The Consumer Voice in Europe

CONSULTATION ON THE RENEWED SUSTAINABLE FINANCE STRATEGY

BEUC response to the Commission's consultation

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Why it matters to consumers

Consumers are affected by and will increasingly suffer from the impact of a changing climate in their daily lives, including increasing prices for food, energy, transport and insurance premiums. To mitigate against the impacts of climate change, consumers must be able to take due account of environmental and social considerations when taking out financial services products, such as a savings account, an investment fund or a life insurance policy. Consumers must also be able to rely on trustworthy and impartial financial advice, taking due account of their sustainability preferences. In future, the sustainable choice should become the default choice for consumers when taking out financial services products.

Summary

Consumers are affected by and will increasingly suffer the impact of a changing climate in their daily lives, and clear steps remain necessary to mitigate against the impacts of climate change. A green and sustainable financial sector must become the new normal for European consumers. The European Commission's renewed sustainable finance strategy must ensure that consumers are able to support the shift towards a sustainable financial system by adopting the following measures:

- A requirement for all financial services products (savings accounts, investment funds, life insurance policies) to disclose how sustainable they are. For instance, based on a colour rating system, similar to the already well-known energy label, where a solid Green A is the most sustainable, and a red G the least sustainable.
- Stronger efforts to combat greenwashing by financial services providers, a key risk for consumers.
- The development of a so-called Brown Taxonomy of activities that negatively impact the climate and the environment.
- A requirement for the European Supervisory Authorities to assess the cost and performance of ESG products verses their traditional counterparts, as part of their annual cost and performance studies.
- Better supervision and regulation of ESG ratings and ESG rating agencies.
- Ambitious rules for the creation of an EU Ecolabel for Retail Financial Products.
- A requirement for financial advisers to assess the sustainability preferences of their clients when giving investment advice, and a requirement for financial advisers to be adequately trained about ESG products.
- Support initiatives that guide consumers in comparing between the sustainability and investment practices of credit institutions and other financial firms, such as the Fair Finance Guide.
- A brown penalising factor for lenders exposed to sectors with high sustainability risks.

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SECTION I: QUESTIONS ADDRESSED TO ALL STAKEHOLDERS ON HOW THE FINANCIAL SECTOR AND THE ECONOMY CAN BECOME MORE SUSTAINABLE

Question 1: With the increased ambition of the European Green Deal and the urgency with which we need to act to tackle the climate and environmental-related challenges, do you think that (please select one of the following):

X	Major additional policy actions are needed to accelerate the systematic sustainability transition of the EU financial sector.
	Incremental additional actions may be needed in targeted areas, but existing actions implemented under the Action Plan on Financing Sustainable Growth are largely sufficient.
	No further policy action is needed for the time being.

Question 4: Would you consider it useful if corporates and financial institutions were required to communicate if and explain how their business strategies and targets contribute to reaching the goals of the Paris Agreement?

	Yes, corporates.
	Yes, financial institutions.
X	Yes, both.
	No.

Question 5: One of the objectives of the European Commission's 2018 Action Plan on Financing Sustainable Growth is to encourage investors to finance sustainable activities and projects. Do you believe the EU should also take further action to:

	1 (strongly agree)	2 (disagree)	3 (neutral)	4 (agree)	5 (strongly agree)
Encourage investors to engage, including making use of their voting rights, with companies conducting environmentally harmful activities that are not in line with environmental objectives and the EU-wide trajectory for greenhouse gas emission reductions, as part of the European Climate Law, with a view to encouraging these companies to adopt more sustainable business models					**X**

Discourage investors from financing environmentally harmful activities that are not in line with environmental objectives and the EU-wide trajectory for greenhouse gas emission reductions, as part of the European Climate Law					X

Comments: Further action remains necessary to discourage consumers from financing environmentally harmful activities that are not in line with environmental objectives. The EU must, as soon as possible, adopt an EU taxonomy for financial products that also includes a brown taxonomy, listing unsustainable economic activities exposed to climate and environmental risks. A harmonised EU classification of both green and brown activities will provide a solid basis for developing trusted labels, combating greenwashing and the gradual phasing-out of brown activities.

SECTION II: QUESTIONS TARGETED AT EXPERTS

Question 6: What do you see as the three main challenges and three main opportunities for mainstreaming sustainability in the financial sector over the coming 10 years?

BEUC sees several challenges that prevent the mainstreaming of sustainability over the coming 10 years. Firstly, sustainability is on its way to becoming more mainstream in the financial sector, but it remains often unclear to consumers what measurable impact ESG products have in terms of improving sustainability. Measuring and demonstrating the impact of sustainable finance on improving environmental sustainability will be a key challenge for industry (to demonstrate that their products are having a positive environmental impact) and for regulators and supervisors.

Secondly, interest from investors into ESG products is expected to continue increasing in the coming years. However, aware of the increasing interest by consumers in new ESG products, there is a strong incentive for investment fund providers and other financial services providers to exaggerate the green credentials of their investment products (engaging in so-called greenwashing). Strong efforts will remain necessary to ensure that ESG products are genuinely green, and supervisory authorities will need to play a key role in combatting greenwashing.

Thirdly, the lack of a brown taxonomy will mean that consumers will not have a clear view whether their financial products are funding activities that negatively impact the climate and the environment. It is critical that a so-called brown taxonomy is developed as quickly as possible by the European institutions. It will be the most efficient way to encourage divestment in those activities that have a negative impact, leading to a smarter refocus of investments.

Another opportunity for consumers concerns the returns of sustainable financial products compared to their traditional counterparts. There is growing evidence that investment funds that take into consider ESG-factors can outperform or match the performance of their traditional counterparts. For instance, a recent study by Morning Star analysing the long-term performance of nearly 4,9000 funds domiciled in Europe, found that a majority of ESG funds outperformed their traditional peers over multiple time horizons. Similarly, a International Monetary Fund (IMF) review found that the performance of sustainable and conventional investment funds are comparable. However, many retail investors may have a perception that choosing to invest sustainable could hurt the performance of their investments. Each year, the European Supervisory Authorities are required to carry out cost and performance studies on the products under their supervision in their markets. The European Commission should mandate the ESAs to assess the cost and performance of traditional investment funds, life insurance policies and pension products versus their ESG counterparts. Evidence of outperformance by ESG funds could encourage consumers to shift their investments towards sustainable investment products.

Question 7: Overall, can you identify specific obstacles in current EU policies and regulations that hinder the development of sustainable finance and the integration and management of climate, environmental and social risks into financial decision-making?

A green and sustainable financial sector must become the new normal. EU and national policies should ensure that all consumers are nudged to opt for sustainable financial institutions and products, e.g. raising public awareness in a user-friendly way about the sustainability of all banks and other financial institutions, obliging all financial institutions to offer sustainable savings, investment and pension products as default options, ensuring that financial sales people/advisors are properly trained on sustainability aspects of their products and offer adequate explanation and advice to consumers.

The EU should develop a mandatory disclosure label to help consumers better understand the sustainability impact of investment products, building on the Taxonomy Regulation provisions to specify share of green investments of financial products. All financial institutions should be required to disclose the share of their green activities in their total portfolio. This would help guide consumers to financial institutions that overall have greener financial activities. Such a mandatory label should cover current accounts, savings accounts, retail investment products, life insurance and pension products. For instance, for all retail investment products should highlight the main features regarding their environmental and social objectives in their Key Information Documents (KIDs) in an understandable way, to ensure that consumers can easily integrate climate, environmental and social risks into their financial decision-making. Such information would need to be presented in a way that is clear to consumers. One possibility could be to build upon a type of colour rating system similar to the already well-known EU energy label, where a solid Green A is the most energy efficient, and a red G is the least energy efficient.

Question 10: Should institutional investors and credit institutions be required to estimate and disclose which temperature scenario their portfolios are financing (e.g. 2°C, 3°C, 4°C), in comparison with the goals of the Paris Agreement, and on the basis of a common EU-wide methodology?

	Yes, corporates.
	Yes, financial institutions.
X	Yes, both.
	No.

Comments: Yes, it is critical to ensure that both institutional investors and credit institutions disclose which temperature scenario their portfolios are financing. The financial sector has long been characterised by limited transparency, especially as regards the sustainability of their investments and lending practices. The lack of transparency by banking institutions means that it is difficult for consumers to understand where their money is invested. Financial institutions today often do not report publicly their complete investments through different products and subsidiaries, and this makes it difficult to review how they comply with sustainability practices. Consumers need more information about the sustainability practices of banks to help them choose a bank account. There should be mandatory climate reporting for financial institutions according to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) to report how their financial operations are financing in comparison with the goals of the Paris Agreement.

Question 11: Corporates, investors, and financial institutions are becoming increasingly aware of the correlation between biodiversity loss and climate change and the negative impacts of biodiversity loss in particular on corporates who are dependent on ecosystem services, such as in sectors like agriculture, extractives, fisheries, forestry and construction. The importance of biodiversity and ecosystem services is already acknowledged in the EU Taxonomy. However, in light of the growing negative impact of biodiversity loss on companies' profitability and long-term prospects,2 as well as its strong connection with climate change, do you think the EU's sustainable finance agenda should better reflect growing importance of biodiversity loss?

X	Yes.
	No
	Do not know.

Question 14: In your opinion, should the EU take action to support the development of a common, publicly accessible, free-of-cost environmental data space for companies' ESG information, including data reported under the NFRD and other relevant ESG data?

X	Yes.
	No
	Do not know.

Question 18: How would you rate the comparability, quality and reliability of ESG data from sustainability providers currently available in the market?

ESG ratings are becoming an increasingly important tool for consumers when comparing between investment products. However, there is a lack of clarity on the methodologies underpinning the scoring mechanisms of ESG ratings, and there is evidence of significant differences between the scoring practices of ESG rating agencies. Despite the increasing relevance of ESG ratings, the construction of such ratings are currently not regulated and the underpinning methodologies are often opaque.

Question 21: In your opinion, should the EU take action in this area?

Yes, the EU should consider regulatory intervention. For instance, providers of ESG ratings should disclose their methodology, as only transparent methodologies can be properly assessed. ESG rating agencies should be regulated and supervised by public supervisors and ESG ratings must be more tightly regulated to prevent greenwashing. Closer supervision of ESG ratings is needed to ensure that consumers can rely on these tools, and trust the ratings awarded when taking their investment decisions.

Question 28: In its final report, the High-Level Expert Group on Sustainable Finance recommended to establish a minimum standard for sustainably denominated investment funds (commonly referred to as ESG or SRI funds, despite having diverse methodologies), aimed at retail investors. What actions would you consider necessary to standardise investment funds that have broader sustainability denominations?

	No regulatory intervntion is needed.
	The Commission or the ESAs shuld issue guidance on minimum standards.
X	Regulatory intervention is needed to enshrine minimum standards in law.
	Regulatory intervention is needed to create a label.

Question 29: Should the EU establish a label for investment funds (e.g. ESG funds or green funds aimed at professional investors)?

X	Yes.
	No
	Do not know.

BEUC supports the creation of an EU Ecolabel for Retail Financial Products. The labelling of financial products can help drive private capital towards more sustainable investment opportunities and aid the transition towards a greener European economy. However, it is crucial that the requirements of the EU Ecolabel for financial products matches the ambitions of the European Green Deal to achieve the Paris Agreement targets and the Sustainable Development Goals. The EU Ecolabel should protect consumers from greenwashing and meet their expectations from a label of environmental excellence.

BEUC currently has several concerns with respect to ongoing EU discussions on the Ecolabel for retail financial services products (see our letter written in coordination with other NGOs here). In particular, BEUC's main demands with regards to the Ecolabel are:

- Consumer organisations would find it easier to support products that make significant investments in green companies, and completely exclude investment in activities with negative ESG impacts that consumers would not expect and accept in "green" funds at all.
- Consumers expect more ambition on the threshold for investment on green economic activities (Criterion 1) and absolute exclusions of environmentally harmful activities (Criterion 2).
- Environmentally friendly products should not come with concessions on social and governance aspects (Criterion 3); there should be no trade-off between ecological (E) and other (SG) standards.
- From a consumer perspective, it is not acceptable that a fund with 18% exposure to Taxonomy-compliant activities (which could merely be enabling activities) is eligible for the EU Ecolabel. We believe that this threshold needs to be increased substantially, to at least 70%, based on the principle that consumers would expect that a majority of the aggregated revenues of the fund are derived from sustainable activities when relying on a label of environmental excellence.

- We acknowledge that a strict label might lead to fewer compliant products at the date of adoption. However, it is preferable to avoid reputational risks and build a reliable label, including by considering options that could enable market acceptance and progressive adaptation, such as the introduction of a dynamic approach (e.g. progressive increase of levels of compliance with criterion 1 from 51% first year followed by an additional 10% every year until criteria revision).
- Following a principle based approach is needed as, in any case, as shown by the DG FISMA report Testing draft EU Ecolabel criteria on UCITS equity funds, it will be challenging to properly assess the level of market compliance with the proposed thresholds until the six taxonomy objectives are defined in Delegated Acts and disclosure obligations of the Taxonomy Regulation are implemented.
- If at this point in time the Commission is not willing to increase the ambition level to match consumer expectations, we would support a possible delay of the Ecolabel adoption until non-financial reporting on sustainable activities by corporates has improved and it is possible to calibrate the thresholds based on solid data.
- Consumers expect that national supervisors can and will act if products do not respect thresholds, exclusions, minimum standards or engagement requirements, as well as expect a good supervision system.
- BEUC welcomes the inclusion of savings accounts within the scope of the EU Ecolabel in the latest draft. Current and savings accounts are a mainstream non-complex financial product that could ensure high visibility for the EU Ecolabel. Private third pillar pension products should also be included in the EU Ecolabel.

However, the EU Ecolabel is a voluntary label. BEUC believes that the EU should develop a mandatory disclosure label for all financial products, for consumers to have a better understanding of the sustainability impact of savings and investment products, building on the Taxonomy Regulation provisions to specify the share of green investments of financial products (see also our answer to **question 7**).

Question 32: Several initiatives are currently ongoing in relation to energy-efficient mortgages6 and green loans more broadly. Should the EU develop standards or labels for these types of products?

X	Yes.
	No
	Do not know.

Comments: BEUC is in favour of developing an EU standard/label for sustainable mortgages and loans. But broader EU actions are needed in this area. In February 2020, BEUC surveyed its members to identify the main barriers for consumers to renovate their homes. Our survey revealed that the top issues preventing consumer action on home renovations are: lack of awareness on the costs and benefits of renovation; lack of available/suitable financing for renovations; lack of regulatory certainty and; shortage of available trusted impartial advice.

According to a comprehensive EU study of building energy renovation activities and the uptake of nearly zero-energy buildings in the EU (November 2019), grants, loans etc. are mentioned to be a very strong incentive to overcome financial barriers related to the building renovations. However, this study indicates that there is a significantly negative attitude towards loans. This clearly explains the high shares of own capital used for financing energy renovation measures and its increase with increasing age of respondents.

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Under the [CLEAR 2.0 project](), BEUC stressed that making a return on one's investment is a decisive factor. While the cost of some renewable energy has tumbled, consumers still struggle with the upfront installation costs and traditional financial solutions are not answering this issue. One of the key policy demands under the CLEAR 2.0 project was that a variety of financing options should be available to households: affordable and well-designed green loans (including payments by instalments), public funding for immature technologies as well as tax incentives and 'pay as you save' schemes.

The upcoming renovation wave by the European Commission is also important. In the consultation on the Renovation Wave Roadmap, the Commission says that 'It will explore means to scale up successful initiatives to stimulate the bundling of smaller/individual projects into aggregated ones and thereby facilitate financing and reduce costs. In addition to easier blending of public and private capital, and of grants and loans, it will explore further innovative financing instruments and approaches, e.g. on-tax, on-bill, green loans and mortgages, services contracts and the possible intensified use of ETS revenues for building renovation.'

Question 34: Beyond the possible standards and labels mentioned above (for bonds, retail investment products, investment funds for professional investors, loans and mortgages, benchmarks), do you see the need for any other kinds of standards or labels for sustainable finance?

Yes, labels should also be developed for current and savings accounts. In Austria, the Ecolabel project recently added current accounts and savings accounts to the scope of the Austrian Ecolabel. Current accounts and savings accounts that are awarded the Austrian Ecolabel must ensure that the deposits in these accounts are used to finance sustainable projects. The Austrian Ecolabel defines strict criteria to ensure its high credibility, as well as expert opinion from an independent testing agency that is required for certification.

Question 40: In your view, should there be a mandatory share of variable remuneration linked to non-financial performance for corporates and financial institutions?

Yes, there is a necessity to integrate ESG objectives into executive pay to ensure that directors have a strong incentive to integrate ESG objectives into their decision-making. There should be an obligation for directors' variable remuneration to be based on both financial and non-financial performance. Companies should identify appropriate ESG targets to assess the non-financial performance of their senior executives. At a first stage, 30% of variable remuneration should be based on non-financial performance.

Question 49: In order to ensure that retail investors are asked about their sustainability preferences in a simple, adequate and sufficiently granular way, would detailed guidance for financial advisers be useful when they ask questions to retail investors seeking financial advice?

X	Yes.
	No
	Do not know.

Yes. Retail investors should be asked about their sustainability preferences when seeking investment advice. Assessing the sustainability preferences of a client must become a key component of the suitability assessment under both the IDD and MiFID II. Existing suitability assessments generally do not include sustainability preferences, and the vast majority of clients may not raise such preferences themselves when seeking investment advice. Assessing clients preferences about the sustainable impact of their investments must become a routine component of financial advice. Requiring advisers to assess the suitability preferences of clients could encourage the increased sale of sustainable investment products to consumers.

Ensuring that advisers understand a clients' preferences when it comes to avoiding ESG risks will be critical. However, simply asking a consumer whether they value sustainability is likely to result in very inconsistent answers by clients that do not fully reveal their ESG preferences. Firms will need guidance from supervisory authorities and/or regulators about how to carry out the suitability assessment as it relates to ESG preferences. Sustainability preferences could significantly differ between clients, and advisers will need to carefully assess their clients' preferences to ensure that any chosen investment strategy matches the consumer's expectations and preferences when it comes to sustainability.

Guidance should be given as to what questions advisers should ask of consumers seeking to invest sustainability. A wide variety of approaches exist to investing sustainably, including for instance: negative screening or exclusionary screening (excluding certain sectors or companies), best-in-class (companies selected on the basis of being the best when it comes to ESG in a particular industry), shareholder engagement (where asset owners enter into dialogue with companies in relation to ESG issues). Guidance should be developed for advisers on how to query their clients about such possible investment strategies, to ensure that the ESG preferences of consumers can be appropriately assessed. For instance, the European Supervisory Authorities (ESAs) could be required to develop detailed guidance or template questionnaires that could be used for financial advisers to adequately assess the ESG preferences of their clients. Advisers should be required to prepare a report to their client that explains how their recommendations meets his or her sustainability preferences.

A key component of ensuring that advisers will be able to provide suitable investment advice to consumers would be to ensure that all financial advisers are adequately trained, including about sustainability practices and ESG financial products. If advisers are to be able to assess the ESG preferences of their clients, then they will need to be adequately knowledgeable about such products. However, as demonstrated by BEUC's campaign on thepriceofbadadvice.eu, there are long-standing concerns in Europe about the professional qualifications of financial advisers. The Final Report of the High Level Forum on the Capital Markets Union notes that a lack or low qualification requirements for advisors could expose retail investors to the risks of low-quality investment advice, and notes that there are significant differences between EU Member States regarding the minimum professional qualification requirements in Europe. Significant national discretion is left to Member States about the level of education and knowledge required to provide financial advice to consumers.

BEUC believes that more clearly defined qualification requirements at the European level are required under MiFID II and the IDD. Increased training and qualification of financial advisers would translate into better financial outcomes for consumers and enhance trust and confidence in the financial advice industry more generally. All financial advisers should be subject to increased qualification requirements and required to take at least 35 hours of Continuing Professional Development on an annual basis (see also our MiFID II consultation response). Given the complexity and continuous innovation of financial products, such training is necessary on a continuing basis. In addition, the European Commission should require that all financial advisers are adequately trained and literate about ESG products. As part of their Continuing Professional Development, financial advisers should be required to ensure that they possess appropriate knowledge about ESG investment products and sustainability. Such a requirement should be enshrined under European law, in the IDD and MiFID II.

In addition, the High Level Forum (HLF) on the Capital Markets Union adopted a recommendation in June 2020 for the creation of a voluntary pan-European quality mark (label) for European financial advisers. The HLF recommended that such a label could be established through cooperation with an accredited certifying body. If such a voluntary pan-European label is established by the European Commission, ESG training should become a mandatory component for financial advisers to be able to qualify for attaining the label.

Question 50: Do you think that retail investors should be systematically offered sustainable investment products as one of the default options, when the provider has them available, at a comparable cost and if those products meet the suitability test?

X	Yes.
	No
	Do not know.

BEUC agrees that sustainable investment products should be offered by default by advisers to their clients, provided that they are at a comparable cost and in line with the suitability test. However, the ESG preferences of retail investors should not be an excuse for financial advisers to recommend poorly performing or higher-cost investment products to consumers. A wide variety of ESG strategies are available to retail investors (at different price ranges), and financial advisers should act in the best interest of their client when giving investment recommendations. Consumers need access to cost-effective and sustainable value for money products when seeking investment advice. Financial advisers should recommend the best-value product that matches the ESG preferences of their client. To ensure that financial advice is in the best interest of the client, from both an ESG-perspective and a fee-basis, BEUC firmly believes that an EU-wide ban on the payment of inducements to financial advisers should be implemented (see our campaign on thepriceofbadadvice.eu).

Question 51: Should the EU support the development of more structured actions in the area of financial literacy and sustainability, in order to raise awareness and knowledge of sustainable finance among citizens and finance professionals? Please reply using a scale of 1 (completely disagree) to 5 (fully agree).

	1 (strongly agree)	2 (disagree)	3 (neutral)	4 (agree)	5 (strongly agree)
Integrate sustainable finance literacy in the training requirements of finance professionals.					**X**
Stimulate cooperation between Member States to integrate sustainable finance as part of existing subjects in citizens' education at school, possibly in the context of a wider effort to raise awareness about climate action and sustainability			**X**		

Beyond school education, stimulate cooperation between Member States to ensure that there are sufficient initiatives to educate citizens to reduce their environmental footprint also through their investment decisions.					X
Directly, through targeted campaigns.					X
As part of a wider effort to raise the financial literacy of EU citizens.		X			
As part of a wider effort to raise the knowledge citizens have of their rights as consumers, investors, and active members of their communities.				X	
Promote the inclusion of sustainability and sustainable finance in the curricula of students, in particular future finance professionals.					X
Others					X

Comments: The overwhelming majority of consumers are unable to trace their funds entrusted to financial institutions and their ability to choose between financial products based on sustainability criteria is curtailed by the limited range of products available in savings, investments and pension funds, and limited information available in the public sphere. There is clearly a lack of independent and trustworthy comparison tools to help consumers shop around for sustainable financial institutions and products. Much more effort is needed to address this issue. The EU should actively support initiatives that guide and assist consumers to reduce the environmental footprint of their savings and investments, while benefiting from good value financial products and services.

Fair Finance Guide (FFG) is one of few successful initiatives that pursues this goal. FFG is an initiative that uses an international benchmarking methodology to assess, report and campaign for more sustainable and responsible investment policies and practices by financial institutions. It enables consumers to make financial institutions more socially responsible and sustainable by benchmarking their investment and lending policies and practices against international standards in critical areas such as human rights, climate change, transparency and other environmental and social aspects. FFG has achieved considerable impact on financial institutions in the countries where it operates, including many EU Member States. It is currently active in five European countries (Belgium, Germany, the Netherlands, Norway and Sweden), while several other European countries have expressed interest in starting FFGs in their countries, e.g. Austria, Denmark, Spain, Lithuania. BEUC would strongly welcome financial support from the Commission to ensure the continuity of the project and its expansion to all EU countries.

Question 57: Do you think EU policy action is needed to maximise the potential of digital tools for integrating sustainability into the financial sector?

X	Yes.
	No
	Do not know.

Question 58: Do you consider that public authorities, including the EU and Member States should support the development of digital finance solutions that can help consumers and retail investors to better channel their money to finance the transition?

X	Yes.
	No
	Do not know.

Comments: The increased use of data and technology is changing how financial markets work for firms and consumers, and digital changes should be leveraged to promote competition between financial firms and encourage consumers to invest sustainably. The Payment Services Directive (PSD2) first introduced a legal environment enabling consumers to consent to third parties accessing their payment account information and established clear technical rules for accessing this consumer data. However, the scope of PSD2 is currently limited to payment accounts, and, at the moment does not cover savings accounts, investment accounts, pensions savings, mortgages and consumer credit, or insurance products. Sharing non-payment account information and broadening the scope of account data could have benefits for consumers. Open Finance could make it easier for consumers to receive proposals to compare the costs and product features and switch between providers, in turn improving competition between financial services providers as well as spurring the creation of innovative new services or tools for consumers. Open Finance could stimulate the provision of financial products by non-bank third parties (such as FinTech firms or other product providers) and other banks acting as 'third parties' in turn stimulating competition between firms. However, there are several potential risks associated with the increased sharing of consumer data, that deserve scrutiny and adequate safeguards for consumers. To ensure that Open Finance is implemented in a consumer-friendly way, several safeguards or principles should be adopted. For more information, please see our position paper on consumer-friendly open banking. The EU's Open Finance framework should be developed in a way to encourage the promotion of sustainable financial products to consumers.

Question 82: In particular, do you think that existing actions need to be complemented by the development of a taxonomy for economic activities that are most exposed to the transition due to their current negative environmental impacts (the so-called "brown taxonomy") at EU level, in line with the review clause of the political agreement on the Taxonomy Regulation?

X	Yes.
	No
	Do not know.

Question 82.1: If your answer to question 82 is yes, what would be the purpose of such a brown taxonomy? Please select all that apply.

X	Help supervisors to identify and manage climate and environmental risks.
X	Create new prudential tools, such as for exposures to carbin-intensive industries.
X	Make it easier for investors and financial institutions to voluntarily lower their exposure to these activities.
X	Identify and stop environmentally harmful subsidies.

Question 88: Do you consider that there is a need to incorporate ESG risks into prudential regulation in a more effective and faster manner, while ensuring a level- playing field?

The prudential framework for financial institutions to integrate climate and environmental risks should be carefully calibrated. While it is an interesting idea to give banks capital relief for green lending or investments, there are strong concerns among civil society organisations and the supervisory authorities that a so-called 'green supporting factor' could have implications on the financial stability of credit institutions. Low capital requirements for banks played a central role in the emergence of the global financial crisis in 2007/08. Civil society organisations have instead called for the implementation of a 'brown penalising factor' that would require banks to hold more capital for lending to fossil-fuel intensive sectors. Any policy considerations on possible 'green supporting factor' should take the above risks into account.

Question 91: Do you see merits in adapting rules on fiduciary duties, best interests of investors/the prudent person rule, risk management and internal structures and processes in sectorial rules to directly require them to consider and integrate adverse impacts of investment decisions on sustainability (negative externalities)?

Yes, there is an explicit need to adapt the rules on fiduciary duties and related concepts to ensure that financial intermediaries, which manage money on behalf of others or give advice, have an obligation to include consideration of sustainability as part of their duty to their beneficiaries and clients. BEUC supports the recommendation of the High Level Expert Group on Sustainable Finance to establish a single set of principles of fiduciary duty across EU sectorial legislation. In addition, EU legislation should clearly specify that managing ESG risks is integral to fulfilling fiduciary duty, acting loyally to beneficiaries, and acting in a prudent manner.

Question 102: In your view, should investors and / or credit institutions, when they provide financing, be required to carry out an assessment of the potential long-term environmental and climate risks on the project, economic activity, or other assets?

X	Yes.
	No
	Do not know.

END

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