* 3. Are you replying as:

- a. Public authority
- b. Institutional investor
- c. Asset manager
- d. Other service provider or advisor
- e. Company
- f. Association
- g. Retail investor
- h. Private person
- i. Other

- \* f. Association

- Investor association
- Association of beneficiaries of institutional investors
- Association of asset managers
- Business federation
- Trade Union
- NGO
-

Other

\* Please specify:

Analysts, assets managers and advisers

\* 4. Is your organisation registered in the EU Transparency Register? (If not, you may register [here](#), although you do not have to be registered to reply to this consultation.)

- Yes  
 No

\* If registered, please indicate your ID number:

724856817310-53

\* 5. Please indicate your country of residence or establishment:

- Austria  
 Belgium  
 Bulgaria  
 Croatia  
 Cyprus  
 Czech Republic  
 Denmark  
 Estonia  
 Finland  
 France  
 Germany  
 Greece  
 Hungary  
 Ireland  
 Italy  
 Latvia  
 Lithuania  
 Luxembourg  
 Malta  
 Netherlands  
 Poland  
 Portugal  
 Romania  
 Slovakia  
 Slovenia  
 Spain  
 Sweden  
 United Kingdom

Other

\* 6. Please indicate whether you consent to publication:

- Under the name indicated – I consent to the publication of all information in my contribution, and I declare that none of it is under copyright restrictions that prevent publication.
- Anonymously – I consent to the publication of all information in my contribution, except my name/the name of my organisation, and I declare that none of it is under copyright restrictions that prevent publication.
- No, I do not consent to the publication of my contribution. I understand that my anonymised responses may be included in published statistical data, for example, to show general trends in the response to this consultation.

**Please note that before completing the survey you will have the opportunity to upload documents to further support or illustrate your views.**

## Questions

---

### 1. Rationale for ESG inclusion into investment decisions

1.a. Do ESG factors play a role in the investment decisions of investors? If not, why?

If yes, please specify which considerations are reflecting in your investment policy and mandates? In what form is this commitment expressed?

ESG factors play a role in investment decisions, the governance factor first of all ; the environment and social factors fall under the operational risk aspect (with a variable importance). The ESG criterion allow to estimate the issuer's reputation risk.

1.b. What is the main rationale for institutional investors and asset managers to take ESG risks and opportunities into account in their investment decisions? Please indicate all the relevant issues (multiple choice)

- a) risk management:
- b) alignment of investment policies with the long-term interests of beneficiaries of the institutional investor,
- c) pressure from clients on whose behalf the institutional investor invests funds,
- d) seeking a positive social or environmental impact of investments,
- e) ethical considerations,
- f) legal or regulatory constraints, please specify,
- g) other, please specify.

a) risk management:

- i) managing asset value risk in the short-term, including preservation of investment value, better investment performance,
-

ii) managing asset value risk in the medium-to long-term, mitigation of exposure to long-term and systemic risks,

iii) management of liability risks,

\* f) legal or regulatory constraints, please specify:

In France, obligation for the asset manager and in collective investment undertakings in securities (UCITS) to present the information relative to the consideration of the ESG criteria in their investment Policy (article 224 of the Grenelle LAW, 2012, the 30th of January)  
And in France, we have the article 173 of the law on energy transition for green growth which is an extension of the obligations of the article 224 of the Grenelle II law for institutional investors and their asset managers

\* g) other, please specify:

Fiduciary duty

Please provide an explanation :

article 224 of the Grenelle LAW, 2012, the 30th of January and article 173 of the law on energy transition for green growth (2015, the 29st of December)

## **2. Information on ESG risks and opportunities**

2.a. Which ESG risks do you perceive as material to investors?

First of all, the governance. Then other criteria according to the possibility that have the investors to estimate the financial conséquences : Financial risks as stakeholders and derating as bondholders.

2.b. What are the main sources of reliable and relevant information for investors on material medium-to long-term risks and opportunities, particularly on ESG issues?

Confrontation of sources and their diversity because no source is reliable. Prospectus, reporting, legal communication, Rating agencies, NGOs and others issuers

2.c. Is it difficult for investors to access such information? If so, please specify:

Accessing the information is not so difficult. There is an abundance of data (big data). But, selecting and evaluating the information can be expensive (via rating agencies).

2.d. Is access to such data expensive? If so, please specify:

Yes

2e. What factors may prevent or discourage companies from disclosing such data?

The standardization doesn't exist and it is under construction. The issuers hesitate in their choices especially as they are observing their competitors.

2.f. What is the main rationale for companies to publish such information? Please indicate all the relevant issues. (multiple choice)

- a) relevance of ESG issues to company performance
- b) attracting financing for specific projects, for example green bonds
- c) legal or regulatory constraints
- d) demand from investors
- e) pressure from stakeholders
- f) other

2.g. Is there sufficient accountability for the disclosure by companies of such information?

We are in favour of increasing the certification level of ESG data auditors.

2.h. What are the best practices as regards internal corporate governance processes to ensure proper reliability of the disclosed information?

Importance of the audit committee to express its opinion on the quality of the process, of the output.  
And also at the operational level for an implementation at all job levels within the issuer with feedback towards the operational management

2.i. What is the role of specific ESG investment instruments, like green bonds?

To direct the investments is the interest of the specific investments. It is concrete and transparent.  
Identify the most effective specific investments to reach the fundamental goals of the RSE.

**3. Integrating ESG information into risk assessment models of institutional investors and asset managers**

3.a. What should an appropriate long-term risk assessment methodology look like? Please indicate some examples of good practice.

No appropriate methodology. It's the same methodology as for the analysis of risks in a fundamental analysis

3.b. Are there specific barriers, other than those of a regulatory nature (see question 9) for investors to integrate medium-to long-term risk indicators, including ESG matters in their risk assessment? If so, please indicate what you consider to be the main barriers.

No except the short termism of the markets

#### **4. Integration of ESG aspects in financial incentives**

4.a. When selecting and remunerating asset managers, how do institutional investors take into account asset managers' integration of ESG issues into investment strategies? What are the best practices in this area?

We take into account the allocation of the mandate. There is no specific integration of the ESG in the remuneration

4.b. Is ESG performance and active asset ownership taken into account in the remuneration of the executives and/or board members of institutional investors? What are the best practices in this area?

No idea

#### **5. Capacity of institutional investors**

5.a. Do you think that the lack of scale or the lack of skills and resources of some institutional investors may affect their ability to integrate ESG factors in investment decision-making and engage on such issues? If so, how? Please provide evidence if possible.

To develop skills requires time. It is still too recent. The average human resources must be increased to develop a strategy of commitment.

5.b. Please indicate measures/practices that have contributed to enhance institutional investors' capacity and ability to integrate ESG factors in investment decision-making and engage on such issues.

To develop a charter ad hoc and an ad hoc reporting

#### **6. Internal governance and accountability of the institutional investor**

6.a. To what extent can good internal governance of institutional investors, such as mechanisms aiming to align interests between beneficiaries, board and key executives, influence their ability and willingness to integrate ESG factors in investment decision-making and engage on these issues? Please provide evidence or good practices if possible.

A very good practice is to determine the ESG factors according to the beneficiaries in order to allow better protection of their interests

6.b. Do beneficiaries of pension funds and other institutional investors with long-term liabilities obtain sufficient and clear information about how the fund or investor is managing ESG risks? Can they give their opinion/be consulted on these aspects? Please provide examples of good practice.

No. A good practice could be organising an annual meeting to inform about the investments and their ESG performance. At least a regular report including the detailed portfolio.

6.c. Are beneficiaries interested in matters referred to above? Please provide evidence if possible.

6c yes. A survey for the PRI concluded that more than 60% of institutional investors in the world receive questions on the composition of their portfolio, on which about 40% are ESG questions (especially child labor)

## **7. The role of other service providers**

7.a. Is there sufficient long-term oriented, reliable and relevant external investment research? Are there barriers to good quality external investment research on ESG risks and opportunities? If so, please explain. What role, if any, do financial incentives or conflicts of interests of some service providers play?

The data remains insufficient because of the lack of historical data

7.b. To what extent do investment banks, investments analysts and brokers provide information on medium-to long-term company performance, including corporate governance and corporate sustainability factors, when they make buy, sell and hold recommendations to investors?

Non systematic information. Some rare providers.. It is developing.

7.c. To what extent do investment consultants consider the asset managers' approach to ESG issues and active asset ownership when advising institutional investors about the selection of asset managers?

They built their own methodology and in the great majority of cases they have a rating of the investors

7.d. To what extent do proxy advisors consider medium-to long term performance of companies, including ESG performance, in their voting recommendations?

It remains in early stages but is developing.

7.e. To what extent do credit rating agencies take medium-to long term performance of companies, including ESG performance, into account in their ratings?



Same answer.

7.f. What are the best practices as regards independent external assurance (for example auditor review) for the disclosure by companies of material medium- to long-term risks and opportunities, particularly ESG issues?

No idea

## **8. The role of non-professional investors**

8.a. Do you know of initiatives that led to more sustainable and responsible investment from non-professional investors? Please provide details about them.

There are two labels : Novethic and CIES

## **9. Legal or regulatory constraints**

9.a. Are there legal or regulatory constraints likely to significantly and unduly prevent or discourage investors from taking a long-term view in their investment strategies and decisions and from investing in a sustainable way? If so, please provide details.

The first problem concerns the regulatory constraints even the accounting.regulations

9.b. Do you believe that there are any barriers to the understanding by institutional investors and asset managers of their fiduciary duties that would not enable them to appropriately take ESG factors into account in their investment decisions? Please explain.

No

## **10. Others**

10.a. Are you aware of any other incentives or obstacle(s) with a significant impact? If so, which ones?

The institutional investors are too short termist. So, we think that integrated reporting, provided it allows to have a better understanding of the link between extra-financial items and value creation, could motivate investors to take ESG risks into account

10.b. Would you consider further increase in sustainable investments if market or regulatory conditions for sustainable investment would be more favourable? If so, please provide estimations, if possible.

For example, the progressive increase of the constraints of requirement of the PRI

You can upload additional documents here:

Disclaimer:

This document is a working document of the Commission services for consultation and does not in any manner prejudice the final form of any future decision to be taken by the Commission.

## Contact

✉ [just-a3@ec.europa.eu](mailto:just-a3@ec.europa.eu)

---