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Press release

Sustainable finance steps to the forefront

The High-Level Expert Group (HLEG) on Sustainable Finance established by the European Commission in December 2016 published its final report today "Financing a Sustainable European Economy". The aim is that the recommendations in the report will influence the EC action plan that is expected in March 2018.

The report includes recommendations that are very important for pension funds. One of them is a new definition of Investor Duty whereby pension funds should ensure that they have a sound understanding of the broad range of interests and preferences of their members and beneficiaries, including ESG factors. Pension funds should consult their members and beneficiaries on their sustainability preferences and reflect those in the fund's investment strategy.

Matti Leppälä, Secretary General/CEO of PensionsEurope said:

"*This report sets out a vision for a more sustainable financial system that aligns capital with the broader values of society. It could widen the choice of sustainable investments and create a common language for the markets through an ESG classification, thereby supporting the many pension funds that already take environmental, social and governance issues on board in their investment decisions and engagement strategies.*

At the same time, there are countless different ways in which pension funds do responsible investments, depending on national traditions, the type and size of the fund, the position of the sponsoring company and the role of the social partners. The EU should stay clear of any prescriptive one-size-fits-all approach. The number of pension funds that choose to pro-actively invest according to ESG criteria is growing and will continue to do so."

The report includes suggestions on revising the European pension fund directive IORP II. Matti Leppälä said:

"The new IORP II Directive is already very advanced and includes many new provisions on ESG, as part of risk management and investments. It would be advisable to first see the impact of these new rules before expanding them."

The report also envisages a stronger role for the European supervisory authorities to supervise how regulated entities consult their beneficiaries and reflect nonfinancial preferences into investment strategies. This recommendation refers to level 2 and 3 regulation.

Matti Leppälä said: *"It is important to note that the IORP II Directive doesn't include these delegated acts and that it is also not the role of EIOPA to supervise pension funds directly."*

About PensionsEurope

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

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

PensionsEurope also has **26 Corporate and Supporter Members** which are various service providers and stakeholders that work with IORPs.

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

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

What PensionsEurope stands for

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

Our members offer

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

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