BANKING AND FINANCE

Consultation on the Renewed Sustainable Finance Strategy

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):

- **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 2: Do you know with sufficient confidence if some of your pension, life insurance premium or any other personal savings are invested in sustainable financial assets?

- **Yes**/No/Do not know.
- If yes, do you consider that you have had sufficient access to information with regard to the integration of sustainability criteria and options to invest in sustainable financial assets? Please explain and specify whether you searched for the information yourself or whether the information was made available to you.

In Denmark financial companies offer an array of sustainable financial products, from pensions excluding fossile fuels from portfolios to car loans with a green discount interest.

Denmark is engaging with market actors beyond already establish regulation on consumer protection, information requirement, etc. However, we see a need for a common European standards to many of the products, and thus support efforts in this direction. In the short term, we encourage market actors to be aware of incoming requirement to some products under the disclosure and taxonomy regulations.

- If no, would you like to be offered more information with regard to the integration of sustainability criteria and options to invest in sustainable financial assets and divest from non-sustainable assets?
  - Yes/No/Do not know.
  - If necessary, please explain your answer.

Question 3: When looking for investment opportunities, would you like to be systematically offered sustainable investment products as a default option by your financial adviser, provided the product suits your other needs?

- Yes/No/do not know.

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;
- Yes, both;
- If no, what other steps should be taken instead to accelerate the adoption by corporates and financial sector firms of business targets, strategies and practices that aim to align their emissions and activities with the goals of the Paris Agreement?

We believe relevant communication must be specific to the activities and targets of the corporates and financial institutions. Requiring mandatory reporting from all against the goals of the Paris Agreement even where such goals are not relevant to the reporting entity severly runs the risk of becoming a tick box exercise without added value to the reader. Furthermore, it would contribute data to affect analysis without real content value.

- Do not know.

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:

- 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: scale from 1 (strongly disagree) to 5 (strongly agree).

4

- 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: scale from 1 (strongly disagree) to 5 (strongly agree).

4

- In case you agree or strongly agree with one or both options [4-5]: what should the EU do to reach this objective?

Denmark is very positive towards common EU initiatives wich foster more sustainable finance, and thereby a sustainable economy. More concretely, Denmark believes the EU should expand on the EU taxonomy to cover more sectors, thereby giving investors a source of information to use their voting rights to encourage sustainable behavior and avoid harmful activities. Establish standards and guidelines which ease and

lower the cost of sustainability data, and increase transparency thereby preventing green washing. This includes standards aimed at consumers, which are most vulnerable to been mislead.

Section II: Questions targeted at experts

The following section asks further technical and strategic questions on the future of sustainable finance, for which a certain degree of financial or sustainability-related expertise may be useful. This section is therefore primarily addressed 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?

Main challenges:

1) Data challenges are, and will be, a substantial issue to expend and mainstream SF.
2) Usability for companies, especially SME's, while maintaining strong regulation to prevent green washing.
3) Possible lack of sufficient legal clarity due to often changing rules.

Main opportunities for mainstreaming sustainability:

1) Intense focus on the issues globally.
2) New product developments.
3) Further aligning disclosure requriements on ESG data firstly by increasing standardardised information that can be used for comparative and analytical purposes across sectors and companies. Use of reporting formats can contribute to this end. This would also enhance the quality of data available to investors. Secondly, by expanding ESG requirements to entities outside of the current scope in financial services.

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?

- Please provide a maximum of three examples.

Not at this time also given that a wide range of financial legislation is only just coming into force during 2020 and 2021.

Question 8: The transition towards a climate neutral economy might have socio-economic impacts, arising either from economic restructuring related to industrial decarbonisation, because of increased climate change-related effects, or a combination thereof. For instance, persons in vulnerable situations or at risk of social exclusion and in need of access to essential services including water, sanitation, energy or transport, may be particularly affected, as well as workers in sectors that are particularly affected by the decarbonisation agenda. How could the EU ensure that the financial tools developed to increase sustainable investment flows and manage climate and environmental risks have, to the extent possible, no or limited negative socio-economic impacts?

N/A

Question 9: As a corporate or a financial institution, how important is it for you that policy-makers create a predictable and well-communicated policy framework that provides a clear EU-wide trajectory on greenhouse gas emission reductions, based on the climate objectives set out in the European Green Deal, including policy signals on the appropriate pace of phasing out certain assets that are likely to be stranded in the future?

- Please express your view by using a scale from 1 (not important at all) to 5 (very important).

N/A as the question is aimed at financial institutions

- For scores of 4 to 5, what are, in your view, the mechanisms necessary to be put in place by policy-makers to best give the right signals to you as a corporate or a financial institution?

N/A as the question is aimed at financial institutions

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, institutional investors.
- Yes, credit institutions.
- **Yes, both.**
- No.
- Do not know.

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?

- **Yes**/No/Do not know**.**
- If yes, please specify potential actions the EU could take.

Denmark believes, the sustainable fiance agenda should have an increased focus on biodiversity.

Question 12: In your opinion, how can the Commission best ensure that the sustainable finance agenda is appropriately governed over the long term at the EU level in order to cover the private and public funding side, measure financial flows towards sustainable investments and gauge the EU's progress towards its commitments under the European Green Deal and Green Deal Investment Plan?

We believe the Commission should be vigilant in ensuring proper implementation and use of legislation in the Member States, as sustainable finance does not alone concern financial markets, but also the climate crisis. The Commission should consult and assist private and public investors regarding market uptake of the sustainable finance initiatives, as this is crucial for financial flows actual going in a sustainable direction. This could entail workshops and usability guideline, which

should follow the evolvement of legislation and markets.

Denmark has committed to start monitoring green financial flows under the initiative "Alignment of financial flows", and hope other countries will do the same. These information can be shared between each member state and the Commission giving an overview of green financial flow in the EU.

Question 13: In your opinion, which, if any, further actions would you like to see at international, EU, or Member State level to enable the financing of the sustainability transition? Please identify actions aside from the areas for future work identified in the targeted questions below (remainder of Section II), as well as the existing actions implemented as part of the European Commission's 2018 Action Plan on Financing Sustainable Growth.

1. Considering the interconnectivity between national, EU and global actions in this area will remain and intensive moving forward we would encourage that focus is given to ensuring a holistic approach across the area of sustainable finance. We believe the Commission is in a unique position to further contribute to and amplify this holistic approach.

2. It is of key importance that the models in financial institutions for assessing risks and credit ratings are sufficiently developed to take sustainability parameters into full account, in particular climate related issues. We would recommend to continue and intensify technical work and discussions on this central aspect to ensure correctly calibrated models, based on common EU-standards, which gives an accurate assessment of and contributes to further integrating and mainstreaming sustainability related issues in financial services regulation.

3. In order to enable a sustainable transition of the global economies in the future, Denmark finds that it would be important to develop analytical tools for measuring climate impact of investment portfolios in order to measure degrees of alignment with the Paris Agreement – both from an investor, financial market participant and Member State point of view. It is important that such measurements is carried out in a harmonized way so that proper comparison is being made possible - in the Union as well as globally. We suggest that an EU tool is developed, and that such tool is distributed globally to the extent possible.

4. We would also encourage the Commission to utilize the taxonomy to become the global standardsetting source for sustainable finance through e.g. inclusion in trade agreements.

1. Strengthening the foundations for sustainable finance

1.1 Company reporting and transparency

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?

- **Yes**/No/Do not know.
- If yes, please explain how it should be structured and what type of ESG information should feature therein.

We find it important to ensure future-proof solutions and to have easy access to both digital financial and non-financial information. The data should be easily accessible for the investors in the same document and structured non-financial data eg. in the form of KPI's is recommended. This can among other things be done by allowing for the use of digital solutions to the widest possible extent especially in relation to reporting requirements. There is a potential in having the same digital reporting solution for both the financial and non-financial information in the annual reports. The solutions for digital reporting should be prepared from a cost-benefit consideration in relation to the costs implementing the solutions. This would also ensure a smooth interlinkage between NFI and investments into sustainable activities. A common, publicly accessible and free-of-cost data space for ESG information including non-financial information is preferable, as it would ease investors' access to comparable data and enable more well-informed investment decisions. Such data could both be standardized and aggregated data and raw ESG data. The data space should preferably include information disclosed by both listed and non-listed companies, and the information should be categorized and easily accessible.

Question 15: According to your own understanding and assessment, does your company currently carry out economic activities that could substantially contribute to the environmental objectives defined in the Taxonomy Regulation?[3]

- Yes/No/**Do not know**.
- If yes, once the EU Taxonomy is established (end-2020 for climate change mitigation and adaptation),[4] how likely is it that you would use the taxonomy for your business decisions (such as adapting the scope and focus of your activities in order to be aligned with the EU Taxonomy)? Please use a scale of 1 (not likely at all) to 5 (very likely). If necessary, please specify.

N/A – not addressed to authorities

1.2 Accounting standards and rules

Question 16: Do you see any further areas in existing financial accounting rules (based on the IFRS framework) which may hamper the adequate and timely recognition and consistent measurement of climate and environmental risks?

- Yes/**no**/do not know.
- If yes, what is in your view the most important area (please provide details, if necessary):
    - Impairment and depreciation rules.
    - Provision rules.
    - Contingent liabilities.
    - Other, please specify.

1.3 Sustainability research and ratings

Question 17: Do you have concerns on the level of concentration in the market for ESG ratings and data?

- Please express your view by using a scale of 1 (not concerned at all) to 5 (very concerned).

N/A

- If necessary, please explain the reasons for your answer.

We do not have the sufficient knowledge to answer this questions at this point.

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

- Please express your view by using a scale of 1 (very poor) to 5 (very good).

N/A

- If necessary, please explain the reasons for your answer.

We do not have the sufficient knowledge to answer this questions at this point.

Question 19: How would you rate the quality and relevance of ESG **research** material currently available in the market?

- Please express your view by using a scale of 1 (very poor) to 5 (very good).

N/A

- If necessary, please explain the reasons for your answer.

We do not have the sufficient knowledge to answer this questions at this point.

Question 20: How would you assess the quality and relevance of ESG **ratings** for your investment decisions, both ratings of individual Environmental, Social or Governance factors and aggregated ones?

- Individual: Please express your view by using a scale of 1 (very poor quality and relevance) to 5 (very good).

N/A

- Aggregated: Please express your view by using a scale of 1 (very poor quality and relevance) to 5 (very good).

N/A

- If necessary, please explain the reasons for your answer.

We do not have the sufficient knowledge to answer this questions at this point.

Question21: In your opinion, should the EU take action in this area?

- Yes/No/**Do not know**.
- If yes, please explain why and what kind of action you consider would address the identified problems. In particular, do you think the EU should consider regulatory intervention?

The answer to this question requires an understanding of the availability and quality of the available data which we do not possess at the moment. We would be very interested in receiving this information if the Commission could share such data.

1.4 Definitions, standards and labels for sustainable financial assets and financial products

EU Green Bond Standard

Question 22: The TEG has recommended that verifiers of EU Green Bonds (green bonds using the EU GBS) should be subject to an accreditation or authorisation and supervision regime. Do you agree that verifiers of EU Green Bonds should be subject to some form of accreditation or authorisation and supervision ?

- **Yes, at European level**
- Yes, at a national level.
- No.
- Do not know.
- If necessary, please explain the reasons for your answer.

We find it important that verifiers of EU Green Bonds are subject to the same authorization and supervision regime in EU. This will help create trust and a level playing field for the market of green bonds.

The supervision of such verifiers and such a regime could be done by the National Competent Authority (in Denmark the Danish FSA) as a natural extension of its supervision of other securities.

Further, we believe that new regimes should not hamper or prevent innovative and well-functioning national initiatives. This could potentially have reverse and negative effects on sustainable finance.

Question 23: Should any action the Commission takes on verifiers of EU Green Bonds be linked to any potential future action to regulate the market for third-party service providers on sustainability data, ratings and research?

- Yes / No / **Do not know.**
- If necessary, please specify the reasons for your answer.

We do not have proper information to answer this as of now.

Question 24: The EU GBS as recommended by the TEG is intended for any type of issuer: listed or non-listed, public or private, European or international. Do you envisage any issues for non- European issuers to follow the proposed standard by the TEG?

- **Yes**/ No/ Do not know.
- If necessary, please specify the reasons for your answer.

As the EU GBS is connected with the taxonomy regulation that only applies within the EU, any non-European issuers would need to ensure that the principles of the taxonomy regulation is being adhered to, in order to avoid greenwashing.

Prospectus and green bonds

Question 25: In those cases where a prospectus has to be published, do you believe that requiring the disclosure of specific information on green bonds in the prospectus, which is a single binding document, would improve the consistency and comparability of information for such instruments and help fight greenwashing?

- Please express your view by using a scale of 1 (strongly disagree) to 5 (strongly agree).

4

- If necessary, please specify the reasons for your answer.

We support the idea of introducing specific disclosure requirements for information on green bonds in the prospectus.

By requiring disclosure of information on green bonds in the prospectus, investors will be provided with useful information on the issuer and help meet potential greenwashing issues. Furthermore, it will provide financial market participants covered by the scope of the Disclosure Regulation, with useful information for their disclosures required by the Regulation

Question 26: In those cases where a prospectus has to be published, to what extent do you agree with the following statement:

"Issuers that adopt the EU GBS should include a link to that standard in the prospectus instead of being subject to specific disclosure requirements on green bonds in the prospectus"

- Please express your view by using a scale of 1 (strongly disagree) to 5 (strongly agree).

3

- If necessary, please specify the reasons for your answer.

In case the issuer already has disclosed information on the EU GBS, it should be possible to incorporate this information by reference in the prospectus.

This however, depends on what is required by the EU GBS disclosure. It is important that the investor maintains the possibility to make well-informed investment decisions on the basis of the prospectus, meaning that all information necessary in this regard, should be available from the prospectus.

Furthermore, the possibility to incorporate the information disclosed in the EU GBS disclosure in the prospectus should depend on whether the EU GBS information is fully compliant with the standards for such issuances, otherwise specific information should be included in the prospectus.

Other standards and labels

Question 27: Do you currently market financial products that promote environmental characteristics or have environmental objectives?

- Yes/No/**Do not know**.
- If yes, once the EU Taxonomy is established,[5] how likely is it that you would use the EU Taxonomy in your investment decisions (i.e. invest more in underlying assets that are partially or fully aligned with the EU Taxonomy)? Please use a scale of 1 (not likely at all) to 5 (very likely). Please specify if necessary.

N/A – issue not addressed to authorities

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 intervention is needed.
- **The Commission or the ESAs should issue guidance on minimum standards.**
- Regulatory intervention is needed to enshrine minimum standards in law.
- Regulatory intervention is needed to create a label.

Adequate investor protection measures are of particular importance for retail consumers. And in order to have adequate investor the Commission or the ESAs should issue guidance on minimum standards for funds marketed towards and distributed to retail investors.

Harmonized and reliable guidance on minimum standards for products aimed at retail investors can ensure that investment products accessible to retail clients are not marketed as "sustainable" without fulfilling certain standardized ESG-requirements. Thereby guidance on minimum standards can minimize the risk of "greenwashing" of products. "Greenwashing" could create consumer detriment, undermine market confidence, threaten the integrity of the financial system, and incur large costs to wider society. In order to address such risks, guidance on minimum standards for such funds are of importance.

See also answer to Q 29.

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

- Yes/**No**/Do not know.
  - If necessary, please explain your answer

Guidance on minimum standards for sustainably denominated investment funds are in particular of importance for funds aimed at retail clients. A label for investment funds aimed at professional investors does not seem to be an immediate need. Professional investors have access to or have at their disposal a range of means to collect and assess information and thereby assess potential investments. An EU label should aim at filling a void of information or knowledge which would be the case with retail investors.

- If yes, regarding green funds aimed at professional investors, should this be in the context of the EU Ecolabel?
  - Yes/No/Do not know.
  - If necessary, please explain your answer .

N/A

Question 30: The market has recently seen the development of sustainability-linked bonds and loans, whose interest rates or returns are dependent on the company meeting pre-determined sustainability

targets. This approach is different from regular green bonds, which have a green use- of-proceeds approach. Should the EU develop standards for these types of sustainability-linked bonds or loans?

- Please express your view by using a scale of 1 (strongly disagree) to 5 (strongly agree).

3

- If necessary, please explain.

In order to create comparability and harmonization in the market, and in order to combat greenwashing by such products, we support creating standards for sustainability-linked loans. However, there is a risk that such standards might become too complex and cumbersome for especially retail investors to understand, which might be detrimental to the investor protection. Therefore, the creation of standards for sustainability-linked loans has to be done with due consideration. Furthermore, when creating such standards it must be considered how other EU regulation might interact with such products, e.g. Article 7 in MAR on inside information – is it inside information when the loans are close to reaching its sustainable targets? It would be preferable that either the Commission or ESMA developed guidelines to address such questions on cross interactions, in order to ensure legal transparency.

Question 31: Should such a potential standard for target-setting sustainability-linked bonds or loans make use of the EU Taxonomy as one of the key performance indicators?

- Please express your view by using a scale of 1 (strongly disagree) to 5 (strongly agree).

5

- If necessary, please explain.

In order to ensure harmonization and to avoid needless complexity, the EU Taxonomy should to the extent possible be used as a reference and a key performance indicator. However, it should be possible to use other recognized indicators as well, such as ESG ratings etc. The most important thing in this connection is transparency of what is being used as a reference.

Question 32: Several initiatives are currently ongoing in relation to energy-efficient mortgages[6] and green loans more broadly. Should the EU develop standards or labels for these types of products?

- Yes/No/**Do not know**.
- If yes, please select all that apply:
  - a broad standard or label for sustainable mortgages and loans (including social and environmental considerations);
  - a standard or label for green (environmental and climate) mortgages and loans;
  - a narrow standard or label only for energy-efficient mortgages and loans for the renovation of a residential immovable property;
  - other: please specify what type of standard or label on sustainability in the loan market you would like to see.

Question 33: The Climate Benchmarks Regulation creates two types of EU climate benchmarks - 'EU

Climate Transition' and 'EU Paris-aligned' - aimed at investors with climate-conscious investment strategies. The regulation also requires the Commission to assess the feasibility of a broader 'ESG benchmark'. Should the EU take action to create an ESG benchmark?

- Yes/**No**/Do not know.
- If no, please explain the reasons for your answer, if necessary.

In general, Denmark is in favour of supporting and fueling the green transition through unified EU regulation. However, so far there are no real experiences with the two new EU climate benchmarks as the Climate Benchmarks Regulation has only entered into force in November 2019. Therefore, it is not currently possible to assess, whether the two EU climate benchmarks are sufficient in facilitating such a green transition, or if there is a need for a broader ESG benchmark. Further, it is still to be clarified whether or not there would be a demand for such an ESG benchmark. However, it needs to be noted that the Climate Benchmarks Regulation has as of 30 April 2020 introduced – amongst others - a comply-or-explain requirement for benchmark administrators to disclose in their benchmark statements, how ESG factors are reflected in each benchmark or family of benchmarks they provide and publish. This new transparency requirement allows benchmark users to choose benchmarks based on their ESG preferences. Transparency requirements of this type may be sufficient for the purpose of facilitating the green transition.

- If yes, please explain what the key elements of such a benchmark should be.

N/A

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/No/**Do not know**.
- If yes, what should they cover thematically and for what types of financial products?

As a lot of new regulation on this area is on its way (e.g. Disclosure Regulation and Taxonomy Regulation), for now we suggest to analyze the impact of the new regulation prior to creating any new labels. However, upon future evaluation it might be necessary to introduce new regulatory measures.

1.5 Capital markets infrastructure

Question 35: Do you think the existing capital market infrastructure sufficiently supports the issuance and liquidity of sustainable securities?

- Please express your view by using a scale of 1 (strongly disagree) to 5 (strongly agree).

3

- For scores of 1 and 2, please list the main problems you see (maximum three)..

We do not see any obstacles to introducing sustainable securities to the market. However, there is a risk that such products might drown in all of the other products on the market. In order to make sure that sustainable securities are sufficiently supported, initiatives to create attention to these products might have to be taken.

Question 36: In your opinion, should the EU foster the development of a sustainable finance- oriented exchange or trading segments that caters specifically to trading in sustainable finance securities and is better aligned with the needs of issuers?

- Yes/**No**/Do not know.
- If necessary, please explain the reasons for your answer.

The introduction of green exchanges might create a number of unintended effects. Companies with both regular bonds and green bonds benefit from being able to trade and manage them on the same exchange, thereby only dealing with one set of rules and procedures. If green exchanges will have a different set of rules and procedures, this can become a burden for these companies. At the same time we have concerns about possible negative effects on liquidity arising from the creation of green exchanges, since this will create a greater spread across different exchanges, However, these negative effects should not occur with the introduction of ESG-segments on the same exchange, and therefore we support looking further into this option.

Question 37: In your opinion, what core features should a sustainable finance–oriented exchange have in order to encourage capital flows to ESG projects and listing of companies with strong ESG characteristics, in particular

1.6 Corporate governance, long-termism and investor engagement

Question 38: In your view, which recommendation(s) made in the ESAs' reports have the highest potential to effectively tackle short-termism? Please select among the following options.

- Adopt more explicit legal provisions on sustainability for credit institutions, in particular related to governance and risk management;
- Define clear objectives on portfolio turn-over ratios and holdings periods for institutional investors;
- Require Member States to have an independent monitoring framework to ensure the quality of information disclosed in remuneration reports published by listed companies and funds (UCITS management companies and AIFMs);
- **Other, please specify**.

All of the advice in the ESMA report could be taken into account. We support using tools necessary to promote long-termism in the financial sector.

Question 39: Beyond the recommendations issued by the ESAs, do you see any barriers in the EU regulatory framework that prevent long-termism and/or do you see scope for further actions that could foster long-termism in financial markets and the way corporates operate?

- Yes/No/**Do not know**.
- If yes, please explain what action(s).

N/A

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/**No**/Do not know.

- If yes, please indicate what share.

Denmark strongly agrees with the focus on sustainability. The current regulation regarding variable remuneration however already provides financial institutions the possibility to incorporate non-financial performance. The CRD and the IFD even require financial institutions to take into account both financial and non-financial performances where the variable remuneration is performance related. Denmark has already incorporated this requirement to all the financial institutions including insurance companies.

Question 41: Do you think that a defined set of EU companies should be required to include carbon emission reductions, where applicable, in their lists of ESG factors affecting directors' variable remuneration?

- Yes/**No**/Do not know.

Question 42: Beyond the Shareholder Rights Directive II, do you think that EU action would be necessary to further enhance long-term engagement between investors and their investee companies?

- Yes/**No**/Do not know.
- If yes, what action should be taken? Please explain or provide appropriate examples.

The question seems to look at the SHRD II in isolation as a sole element to facilitate this long-term engagement between investors and investee companies. But it must be seen in the complete picture which is complemented by the Disclosure and Taxonomy Regulations as well as the Non-Financial Reporting Directive. All set many requirements to ensure transparency as well as communication between parties. It is important to allow all these new regimes to enter into force and prove their worth. In addition to the rules in the financial sector, company law rules and corporate governance codes facilitate action within the spheres of engagement and long-term engagement. Thus Denmark finds it too early to consider further action.

Question 43: Do you think voting frameworks across the EU should be further harmonised at EU level to facilitate shareholder engagement and votes on ESG issues?

- Yes/No/**Do not know**

Question 44: Do you think that EU action is necessary to allow investors to vote on a company's environmental and social strategies or performance?

- Yes/No/**Do not know.**
- If yes, please explain.

N/A

Question 45: Do you think that passive index investing, if it does not take into account ESG factors, could have an impact on the interests of long-term shareholders?

- Yes/No/**Do not know.**
- If no, please explain the reasons for your answer, if necessary.

We do not have sufficient information to answer the question.

- If yes, what do you think this impact is? Do you think that the EU should address it and how?

N/A

Question 46: Due regard for a range of ’stakeholder interests’, such as the interests of employees, customers, etc., has long been a social expectation vis-a-vis companies. In recent years, the number of such interests have expanded to include issues such as human rights violations, environmental pollution and climate change. Do you think companies and their directors should take account of these interests in corporate decisions alongside financial interests of shareholders, beyond what is currently required by EU law?

- Yes, a more holistic approach should favour the maximisation of social, environmental, as well as economic/financial performance.
- Yes, as these issues are relevant to the financial performance of the company in the long term.
- No, companies and their directors should not take account of these sorts of interests.
- **I do not know**.

Question 47: Do you think that an EU framework for supply chain due diligence related to human rights and environmental issues should be developed to ensure a harmonised level-playing field, given the uneven development of national due diligence initiatives?

- Yes/No/**Do not know.**

Question 48: Do you think that such a supply chain due diligence requirement should apply to all companies, including small and medium sized companies?

- Yes/No/**Do not know.**
- If yes, please select your preferred option:
  - All companies, including SMEs.
  - All companies, but with lighter minimum requirements for SMEs.
  - Only large companies in general, and SMEs in the most risky economic sectors sustainability-wise.
  - Only large companies.
- If necessary, please explain the reasons for your answer.

Data on economic consequences due to mandatory due diligence for SME’s is not sufficiently available. The “Study on due diligence requirements through the supply chain” provides some estimates and hypothesis about economic and operational impacts, but the Danish Government believes more exploration is necessary. It should be noted that the study points out that SME’s will not enjoy the reputational benefits of mandatory due diligence, which the study claims partly balances the costs for large companies. Before settling on a model, the Commission should secure more extensive data about consequences for SME’s if mandatory due diligence is introduced at EU-level.

2. Increasing opportunities for citizens, financial institutions and corporates to enhance sustainability

2.1 Mobilising retail investors and citizens

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?

- **Yes**/No/Do not know.
- If necessary, please provide an explanation of your answer.

A harmonised approach to ensuring retail investors' sustainability preferences are met could be helpful to advisers. However, the level of detail must be calibrated to ensure an effective and understandable advice process. Further, guidance should not override other preferences of the retail investor and presume interests or decisions one way or the other.

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?

- **Yes**/No/Do not know.

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)

- If you agree (for scores of 4 to 5), please choose what particular action should be prioritised:
- Integrate sustainable finance literacy in the training requirements of finance professionals. [1-5] **4**
- 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.[1-5] **1**
- 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. [1-5] **2**
- Directly, through targeted campaigns. [1-5] **3**
- As part of a wider effort to raise the financial literacy of EU citizens. [1-5] **2**
- As part of a wider effort to raise the knowledge citizens have of their rights as consumers, investors, and active members of their communities. [1-5] **2**
- Promote the inclusion of sustainability and sustainable finance in the curricula of students, in particular future finance professionals. [1-5] **4**
- Other, please explain.

Denmark supports that we establish better structure on the sustainability element in order to make it easier to ensure compliance with the regime. Behavioral science suggest that for financial literacy initiatives to have a real impact, the information must be given at a time when the person is already susceptible to receiving it and is able to act on

the information. Therefore the greatest impact will be just before a person is about to make an investment decision. Awareness campaigns and other initiatives directed at the public in general is less efficient than information given on a one to one basis. Denmark therefore believes that educating financial advisers in order to enable them to guide investors towards sustainable investments will be yield the best results.
Concerning initiatives targeted the educational system en mass we also believe that the educational systems across the EU are too diverse in order to be able to apply a one-size-fits all approach that would render real successful results. General information on climate and sustainability issues can be integrated in regular curriculum. However sustainable finance would seem too specialized for regular school education.

2.2 Better understanding the impact of sustainable finance on sustainability factors

Question 52: In your view, is it important to better measure the impact of financial products on sustainability factors?

- Please express your view by using a scale of 1 (not important at all) to 5 (very important).

5

- For scores of 4 to 5, what actions should the EU take in your view?

The demand for sustainable financial product from investors in the Danish market is heavily increasing, and some investors are willing to compromise their profit in order to contribute to sustainability. Therefore, it is of great importance that the impact of financial product is measured correctly, and communicated in a reliable, transparent and unambiguous way.

Further, we find that there is a knowledge gap in the industry on this subject. Therefore, guidance developed by the EU on how to measure the impact of financial product on sustainability factors would definitely help drive the transition.

Question 53: Do you think that all financial products / instruments (e.g. shares, bonds, ETFs, money market funds) have the same ability to allocate capital to sustainable projects and activities?

- Yes/No/**Do not know**.
- If no, please explain what you would consider to be the most impactful products/instruments to reallocate capital in this way.

We do not possess sufficient empirical knowledge to answer the question.

2.3 Green securitisation

Question 54: Do you think that green securitisation has a role to play to increase the capital allocated to sustainable projects and activities?

- Please express your view by using a scale of 1 (not important at all) to 5 (very important).

3

- If necessary, please explain your answer.

Securitisation of green assets could potentially help to allocate capital to green initiatives by increasing the investor base.

Question 55: Do the existing EU securitisation market and regulatory frameworks, including prudential treatment, create any barriers for securitising 'green assets' and increasing growth in their secondary market?

- Yes/No/**Do not know**.
- If yes, please list the barriers you see (maximum three).

N/A

Question 56: Do you see the need for a dedicated regulatory and prudential framework for 'green securitisation'?

- Yes/**No**/Do not know.
- If yes, what regulatory and/or prudential measures should the dedicated framework contain and how would they interact with the existing general rules for all securitisations and specific rule for STS securitisations?

2.4 Digital sustainable finance

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

- Yes/**No**/Do not know.
- If yes, what kind of action should the EU take and are there any existing initiatives that you would like the European Commission to consider? Please list a maximum of three actions and a maximum of three existing initiatives.

N/A

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?

- Yes/No/**Do not know**.
- If yes, please explain what actions would be relevant from your perspective and which public authority would be best-positioned to deliver it. Please list a maximum of three actions

Question 59: In your opinion, should the EU, Member States, or local authorities use digital tools to involve EU citizens in co-financing local sustainable projects?

- Yes/**No**/Do not know.
- If yes, please detail, in particular if you see a role for EU intervention, including financial support.

N/A

2.5. Project Pipeline

Question 60: What do you consider to be the key market and key regulatory obstacles that prevent an increase in the pipeline of sustainable projects? Please list a maximum three for each.

In regard of market characteristics, the risk-reward trade-off in sustainable investments is a key issue.

In general, investors look for the highest possible reward taking the lowest possible risk, which might not always characterize the sustainable investment opportunity.

Concerning regulatory obstacles, the regulatory uncertainty in regards of what the requirements for investments characterized as sustainable entails. Furthermore, issues related to understanding how "green" an investment opportunity is and how trustworthy the certification is.

Question 61: Do you see a role for Member States to address these obstacles through their NECPs (National Energy and Climate Plans)?

- Yes/No/**Do not know**.
  If necessary, please provide details.

The Commission will present a final assessment of the NECPs this autumn, which will give a better impression of what these plans can deliver, and how to use them in the future.

Question 62: In your view, how can the EU facilitate the uptake of sustainable finance tools and frameworks by SMEs and smaller professional investors? Please list a maximum of three actions you would like to see at EU-level

SME's and smaller investors do not necessarily have the same amount of resources available to as bigger enterprises and investors. The EU could motivate these smaller entities to dedicate resources to sustainability by creating simplified tools and possibly more favorable conditions to apply them. However, it is important that the tools and conditions still meet the core requirements of the disclosure and taxonomy regulations.

Question 63: The transition towards a sustainable economy will require significant investment in research and innovation (R&I) to enable rapid commercialisation of promising and transformational R&I solutions, including possible disruptive and breakthrough inventions or business models. How could the EU ensure that the financial tools developed to increase sustainable investment flows turn R&I into investable (bankable) opportunities?

We do not have the information to answer the question at this point in time.

Question 64: In particular, would you consider it useful to have a category for R&I in the EU Taxonomy?

- Yes/No/**Do not know**.

Question 65: In your view, do you consider that the EU should take further action in:

- Bringing more financial engineering to sustainable R&I projects? Yes/No
- Assisting the development of R&I projects to reach investment-ready stages, with volumes, scales, and risk-return profiles that interest investors (i.e. ready and bankable projects that private investors can easily identify)? Yes/No
- Better identifying areas in R&I where public intervention is critical to crowd in private funding? Yes/No
- Ensuring alignment and synergies between Horizon Europe and other EU programmes/funds? Yes/No

- Conducting more research to address the high risks associated with sustainable R&I investment (e.g. policy frameworks and market conditions)? Yes/No
- Identifying and coordinating R&I efforts taking place at EU, national and international levels to maximise value and avoid duplication? Yes/No
- Facilitating sharing of information and experience regarding successful low-carbon business models, research gaps and innovative solutions? Yes/No
- Increasing the capacity of EU entrepreneurs and SMEs to innovate and take risks? Yes/No
- If necessary, please explain your answer.

We do not have the information to answer the question at this point in time.

2.6 Incentives to scale up sustainable investments

Question 66: In your view, does the EU financial system face market barriers and inefficiencies that prevent the uptake of sustainable investments?

- Please express your view on the current market functioning by using a scale of 1 (not well functioning at all) to 5 (functioning very well).

3

- Please specify your answer.

Swift decision-making in the EU is crucial, lengthy discussions and lack of final implementation creates uncertainty amongst the European companies.

Question 67: In your view, to what extent would potential public incentives <u>for issuers and lenders</u> boost the market for sustainable investments?

- Please express your view on the importance of financial incentives by using a scale of 1 (not effective at all) to 5 (very effective).

- In case you see a strong need for public incentives (scores of 4 to 5), which specific incentive(s) would support the issuance of which sustainable financial assets, in your view? Please rank their effectiveness using a scale of 1 (not effective at all) to 5 (very effective).

<u>Types of incentives</u>	<u>Bonds</u>	<u>Loans</u>	<u>Equity</u>	<u>Other</u>
Revenue-neutral subsidies for issuers				
De-risking mechanisms such as guarantees and blended financing instruments at EU-level		5		5
Technical Assistance				
Any other public sector incentives - Please specify in the box below.				

- Please specify the reasons for your answer (provide if possible links to quantitative evidence) and add any other incentives you would like the Commission to consider.

Denmark's Export Credit Agency has experience with financing and de-risking renewable energy projects all over the world. The basic concept for export credit agencies is de-risking export transactions by providing guarantees and loans to mitigate risk in specific transactions. De-risking concepts could be used to promote sustainable projects/financing, if the right institutions and structures are put in place.

Question 68: In your view, to what extent would potential incentives for investors (including retail investors) help create an attractive market for sustainable investments?

- Please express your view by using a scale of 1 (not effective at all) to 5 (very effective).

3

- For scores of 4 to 5, in case you see a strong need for incentives for investors, which specific incentive(s) would best support an increase in sustainable investments? [drop down menu]
  - Revenue-neutral public sector incentives.
  - Adjusted prudential treatment.
  - Public guarantee or co-financing.
  - Other.
- Please specify the reasons for your answer (provide if possible links to quantitative evidence) and the category of investor to whom it should be addressed (retail, professional, institutional, other).

The mention incentives could come in an enormous number of ways, and with varying success. In general, we believe incentives should be well thought through.

Question 69: In your view, should the EU consider putting in place specific incentives that are aimed at facilitating access to finance for SMEs carrying out sustainable activities or those SMEs that wish to transition?

- Yes/**No**/Do not know.
- If yes, what would be your main three suggestions for actions the EU should prioritise to address this issue?

Denmark believes that both elements are important for the SME market. SME's are important to European economy, and should all be part of the green transition and sustainable finance initiatives. Funding for the green transition should, with this in mind, also flow to SME's.However, any incentive must take into account the relevant risks associated with the activity of the SME rather than creating preferential treatment due to falling into the category of "SME".

2.7 The use of sustainable finance tools and frameworks by public authorities

Question 70: In your view, is the EU Taxonomy, as currently set out in the report of the Technical Expert Group on Sustainable Finance, suitable for use by the public sector, for example in order to classify and report on green expenditures?

- **Yes** - please explain which public authority could use it, how and for what purposes.

We do support using the EU Taxonomy in the public sector, and we think that it should be used wherever possible. This could be in the disclosure of green expenditures.

- Yes, but only partially - please explain which public authority could use it, how and for what purposes, as well as the changes what would be required to make it fit for purpose.

N/A

- No - please explain why you consider that it is not suitable for use by public authorities, and how those reasons could be best addressed in your view.

N/A

- Do not know.

Question 71: In particular, is the EU Taxonomy, as currently set out in the report of the Technical Expert Group on Sustainable Finance, suitable for use by the public sector in the area of green public procurement?

- Yes/Yes, but only partially/No /**Do not know**
- If no or yes, but only partially, please explain why and how those reasons could be best addressed.

We have not yet applied the taxonomy to public procure, and thus do not yet have information on the subject.

Question 72: In particular, should the EU Taxonomy[8] play a role in the context of public spending frameworks at EU level, i.e. EU spending programmes such as EU funds, Structural and Cohesion Funds and EU state aid rules, where appropriate? Please select all that apply.

- Yes, the taxonomy with climate and environmental objectives set out in the Taxonomy Regulation;
- Yes, but only if social objectives are incorporated in the EU Taxonomy, as recommended by the TEG, and depending on the outcome of the report that the Commission must publish by 31 December 2021 in line with the review clause of the political agreement on the Taxonomy Regulation.
- No;
- **Do not know**.

Follow-up questions:

- If yes, what role should it play and is the taxonomy, as currently set out in the report of the Technical Expert Group on Sustainable Finance, suitable for the following purposes? Select all that apply:
    - In the context of some EU spending programmes.
    - In the context of EU state aid rules.
    - Other, please specify.

N/A

- If yes, but only if social objectives are included; what role do you see for a social, climate and environmental taxonomy? Select all that apply.
    - In the context of some EU spending programmes.
    - In the context of EU state aid rules.
    - Other, please specify.

N/A

Question 73: Should public issuers, including Member States, be expected to make use of a future EU Green Bond Standard for their green bond issuances, including the issuance of sovereign green bonds in case they decide to issue this kind of debt?

- **Yes**/No/Do not know.
- If no, are there specificities of public issuers and funded projects or assets that the existing guidance on green bonds, developed by the TEG, does not account for?

Denmark supports the EU Green Bond Standard and believes that the EU members should be expected to make use of such for their green bond insuance.

When it comes to designing a Green Bond Standard it is important to keep focus on the end goal – to increase sustainable investments. Therefore it is important that a future Green Bond Standard is constructed so that it embraces more than just conventional green bonds. The Green Bond Standard should include the certificate model that enables small countries to issue green bonds without a loss of liquidity.

2.8 Promoting intra-EU cross-border sustainable investments

Question 74: Do you consider that targeted investment promotion services could support the scaling up of cross-border sustainable investments?

- Yes/No/**Do not know.**
- If yes, please specify what type of services would be useful for this purpose:
  - Information on legal frameworks;
  - Individualised advice (e.g. on financing);
  - Partner and location search;
  - Support in completing authorisations;
  - Problem-solving mechanisms;
  - Other, please specify.

N/A

2.9 EU Investment Protection Framework

Question 75: Do you consider that the investment protection framework has an impact on decisions to engage in cross-border sustainable investment? Please choose one of the following:

- Investment protection has **no impact.**
- Investment protection has **a small impact** (one of many factors to consider).
- Investment protection has **medium impact** (e.g. it can lead to an increase in costs).
- Investment protection has a **significant impact** (e.g. influence on scale or type of investment).
- Investment protection is a factor that can have a **decisive impact** on cross-border investments decisions and can result in cancellation of planned or withdrawal of existing investments.
- **Do not know.**

2.10 Promoting sustainable finance globally

Question 76: Do you think the current level of global coordination between public actors for sustainable finance is sufficient to promote sustainable finance globally as well as to ensure coherent frameworks and action to deliver on the Paris Agreement and/or the UN Sustainable Development Goals (SDGs)?

- Please express your view by using a scale of 1 (highly insufficient) to 5 (fully sufficient).

3

- For scores of 1-2, what are the main missing factors at international level to further promote sustainable finance globally and to ensure coherent frameworks and actions?

As the environmental issues that we are facing are of global character, we do support a more global cooperation in order to handle these issues. In that regard, we would favor that indicators developed by the EU should be promoted globally, in order to achieve one common language on the subject, not just in the EU, but globally. We do find that the taxonomy generally would be suited to be expanded globally, and even though some alterations might be needed, we would support such efforts.

Question 77: What can the Commission do to facilitate global coordination of the private sector (financial and non-financial) in order to deliver on the goals of the Paris Agreement and/or SDGs? Please list a maximum of three proposals.

- Facilitate information campaigns in order to increase the awareness of the market for sustainable product
- Facilitate surveys on best practice among the private sector in order to publish reports for information to the sector
- Provide technical assistance and capacity building on the private sector's role in delivering the goals of the Paris Agreement and mitigating the risk of climate change.

Question 78: In your view, what are the main barriers private investors face when financing sustainable projects and activities in emerging markets and/or developing economies? Please select all that apply.

- **Lack of internationally comparable sustainable finance frameworks (standards, taxonomies, disclosure, etc.);**
- Lack of clearly identifiable sustainable projects on the ground;
- Excessive (perceived or real) investment risk;
- Difficulties to measure sustainable project achievements over time;
- Other, please specify.

Question 79: In your opinion, in the context of European international cooperation and development policy, how can the EU best support the mobilisation of international and domestic private investors to finance sustainable projects and activities in emerging markets and developing countries, whilst avoiding market distortions? Please provide a maximum of three proposals.

EU should help increase the knowledge of the sustainable projects and activities in emerging markets and developing countries. The EU should work towards creating incitements for private investors to finance these projects – this could for example be done by introducing labels to investors investing in sustainable projects in such economies or other initiatives that would create greater visibility of the sustainable projects that companies could use to promote their ESG-strategies. However, this should be done while making sure not to create unnecessary greenwashing-opportunities, and supervising of such projects and activities would then be needed.

Question 80: How can EU sustainable finance tools (e.g. taxonomy, benchmarks, disclosure requirements) be used to help scale up the financing of sustainable projects and activities in emerging

markets and/or developing economies? Which tools are best-suited to help increase financial flows towards and within these countries and what challenges can you identify when implementing them? Please select among the following options.

- All EU sustainable finance tools are already suitable and can be applied to emerging markets and/or developing economies without any change.
- Some tools can be applied, but not all of them. If necessary, please explain.
- These tools need to be adapted to local specificities in emerging markets and/or developing economies. Please explain how you think they could be adapted.
- **Do not know**.

Question 81: In particular, do you think that the EU Taxonomy is suitable for use by development banks, when crowding in private finance, either through guarantees or blended finance for sustainable projects and activities in emerging markets and/or developing economies?

- Yes / Yes, but only partially / no / **do not know**.
- If no or yes, but only partially, please explain why and how the obstacles you identify could be best addressed

N/A

3. Reducing and managing climate and environmental risks

3.1 Identifying exposures to harmful activities and assets and disincentivising environmentally harmful investments

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?

- Yes/**No**/Do not know.
- If no, please explain why you disagree

Denmark does not support a brown taxonomy, as a penalizing system for economic activities, which are not meeting the thresholds in the EU taxonomy. It could unnecessarily dampen a sufficiently strong push to be ambitious in the area of sustainability and transition efforts. Furthermore, it could blur the concept of what is a green activity. Transition measures are sought to be catered for through inclusion in the current taxonomy. This could be further explored. Sustainability and sustainable finance should be a positive upside to businesses and financial actors.

- If yes, what would be the purpose of such a brown taxonomy? (select all that apply)
    - Help supervisors to identify and manage climate and environmental risks.
    - Create new prudential tools, such as for exposures to carbon-intensive industries.
    - Make it easier for investors and financial institutions to voluntarily lower their exposure to these activities.
    - Identify and stop environmentally harmful subsidies.
    - Other, please specify.

Question 83: Beyond a sustainable and a brown taxonomy, do you see the need for a taxonomy which would cover all other economic activities that lie in between the two ends of the spectrum, and which may have a more limited negative or positive impact, in line with the review clause of the political agreement on the Taxonomy Regulation?

- Yes/**No**/Do not know.
- If yes, what should be the purpose of such a taxonomy? Please specify.

N/A

3.2 Financial stability risk

Question 84: Climate change will impact financial stability through two main channels: physical risks, related to damages from climate-related events, and transition risks, related to the effect of mitigation strategies, especially if these are adopted late and abruptly. In addition, second-order effects (for instance the impact of climate change on real estate prices) can further weaken the whole financial system. What are in your view the most important channels through which climate change will affect your industry? Please provide links to quantitative analysis when available.

- **Physical risks, please specify if necessary**

A long term valuation on real estate should take into account the risk that the property is exposed to physical damage due to e.g. flooding. A physical risk assessment / economic quantification is yet to be made. An academic / standardized approach to this challenge should be preferred at the expense of each bank developing its own models.

- **Transition risks, please specify if necessary**

There is an increasing awareness in all sectors of changing operation or products in order to maintain 'license to operate' – an issue that we are informed that Danish financial institutions actively discuss with their corporate customers. In a shorter time horizon, transition risks could have a more immediate impact on the financial system, especially if the transition is abrupt resulting in widespread disruption. Industries that might be impacted by climate pricing/tax legislation could indirectly impact the financial system, e.g. the oil and gas sector, logistics and transportation, beef industry, etc. However, while the international community struggles to meet set climate goals or pledges physical risks could affect the financial system the most in the longer term. Regardless, the financial system is likely to face both risks, as even a successful transition will bring about rising temperatures compared to today, resulting in more extreme weather which can pose a risk to the financial system.

- Second-order effects, please specify if necessary
- Other, please specify

Question 85: What key actions taken in your industry do you consider to be relevant and impactful to enhance the management of climate and environment related risks?

- Please identify a maximum of three actions taken in your industry

1. The EBA action plan on sustainable finance/The ongoing work for an EU green bond standard. 2. Identify high risk sectors by specifying which sectors are most exposed to climate and environment related risks and set lower risk appetite or re-assess ESG guidelines for sectors where the risk is deemed too high and/or direct capital flows to sustainable investments, either through green lending or sustainability focused investments 3. Improving the resilience of relevant portfolios: e.g. help existing customers to transition or ensure that new customers are more resilient than today (stricter selection criteria)

Question 86: Following the financial crisis, the EU has developed several macro-prudential instruments, in particular for the banking sector (CRR/CRDIV), which aim to address systemic risk in the financial system. Do you consider the current macro-prudential policy toolbox for the EU financial sector sufficient to identify and address potential systemic financial stability risks related to climate change?

- Please express your view by using a scale of 1 (highly inadequate) to 5 (fully sufficient).

2

- For scores of 1-2, what solution would you propose? Please list a maximum of three.

We could be surprised by the magnitude of physical risk or by the transitional risks, which is related to the political choices made in the battle against climate change. Therefore, we believe there has to be more focus on risk identification and risk management.

Insurance prudential framework

Question 87: Beyond prudential regulation, do you consider that the EU should take further action to mobilise insurance companies to finance the transition and manage climate and environmental risks?

- Yes/No/**Do not know**.
- If yes, please specify which actions would be relevant.

If action is to be taken it should not be in a way that compromises the protection of the best interests of policy holders.

Banking prudential framework

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?

- Yes/No/**Do not know**.
- If yes, is there any category of assets that could warrant a more risk-sensitive treatment? Are there any other prudential measures that could help promoting in a prudentially sound way the role of the EU banking sector in funding the transition to a more sustainable economy?

We do not have sufficient information to answer at this point in time.

Question 89: Beyond prudential regulation, do you consider that the EU should take further action to mobilise banks to finance the transition and manage climate-related and environmental risks?

- Yes one or both, please specify which action would be relevant
- No.
- **Do not know**.

We do not have sufficient information to answer at this point in time.

Question 90: Beyond the possible general measures referred to in section 1.6, would more specific actions related to banks' governance foster the integration, the measurement and mitigation of sustainability risks and impacts into banks' activities?

- Yes/**No**/Do not know.
- If yes, please specify which measures would be relevant.

At this point the general measures referred to in section 1.6, seems adequate, and they should be allowed to take effect before additional measures and/or demands are made.

Asset managers

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/No/**Do not know**.
- If yes, what solution would you propose?

Whether or not any further requirements or regulation are needed should be explored further before deciding on this matter as current new disclosure requirements including these aspects stemming from the disclosure regulation and delegated acts thereto have yet to come into force.

Pension providers

Question 92: Should the EU explore options to improve ESG integration and reporting beyond what is currently required by the regulatory framework for pension providers?

- **Yes**/No/Do not know.
- If yes, please specify what actions would be relevant in your view.

On this subject we generally support the views expressed already by the EIOPA Opinion from 2019: https://www.eiopa.europa.eu/sites/default/files/publications/opinions/opinion-on-the-supervision.pdf

Question 93: More generally, how can pension providers contribute to the achievement of the EU's climate and environmental goals in a more proactive way, also in the interest of their own sustained long-term performance? How can the EU facilitate the participation of pension providers to such transition?

For all pension providers it is important that increased focus on ESG in the investment portfolios of the pension funds (or other pension providers) is in line with both the ESG-preferences and the risk/return expectations of the pension fund and its members/beneficiaries.

Pension providers can contribute to ESG-goals by either taking ESG into consideration as a general focus in investment planning or by applying high quality information and communication on ESG matters to members if plans contain "freedom to choose" for the members/beneficiaries.
Motivating both the pension providers and the pension savers/beneficiaries to focus more on ESG and to choose ESG-investment options can be supported if EU facilitates the continuous development of the ESG-taxonomy, ESG-product labeling and models as well as methods to measure

ESG-factors (e.g. Co2-emmission exposure). It should also be required to make it possible for pension providers to:

a) apply clear communication towards pension savers/beneficiaries on the ESG profile of all pension products offered to the pension savers/beneficiaries.
b) use harmonized measurements of ESG-exposure on all pension products offered.
c) apply labeling (e.g. EU Ecolabel) to pension products that have an ESG-profile.

Question 94: In view of the planned review of the IORP II Directive in 2023, should the EU further improve the integration of members' and beneficiaries' ESG preferences in the investment strategies and the management and governance of IORPs?

- **Yes**/No/Do not know.
- If yes, how could this be achieved, taking into account that IORPs are collective schemes whose members may have different views on ESG integration?

We are in favor of continuing work on consistent integration of preferences in the investment strategies and decision-making bodies and structure of the IORPS. However, we believe, that focus should rather be on good quality implementation of the rules and on-going initiatives at this time. The ESG-preferences of the pension fund (and for other pension providers) or its members/beneficiaries should be integrated in the investment policies. As part of the identification of ESG-preferences of the pension fund or the members/beneficiaries it is however also very important to clarify whether the pension fund (or other provider) or the members/beneficiaries are allowed to and willing to give up return/risk for an ESG investment profile.

3.3 Credit rating agencies

Question 95: How would you assess the transparency of the integration of ESG factors into credit ratings by CRAs?

- Please express your view by using a scale of 1 (not transparent at all) to 5 (very transparent).

3

- If necessary, please explain the reasons for your answer.

N/A

Question 96: How would you assess the effectiveness of the integration of ESG factors into credit ratings by CRAs?

- Please express your view by using a scale of 1 (very ineffective) to 5 (very effective).

3

- If necessary, please explain the reasons for your answer.

N/A

Question 97: Beyond the guidelines, in your opinion, should the EU take further actions in this area?

- Yes/No/**Do not know.**
- If yes, please specify what kind of action you consider would address the identified problems. In particular should the EU consider regulatory intervention?

N/A

3.4. Natural capital accounting or "environmental footprint"

Question 98: Are there any specific existing initiatives (e.g. private, public or other) you suggest the Commission should consider when supporting more businesses and other stakeholders in implementing standardised natural capital accounting/environmental footprinting practices within the EU and internationally?

- **Yes**/No/Do not know**.**
- If yes, please list a maximum of three relevant initiatives. .

Denmark supports the Commission's ongoing work on Product Environmental Footprint (PEF).

3.5. Improving resilience to adverse climate and environmental impacts[14]

Climate-related loss and physical risk data

Question 99: In your opinion, should the European Commission take action to enhance the availability, usability and comparability of climate-related loss and physical risk data across the EU?

- **Yes**/No/Do not know.
- If yes, please select all that apply:
  - **Loss data**, please explain why.

We believe it is important with increased transparency in order for investors to make well-informed investment decisions. Furthermore, it is preferable for supervisors to learn more about both loss data and physical risk data in order to better supervise the risk management in the financial sector.

  - **Physical risk data**, please explain why.

Please see answer to "loss data".

Financial management of physical risk

Question 100: Is there a role for the EU to promote more equal access to climate-related financial risk management mechanisms for businesses and citizens across the EU?

- **Yes**/No/Do not know.
- If yes, please indicate the degree to which you believe the following actions could be helpful, using a scale of 1 (not helpful at all) to 5 (very helpful) and substantiate your reasoning:
  - Financial support to the development of more accurate climate physical risk models.**4**
  - Raise awareness about climate physical risk.**5**
  - Promote ex-ante "build back better" requirements to improve future resilience of the affected regions and or/sectors after a natural catastrophe. **.5**
  - Facilitate public-private partnerships to expand affordable and comprehensive insurance coverage. **3**
  - Reform EU post-disaster financial support. **3**
  - Support the development of alternative financial products (e.g. catastrophe bonds) offering protection/hedging against financial losses stemming from climate- or

environment-related events.4

- Advise Member States on their national natural disaster insurance and post disaster compensation and reconstruction frameworks. .3
- Regulate by setting minimum performance features for national climate-related disaster financial management schemes.3 .
- Create a European climate-related disaster risk transfer mechanism3.
- Other, please specify. .

Question 101: Specifically with regards to the insurability of climate-related risks, do you see a role for the EU in this area?

- Yes/No/**Do not know.**
- If yes, which actions you would consider to be useful? In particular, is there scope for EU action to improve the offer of products and services for climate-related disaster risk reduction, enhance insurers' potential to promote increased resilience of their policyholders beyond a mere compensatory role? [15]
    - Yes/No/Do not know.
    - If yes, please explain which actions and the expected impact (high, medium, low).

[Indsæt svar]

- If no, please explain.

[Indsæt svar]

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?

- Yes / No / **Do not know.**
- If yes, what action should the EU take? Please list a maximum of three actions.

[Indsæt svar]

4. Additional information

Should you wish to provide additional information (e.g. a position paper, report, further quantitative evidence, other) or raise specific points not covered by the questionnaire, you can upload your additional document(s). Please be aware that such additional information will not be considered if the questionnaire is left completely empty.