

BETTER FINANCE'S FEEDBACK ON THE COMMISSION'S PROPOSAL TO AMEND DELEGATED REGULATION (EU) 2017/2359 WITH REGARD TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE PREFERENCES IN THE DISTRIBUTION OF INSURANCE-BASED INVESTMENT PRODUCTS

BETTER FINANCE, the European Federation of Investors and Financial Services Users, is the dedicated representative of financial services users at European level. It counts about fifty national and international members and sub-member organizations in turn comprising about 4.5 million individual members. Our organization acts as an independent financial expertise centre to the direct benefit of the European financial services users (shareholders, other investors, savers, pension fund participants, life insurance policy holders, borrowers, etc.) and other stakeholders of the European financial services who are independent from the financial industry. As such its activities are supported by the European Union since 2012.

BETTER FINANCE is the most involved European end user and civil society organisation in the EU Authorities' financial advisory groups, with experts participating in the Securities & Markets, the Banking, the Occupational Pensions and Insurance and Reinsurance Stakeholder Groups of the European Supervisory Authorities; as well as in the European Commission's Financial Services User Group (FSUG), and in the European Financial Reporting advisory Group (EFRAG). Its national members also participate in national financial regulators and supervisors bodies when possible.

For further details please see our website: <http://betterfinance.eu/>

BETTER FINANCE welcomes this opportunity to comment on the proposal amending Delegated Regulation (EU) 2017/2359 to include the customer's ESG preferences in the criteria and practical details to be taken into account by insurance intermediaries and insurance undertakings when assessing the suitability of insurance-based investment products for their customers.

Investment firms shall act in accordance with the best interest of their clients and as such, when providing investment advice and portfolio management, they must disclose information on the ESG of each financial product offered to the client before providing investment services.

The asset managers must explain to the client how his or her ESG preferences for each financial instrument is taken into consideration during the advice process.

BETTER FINANCE fully supports this proposal to include ESG considerations during the advisory and product suitability process. However, we have some concerns regarding the proposal.

Firstly, and as raised at several occasions by BETTER FINANCE¹, before requesting institutional investors and assets managers to include ESG's client's preferences in the advisory and product suitability process, we must have an internationally agreed taxonomy in order to determine, for instance, "what is green and what is not".

The Commission has chosen to follow a sequencing approach by first focusing on climate only. However, the proposed amendment to the IDD delegated regulation includes all the three components: "E", "S" and "G".

Secondly, we believe that the Commission should make a clearer reference between the proposed Regulation on disclosures relating to sustainable investments and suitability risks (Proposal COM (2018) 354) 354 and the advisory and product suitability process.

Thirdly, we warn the Commission that the inclusion of ESG considerations/ preferences should not lead providers to comply with the delegated regulation just by constructing funds corresponding to the client ESG preferences without addressing ESG consideration for the rest of the portfolio.

¹ BETTER FINANCE's press release "BETTER FINANCE welcomes EC roadmap towards a more sustainable economy but once again deplors failure to take the interests of EU citizens as pension savers and individual investors into account"
http://betterfinance.eu/fileadmin/user_upload/documents/Press_Releases/en/Other_investors/PR_-_HLEG_Final_Report_-_020218.pdf
http://betterfinance.eu/fileadmin/user_upload/documents/Press_Releases/en/Other_investors/PR_-_HLEG_Final_Report_-_020218.pdf

BETTER FINANCE's press release "BETTER FINANCE welcomes the Sustainable Finance Action Plan but warns the Commission against its plans regarding taxonomy, benchmarking and an eco-label"
http://betterfinance.eu/fileadmin/user_upload/documents/Press_Releases/en/Other_investors/PR_-_Sustainable_Finance_-_210318.pdf