

## DDV response on the JRC Technical Reports

### Development of EU Ecolabel criteria for Retail Financial Products

06 May 2019

#### Questions to stakeholders

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

The DDV strongly disagrees with the scope currently envisaged for the EU Ecolabel for financial products. The DDV agrees with the Joint Research Centre's view that financial products typically offered to retail investors should be covered at a first stage. The DDV also welcomes the objective of promoting mainstream green finance. Currently, retail investors are strongly underrepresented in the market for sustainable financial products, which is mainly driven by the investment demand of institutional investors. In our view, this is also the reason why financial derivatives instruments that are also PRIIPs are nearly absent in the market for sustainable investments, and thus also not covered by most national labels and schemes.

However, any official label that seeks to promote the mainstreaming of green finance and / or sustainable finance should, in principle, cover any product that is a) already offered to retail investors and contributes (or could contribute) to greater sustainability (like certain structured products), and b) has a focus on promoting sustainability and could potentially be offered to retail investors (like green bonds).

The revised suitability test under MiFID II requires that, in future, investment firms ask for investors' ESG preferences when providing investment advice. This could also fuel the demand for sustainable financial products. The market will most certainly respond to increasing demand. To avoid jeopardising the other financial needs of potential investors (especially liquidity and risk preferences), it is of the utmost importance to define the potential scope – with regard to asset classes as well as financial products – as broadly as possible. Even though sustainable financial products are not per se riskier or less liquid than conventional products and some may even be superior to the latter in respect to returns, the assessment or investment approach – be it for instance a thematic focus or rather a best-in-class approach – clearly plays a decisive role in realising the positive effects. From an individual investor's perspective, the possibilities for risk diversification should not be hampered in any way.

In addition, it is not acceptable for an official label to prefer one particular product over another when the potential benefit with regard to sustainability is basically the same, or at least very similar. This

would also contradict MiFID principles which do not know any preference with regard to asset classes when it comes to retail distribution.

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

Yes, the DDV believes that all PRIIPs should be covered in the scope (please see also our answer to question 2.1). Even though the market has less experience assessing financial derivative instruments such as structured products, it is still possible to develop an evaluation scheme. This is the case, for example, in Belgium, where the industry association Febelfin created and announced quality standards for sustainable and socially responsible financial products early this year. These standards cover a wide range of financial products. The DDV strongly believes that, in the very near future, market standards for structured products will evolve in other jurisdictions as well. The EU Ecolabel should not stay behind national labelling schemes.

**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?**

Please see our answer to question 2.1. The DDV believes that any product with a focus on sustainability and the potential to be offered to retail investors should be covered.

**2.5 Are there any other financial products or retail investment opportunities that could be considered for a future scope?**

Please see our answer to question 2.1. The DDV believes that any product already offered to retail investors that could (potentially) contribute to greater sustainability (like certain structured products), as well as products that currently promote sustainability and have the potential to be offered to retail investors (like green bonds) should be covered right from the outset, particularly as no concrete timeframe for the broadening of the scope in the near future has been proposed.