

Response to EU Ecolabel stakeholder consultation

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General comment

The draft criteria proposal is focusing only on the EU Taxonomy and exclusions. As listed on page 7 of the JRC draft technical report, there are a number of sustainable investment strategies. We believe that the Ecolabel would benefit from also considering these strategies. Not least it is important to consider corporate engagement and shareholder actions, since much of the transformation towards a more sustainable world needs to be performed by already existing companies. Strong and large shareholders have a role to play in this transformation.

Given that very few investment funds and insurance-based investment products are currently defining themselves as green or sustainable – according to the JRC preliminary report, only 421 out of more than 80,000 active funds domiciled in the EU28 are green or sustainable today (page 39), while there is no information at all on insurance-based investment products/life insurance products – making the criteria too narrow will mean that even fewer financial products will qualify for the Ecolabel.

The development of the Ecolabel should be aligned to other dossiers on sustainability such as Taxonomy and disclosure Regulation. Contradicting or duplicate provisions would adversely affect both consumers and providers.

It is important that the Ecolabel is developed for all PRIIPs at the same time. The EU Ecolabel scope should not favour a subset of PRIIPs such as UCITS funds (which will be included in the PRIIPs scope in 2022).

- 1.1 Do you agree with the proposal of a set of mandatory criteria for the EU Ecolabel for this Product Group?

While we recognise advantages with the proposal of a set of mandatory criteria for the EU Ecolabel at investment fund level, we note at the same time that a point-based scoring system at product level is often

easier to handle in practice and its application should therefore be further analysed, depending on the proposed requirements to obtain the Ecolabel at product level (see comments on question 2.1), before a decision is taken.

Insurance-based investment products are long-term products. Since products need to comply with the label requirements throughout their lifetime, flexibility is crucial, eg in case some assets are suddenly defined as non-green. For unit-linked products, changes in allocations might also be needed due to investments reasons or in light of the fiduciary duty to policyholders. In this case, flexibility and guidance become crucial at operational level. This will be even more crucial when the Ecolabel will be extended to more complex products, eg funds of funds.

Regarding the verification of the criteria, the insurance sector believes that a more in-depth investigation is required to assess the different options. It is key to identify who should be responsible for what and how through the Ecolabel process. Equally important, the costs and burden from verification and compliance should not end up being an obstacle to the development and offer of green products. In this respect, a too narrow scope would not be consistent with policymakers' objectives to mainstream sustainable finance.

It is key that the criteria are also aligned with the ongoing regulatory work on sustainability, ie the taxonomy and the disclosure regulations. For example, coherence with the EU regulation on disclosures (EU 2018/0179) should be ensured at financial product level to avoid confusing retail investors, eg on the information to be disclosed in the prospectus.

Scope

■ 2.1 Do you agree with initial proposed scope for the EU Ecolabel?

The insurance sector agrees with the initial proposed scope and welcomes the fact that insurance-based products with an investment component are included in the eligible products for the EU Ecolabel. However, the scope should:

- Be expanded to allow a wider spectrum of products to qualify under the Ecolabel.
- Be clarified in terms of how the criteria apply at product level.

While existing labels for fund products could be potentially applied to unit-linked products, the scope of the PRIIPs Regulation is wider and covers many other insurance products. Examples are traditional products and so-called hybrid products that invest in both funds and general pool account of an insurer. These products can be the vast majority in a number of markets.

The insurance industry believes that it is key that a methodology and criteria for all the PRIIPs in scope of the Ecolabel is developed first. The EU Ecolabel scope should not favour a subset of PRIIPs such as UCITS funds (which will be included in the PRIIPs scope in 2022). Similarly, pension products recognised under national law and officially recognised occupational pension schemes (Article 2 e and f of the PRIIPs Regulation) should also be included within the scope of the Ecolabel, even if they are excluded from the scope of the PRIIP regulation. This would also be in line with other dossiers on sustainability where these products are included in scope.

With respect to the criteria, care should be taken to specify how they apply at the level of the insurance-based products. Specifically:

- How could an insurance-based product with an investment component be eligible for the Ecolabel, if it also includes a general fund component?
- If one investment component (a unit-linked account) complies with the criteria of the EU Ecolabel, is this sufficient to ecolabel the product (eg in the case of a life-insurance product which includes a general fund component and several unit-linked accounts)?

Attention should be given to the fact that current criteria are not at all applicable to the general fund/account, as component of an insurance-based product. The general account does not only invest in equities and bonds, but also in infrastructure, real estate, participation and other assets where there is no methodology for the assessment of their greenness. However, it will result in an unlevelled playing field if such products were excluded as a first step until a methodology for them is developed. Consumers would assume that they are not green.

As a final remark, there seems to be an error in the wording of the proposal (page 17 of the draft technical report). It only mentions "fund managers" and does not make any mention of "insurer": "This product group shall comprise ... financial products that are provided as a service by a **fund manager**...". Obviously, only an insurer can provide insurance-based products. The wording should therefore be: "financial products that are provided as a service by a **fund manager or an insurance undertaking**...".

- 2.2 Do you think other financial products/services should be included that are not covered in the initial proposed scope?

See response to previous questions.

- 2.3 To what extent could savings and deposits be included within the scope in the future given the need to be able to identify specific uses of the money held in them as being 'green'?
- 2.4 While bonds are included as underlyings to investment funds, to what extent could retail bond products themselves be included within the scope in the future, with verification of their greenness based on the Green Bond Standard?
- 2.5 Are there any other financial products or retail investment opportunities that could be considered for a future scope?

All PRIIPs should be included in the scope of the Ecolabel at the same time. The PRIIPs regulation was developed to ensure cross-product comparability, meaning that consumers should be able to easily compare different types of financial products based on a key set of information. To further ensure comparability and to have a level playing field, a one-time inclusion of PRIIPs in the scope of the Ecolabel is preferred to successive changes in scope.

The insurance sector also welcomes the gradual extension of the Ecolabel to other products. In addition, pension products recognised under national law and officially recognised occupational pension schemes (Article 2 e and f of the PRIIPs Regulation) should be included within the scope of the Ecolabel as early as possible, even if they are excluded from the scope of the PRIIPs Regulation. This would also be in line with other dossiers on sustainability where these products are included in scope.

Criterion 1: Thresholds on green investment portfolio and economic activities

→ **Relating to green economic activities**

- 3.1 Is there a way to address economic activities not yet featured in the current version of the EU Taxonomy and its technical criteria?

No. While acknowledging the importance for financial market participants to have rapidly in place an EU Ecolabel, the insurance sector stresses the need for coherence with the ongoing work on the EU taxonomy. We therefore see no way to address economic activities not yet featured in the current version of the EU Taxonomy and its technical criteria.

→ **Relating to green investment portfolio value**

- 3.2 How could the revenue for a parent group with number of daughter companies and their share be handled?

This issue should be addressed at the taxonomy level. The issue will be the same when investors will want to assess their green investments.

- 3.3 How should assets held in other investment funds be treated within this criteria? Do they require any special form of verification?

In case of funds, a “look through” approach is very difficult to implement. Thus, we suggest that the underlying funds should comply with the EU Ecolabel criteria at their own level.

- 3.4 To what extent should real estate also be considered as a specific asset within the portfolio verification? If so, how could its performance be verified?

Real estate is a typical investment of insurers. It should be addressed in the criteria list. In this respect, the sector believes that criteria should be coherent with the taxonomy criteria (see TEG proposal for “Buildings”: 13.1 Construction and 13.2 Renovation of existing buildings (residential and non-residential), page 101-107).

- 3.5 Should assets for which verification of greenness is not required be included within the total portfolio asset value?

Yes

- 3.6 Should any type of criteria on trading practices and/or use of funds be applied to derivatives and cash?

- 3.7 Does the assessment and verification require any specific parts to be tailored to individual products within the scope?

See comments on question 3.1. Proposed criteria are not applicable at product level to date. Thus, when the criteria will be designed at product level, the assessment and verification should be tailored at product level.

Applicants are required to provide “the green investment policy of the applicant”; and “portfolio statement and prospectus”. We note that insurance products are not covered by the Prospectus Directive, since there are other information requirements for these products (pre-contractual information and Key Information Document (KID)). Furthermore, we question that the green investment policy is connected to applicant instead of the product. Finally, it is not clear what a “portfolio statement” is in relation to insurance products.

Criterion 2: Exclusions based on environmental aspects

- 3.8 Do you think the proposed environmental exclusions should be expanded to include more economic activities?

We believe the Ecolabel should be aligned with the taxonomy proposal which does not define to date a ‘brown list’ of investments. It is important that all economic sectors are encouraged to participate in the transition to sustainability. For example, the exclusion criterion *non-ratification of the Paris Agreement* could mean that in the near future investments in United States Government Bonds are excluded.

- 3.9 Do you think the partial exclusions threshold should apply to each company’s activities or to the portfolio as a whole? If it should apply at portfolio level, should it be set differently for specific sectors?

We agree with the suggested application of the partial exclusion threshold to each company’s activities.

Criterion 3: Exclusions based on social & ethical aspects

- 3.10 Do you think the proposed exclusions list on the basis of social & ethical aspects should be enriched with more activities?

No, exclusions should ensure that social objectives are not jeopardised while the focus should be on environmental issues. The sector agrees that social exclusions are key but these should be based on a comprehensive set of social objectives that should be clearly indicated in the taxonomy regulation. Introducing exclusions would implicitly also introduce social objectives without setting a common definition at the level of the taxonomy.

We believe that any exclusions should be based on and aligned with the taxonomy, which does not define to date a ‘brown list’ of investments. Exclusions based on social and ethical aspects of the EU Ecolabel should not go further than the minimum social safeguards that will be retained in the taxonomy regulation. A positive approach is preferred to encourage all sectors to participate to the sustainability transition.

- 3.11 Do you think it may be appropriate to also exclude poor corporate management practices and/or poor human capital development? If yes, how it will be possible to verify such exclusions?

The exclusion of companies that contravene the ILO's eight fundamental labour conventions and the UN Global Compact's Principles is already a way to exclude poor human capital development practices. We do not think it would be appropriate to add other criteria than the ones already proposed in the technical report.

Criterion 4: Retail investor information

- 3.12 What will be a reasonable interval for monitoring and reporting information to the consumers?

An annual information to the consumers is a reasonable interval. However, we are concerned by the numerous information to be provided to the consumer. We believe the purpose of the Ecolabel is to provide simple and clear information with the ecolabel logo and the optional text box. Criterion 4 seems redundant as transparency and communication to consumers will already be ensured by the requirements of the regulation on disclosures relating to sustainable investments and sustainability risks.

Yearly information is common and should be used here. IBIPs are long-term products with recommended holding periods of 30 years and more. A more often monitoring and reporting would result in information overflow.

Regarding the requirements for assessment and verification, see answer to Question 3.7 about prospectus, green investment policy and portfolio statement.