27 November 2018

Press release

Sustainable finance agenda will support ongoing trend towards ESG investing, but should avoid unnecessarily prescriptive rules

Today PensionsEurope published a position paper on the legislative package on sustainable finance. Specifically, it comments on:

- A proposal for a regulation establishing a unified EU classification system of sustainable economic activities COM(2018) 353.
- A proposal for a regulation on disclosures relating to sustainable investments and sustainability risks and amending Directive (EU) 2016/2341 COM(2018) 354.
- A proposal for a regulation amending Regulation (EU) 2016/1011 on low carbon benchmarks and positive carbon impact benchmarks COM(2018) 355.

PensionsEurope welcomes the EU's initiatives in the area of sustainable finance. Pension funds are long-term investors that aim to deliver adequate pensions for their members and beneficiaries at low costs. This means they naturally take the long view and are required to consider the long-term risks that may affect their portfolios. Moreover, pension funds increasingly align their investment practices with the values of their membership and increasingly society at large. The proposals will support this effort by increasing the transparency of sustainable investments.

At the same time, regulatory intervention needs to take account of pension funds' primary role of providing a good retirement income to their members and beneficiaries. The fact that the EU is taking a comprehensive approach including all sectors of the financial system does not mean that this should lead to a uniform regulatory approach. It is therefore not necessary to employ prescriptive legislative tools such as delegated acts. Pension funds are covered by a principle-based minimum harmonisation framework where Member States retain sufficient flexibility to adjust the rules to their domestic pension systems, as well as social and labour law. Moreover, the IORP2 Directive is still under implementation. From a 'better regulation' standpoint, it would be best to assess how the new ESG provisions are transposed and put into practice, before amending them.

Matti Leppälä, Secretary General/CEO of PensionsEurope said:

"More and more pension funds seek to align their investments with the values of their membership and society. Targeted policy initiatives can catalyse this trend by providing better data and transparency on the ESG aspects of investments and establishing common definitions. The EU package will help to address some of the barriers pension funds face when wanting to invest more responsibly."

On the taxonomy:

"The taxonomy will support the further integration of environmental, social and governance factors in investment decisions. It should be flexible, science-based and capture companies that are transitioning

to a more sustainable business model. A too narrow approach would not make it practically useful for pension funds that use best-in-class methods."

On the 'disclosures' proposal:

"Pension funds are already required to consider the long-term factors that drive the value of their investments as part of their fiduciary duty, including sustainability factors. They will also have to incorporate sustainability in risk-management and governance processes as part of the new IORP2 Directive, which is still being implemented. We therefore do not support the provisions for delegated acts that would mandate the European Commission to introduce new and more prescriptive ESG rules. We believe national supervisors are best equipped to oversee how pension funds manage ESG risks, in order to take account of local governance structures and sustainability preferences.

About PensionsEurope

PensionsEurope represents national associations of pension funds and similar institutions for workplace and other funded pensions. Some members operate purely individual pension schemes.
PensionsEurope has **23 member associations** in 18 EU Member States and 3 other European countries[1].

PensionsEurope member organisations cover different types of workplace pensions for over **110 million people.** Through its Member Associations PensionsEurope represents more than **€ 4 trillion of assets** managed for future pension payments. In addition, many members of PensionsEurope also cover personal pensions, which are connected with an employment relation.

PensionsEurope also has **30 Corporate and Supporter Members** which are various service providers and stakeholders that work with IORPs.

PensionsEurope has established a **Central & Eastern European Countries Forum (CEEC Forum)** to discuss issues common to pension systems in that region.

PensionsEurope has established a **Multinational Advisory Group (MAG)** which delivers advice on pension issues to PensionsEurope. It provides a collective voice and information sharing for the expertise and opinions of multinationals.

What PensionsEurope stands for

- A regulatory environment encouraging workplace pension membership;
- Ensure that more and more Europeans can benefit from an adequate income in retirement;
- Policies which will enable sufficient contributions and good returns;

Our members offer

[1] EU Member States: Austria, Belgium, Bulgaria, Croatia, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Luxembourg, Netherlands, Portugal, Romania, Spain, Sweden, UK. Non-EU Member States: Iceland, Norway, Switzerland.

- Economies of scale in governance, administration and asset management;
- Risk pooling and often intergenerational risk-sharing;
- Often "not-for-profit" and some/all of the costs are borne by the employer;
- Members of workplace pension schemes often benefit from a contribution paid by the employer;
- Wide-scale coverage due to mandatory participation, sector-wide participation based on collective agreements and soft-compulsion elements such as auto-enrolment;
- Good governance and alignment of interest due to participation of the main stakeholders.

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