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CMU Mid-Term Review

Sustainability Now!

A report by Friends of the Earth Europe, Action Aid, Finance Watch & SOMO

Introduction

The Capital Markets Union (CMU) aims to stimulate the EU economy by further integrating the capital markets of Member States. The Action Plan on Building a Capital Markets Union was launched in 2015 with a four-year plan that included a Mid-Term review in 2017 to assess progress made. The Mid-Term Review included a public consultation that opened on 20 January 2017[1]. The stated purpose of the consultation was a Call for Evidence on the progress of the CMU.

A number of civil society organisations submitted responses to the Call for Evidence, including Friends of the Earth Europe, Action Aid, Finance Watch, SOMO, Global Witness and WWF. Both the summary of the responses to the Call for Evidence and the Commission's plans for going forward omitted the sustainability agenda and the other concerns raised by civil society organisations. This report outlines the priorities for integrating environmental, social and governance (ESG) matters into the CMU, and financial regulation more broadly.

ESG matters should be understood with reference to binding international human rights law incorporated in the treaties which make up the International Bill of Human Rights, ILO Conventions and binding environmental protection treaties, including the Paris Climate Agreement and soft law instruments including the UN Guiding Principles on Business and Human Rights. A holistic understanding of ESG is crucial to linking the concept of sustainable finance, which the Commission is currently promoting, to sustainable development.

The Mid-Term Review and subsequent regulatory activity as part of the CMU should include sustainability as a core element and provide for dialogue with civil society stakeholders to ensure the views of consumers, savers and the wider public are factored into the policy process. The CMU is supposed to be a cornerstone of a European economy that delivers for the people of Europe, and it is crucial to ensure there is room for diverse views and interests from various sectors of society, and that the process is not dominated by vested interests.

Failing to properly engage civil society in discussing the future of the EU's capital markets would be a missed opportunity to ensure public acceptance of future EU strategy and policy, and to guarantee democratic decision-making based on dialogue with citizens and civil society. It also jeopardises the EU's attainment of its sustainability objectives.

Background

The European Commission presented its Action Plan on Building a Capital Markets Union in September 2015, with a four-year plan including a Mid-Term review in 2017 to assess progress made[2]. On 30 September 2015, the Commission released a public consultation called 'the Call for Evidence: EU regulatory framework for financial services', which closed on 31 January 2016. However the results of the consultation were not published until 23 November 2016.

In April 2016, the Commission published its First Status Report[3] to evaluate the progress achieved under the CMU Action Plan and held a public hearing in Brussels in May 2016[4]. In September 2016, the Commission then released a communication on the need to accelerate the CMU initiative[5].

A public consultation was subsequently opened on 20 January 2017 with the stated purpose of obtaining responses from stakeholders on the progress of the CMU, as well as comments on how the CMU initiative may be updated to achieve its objectives. The outcome of the consultation was presented at a public hearing hosted by the European Commission on 11 April 2017. The College of Commissioners will then discuss the review on 7 June 2017 and the ECOFIN Council will hold its own discussions on 16 June 2017.

1 European Commission (2015), Call for Evidence: EU Regulatory Framework for Financial Services http://ec.europa.eu/finance/consultations/2015/financial-regulatory-framework-review/index_en.htm
2 The Commission had previously published a Green Paper in February 2015, and a public consultation in spring 2015.
3 European Commission (24 April 2016), Capital Markets Union: First Status Report, SWD(2016) 147 final
4 https://ec.europa.eu/info/finance-events-170411-cmu-mid-term-review_en
5 European Commission (14 September 2016), Capital Markets Union - Accelerating Reform, CTM(2016) 601 final

Analysis of the Call for Evidence

Undue delay in publishing results of the Call for Evidence
Before addressing the content of the Commission's Summary of Contributions to the 'Call for Evidence'[6] (the 'Summary'), it is necessary to examine the process. The 10-month delay between the closure of the Call for Evidence and the publication of its results was excessive. We think that the public input should have been analysed and published prior to the Commission making any further progress on the CMU initiative. The failure to timely release the results of the Call for Evidence effectively precluded the public from understanding or participating in the subsequent policymaking process with an adequate level of data and information about the positions of relevant stakeholders, e.g. at the public hearing in May 2016.

Mischaracterisation of support for the CMU The Commission received 288 responses to the Call for Evidence from respondents in 25 countries, including 5 non-EU countries. The vast majority of responses came from industry associations (218), including 100 respondents from the banking sector, 79 from investment managers, 50 from the insurance industry, and 30 from pension providers[7]. A total of 19 responses were received from civil society, of which six were from NGOs[8].

Effective consultation and engagement clearly requires that the responses received to the Commission's consultations be properly considered and responded to. Yet the Commission's Summary mischaracterises the responses to the Call for Evidence. The Summary claims that "Overall, stakeholders did not dispute the reforms of recent years and many expressed support, highlighting the benefits of the new rules."[9] The accompanying press release goes further to claim that the Call for Evidence:

> *Received hundreds of responses from stakeholders, which confirmed that the overall framework is working well and supports financial stability, increased transparency and protection of investors and consumers. The results of the Call for Evidence will build on this framework to support growth and help legislation work better. The feedback received has supported some key reforms to improve access to finance for SMEs and investment projects.*

This entirely ignores concerns raised by respondents such as Friends of the Earth Europe, Global Witness and Action Aid, who stated:

> *The Action Plan which has emerged from the consultation on the CMU Green Paper has an important role in supporting... major initiatives in channelling funds and innovation into sustainable growth. However, there is little in the outcome of the consultation to suggest any real attempt to couple the EU financial sector to the other wider international goals and commitments, and to manage systemic risks relating to climate change and wider environment, social and governance (ESG) risks.*

Given the overwhelming response rate from industry associations, it was especially important for the European Commission to consider the responses of NGOs, which represent the interests of ordinary European citizens and people living in poverty we work with in the Global South. The EC should be weighing and balancing the different kind of interests and stakeholders, irrespective whether the number of rseponses, Moreover, the questions of the consultations should be made more accessible to citizens.

Exclusion of ESG issues The concerns raised in the contributions to the Call for Evidence from civil society organisations were completely ignored[10]. The Annex outlines the responses of six organisations, namely Friends of the Earth Europe, ActionAid, Global Witness, WWF, Finance Watch, and SOMO, specifically with respect to ESG matters.

The Summary of the Call for Evidence does not include a single reference to any of the issues raised with respect to ESG by any respondent. Indeed, the only indirect mention is found in response to a question on 'rules affecting the ability of the economy to finance itself', where it is stated that the Commission's amendment to the Solvency II Delegated Act was perceived by respondents as an "important step in helping to channel capital to the infrastructure and long-term sustainable projects that Europe needs to create jobs. Some also called for an extension of this new measure to infrastructure corporates."[11] However this issue was not raised by civil society and no definition of "sustainable projects" is given, which means that it is unclear whether it means environmentally or financially sustainable.

6 http://ec.europa.eu/finance/consultations/2015/financial-regulatory-framework-review/docs/summary-of-responses_en.pdf
7 Multiple replies were possible, which explains why the number exceeds 288.
8 It is not entirely clear how the Commission arrived at the number of 19 civil society responses because it defines 'civil society' as 'advocacy, unions and NGOs' (table 3, p. 5) without explaining which respondents qualify as 'advocacy'. Table 2 says that the Commission received 6 NGO responses, 3 from trade unions, 7 from consumer organisations and 4 from think tanks, which would equal 20. There is no combination of respondents that would equal 19. It may be that one organization indicated that it belonged to more than one category.
9 P. 3
10 http://ec.europa.eu/finance/consultations/2015/financial-regulatory-framework-review/index_en.htm
11 Issue 1, p. 9

To be effective, engagement and consultation must include civil society at every stage of the policy process, including the initial outlines of policy, and when reviewing policy effectiveness.[12] Given the complexity of EU financial market regulation, it is extremely rare for individuals to possess the expertise and resources necessary to respond to public consultations. For the system of EU public consultations to function correctly, it is therefore imperative that public interest organisations such as NGOs be able to give input. The Commission itself has recognised the importance of early consultation and sharing with civil society groups.[13]

Urgency of integrating sustainability into financial regulation

There is increasing global awareness of the urgent need to link sustainability and finance. The breadth and prominence of actors calling for the integration of ESG factors into finance reflects the critical importance of sustainability in ensuring shared prosperity, financial stability and in aligning finance with sustainable development. For example, a large number of relevant institutional stakeholders are calling for the integration of sustainability as a key part of finance and financial regulation, including:

- Respondents to the Commission's **consultation on long term and sustainable investment** in Spring 2016;[14]
- The European Systemic Risk Board, the Bank of England, the Dutch Central Bank, the Swedish Financial Authority, and the Central Bank of Finland issued **reports on potential climate-related systemic risks for financial stability** and the need for enhanced disclosure and 'carbon stress tests';[15]
- **France** published in January 2016 the implementing act for the Article 173 of the Energy Transition bill, which requires investors to disclose (in their own way) climate information, including on how they are contributing to the energy transition. As a result investors will start reporting on that basis in 2017;[16]
- For the first time ever, the **ECOFIN Council** discussed the issue of sustainable finance in April 2016;[17]
- The European Commission published a report on the **green bonds** market in December 2016, recommending EU green bonds standards;[18]
- At the global level, the **G20 Green Finance Study Group** published its first report in August 2016, endorsed by the G20 Heads of State that recognized for the first time the need to 'scale up green finance'. The G20 Green Finance Study Group continues under the German presidency amongst others with work on 'green' stress testing, environmental risk assessment, and research on publicly available environmental data;[19]
- The **FSB Task Force on Climate-related Financial Disclosure (TCFD)** issued its draft final report with recommendations with voluntary disclosure guidelines in December 2016, and will publish the final report, after opening a period for consultation, in June 2017;[20]
- The OECD has published "Key considerations for institutional investors in carrying out due diligence under the OECD Guidelines for Multinational Enterprises: Responsible business conduct for institutional investors".[21]

The Commission's consultation on the CMU midterm review[22] itself notes that a stronger push is needed to promote sustainable finance. It states:

> *Capital markets remain under-utilised to redistribute capital from polluting industries into environmental technologies, and investors do not sufficiently integrate wider sustainability factors into investment decisions, as evidenced by the recent public consultation on long-term and sustainable investment. At the same time, the increasing development of sustainable finance flow can make a sizeable contribution to the achievement of EU as well as internationally agreed climate and environmental goals (e.g. Paris Agreement).*

The creation of the High Level Expert Group on Sustainable Finance is a welcome initiative. However the concern is that it will produce its recommendations too late for them to be integrated into the CMU midterm review. There will be a conference on 18 July 2017 to present the interim results of the HLEG and the final report and recommendations will be published at the end of its term in late 2017. We recommend that the Commission support the Expert Group's review of complex and long-term issues but that it move forward with immediate action on the key priorities identified in this report as part of its CMU reform.

12 The Mandelkern report (2001) states that "To be effective, consultation must start as early as possible. Interested parties should therefore be involved in the development of a policy at a stage where they can still have an impact on the formulation of the main aims, methods of delivery, performance indicators and, where appropriate, the initial outlines of that policy. Consultation at more than one stage may be required."

13 European Commission 2001, White Paper on European Governance

14 http://ec.europa.eu/justice/newsroom/civil/opinion/151211_en.htm

15 See "NGO recommendations for the midterm review of the Capital Markets Union" (February 2016).

16 https://www.legifrance.gouv.fr/affichLoiPubliee.do?idDocument=JORFDOLE000029310724&type=echeancier&typeLoi=&legislature=14

17 Discussion based on document prepared by the Dutch Central Bank (DNB) which is continuing to work on sustainability issues with the Dutch financial industry.

18 http://ec.europa.eu/environment/enveco/pdf/potential-green-bond.pdf

19 http://unepinquiry.org/g20greenfinancerepositoryeng/

20 https://www.fsb-tcfd.org/publications/recommendations-report/

21 http://mneguidelines.oecd.org/rbc-financial-sector.htm

22 https://ec.europa.eu/info/file/76178/download_en?token=YzBmWq-m

Opportunities for mainstreaming ESG into financial market regulation

The list below contains legislative files and policy initiatives that are on-going or forthcoming where there is an opportunity to integrate ESG considerations, as set out in the responses to the Call for Evidence above. Further information about proposed action may be found in the annex to this report and in our responses to the Call for Evidence.

Instrument	Details
Institutions for Occupational Retirement Provision (IORPs II) Directive	Concluded in December 2016. The IORPs Directive[23] partly clarified the ESG issue by requiring occupational pension funds to integrate material ESG factors in their risk assessment process but the Commission should provide guidance during the transposition of the IORPs Directive in national legislations, which should clarify that ESG risks are to be integrated into the fiduciary duties of institutional investors. It may be appropriate for the Commission to issue a separate recommendation on this issue of ESG integration into.
STS Securitisation	This file has now entered trialogue negotiations. Parliament has introduced amendment that would require mandatory ESG disclosure to obtain the simple, transparent and standardised (STS) securitisation label and to demonstrate the link of the feed up capital to the real economy.
Action Plan on retail financial services	To be published in 2017, including a proposal for a Pan-European Personal Pension, which should be consistent on ESG issues with IORP II.
ELTIF	Retail and institutional investments in long term and ESG-related investment funds with listed and non-listed securities should be facilitated.
AIFMD	To be reviewed in 2017. It is an opportunity to introduce ESG-related requirements in the risk management process (assessment, disclosure, implementation, governance).
UCITS	There is a need for inclusion of ESG factors in due diligence processes.
PRIIPs	To be reviewed in 2018. Retail and institutional investments in long term and ESG-related investment funds with listed and non-listed securities should be facilitated.
Further opportunities for mainstreaming ESG	
High Level Expert Group on Sustainable Finance[24]	In September 2016, the European Commission announced the creation of a High-Level Expert Group on sustainable finance, with the aim of proposing a comprehensive EU strategy on sustainable finance by end of 2017. It will hold a conference in July 2017 to discuss interim results.
Anti-Money Laundering Directive	Will be reviewed in 2017. The integration of ESG factors into Know-Your-Client due diligence requirements should be considered.
DG Environment Study on ESG Definition	Expected in 2017. A robust definition is crucial.
Non-Financial Reporting Directive	The Commission has published the draft Non-Financial Reporting Guidelines. The final version is expected before summer 2017. The mid-term review of the Directive is expected in 2021. Monitoring and enforcement of the Directive's requirements will be crucial to its success.

23 http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52014PC0167
24 http://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupDetail&groupID=3485

Conclusion

As the EU is increasingly exerting its regulatory power in the area of financial market regulation, European policy must be critically examined to ensure there are participatory processes that reflect the interests of ordinary EU citizens and the environment. EU policymaking typically involves consultation with relevant stakeholders, however it is generally unclear what impact this engagement has on ensuing policy. The lack of transparency and clarity in EU policy is particularly problematic in areas where there are fundamental conflicts of interest between the interest of industry players and the broader economic goals of the EU, the impacts of its policies on developing countries and the interests of EU citizens. Such is the case for the regulation of financial market.

It is therefore crucial that the outputs of consultations such as the Summary of the Call for Evidence accurately reflect the input of all stakeholders, not simply the financial industry. The danger is that if the Commission summarises the results of its consultations based solely on the feedback of the financial sector and a limited number of other stakeholders, while ignoring the contributions of civil society, then the interests of EU citizens and the environment will be entirely excluded from the subsequent policymaking process.

It is urgently necessary for the EU to integrate sustainability into the CMU, given the need to tackle climate change and energy transition, as well as address human rights impacts and social inequality. Rebuilding trust in the European project depends on the capacity of crucial reforms such as the CMU to deliver for the people and the planet. We call on the Commission to not only listen to industry but also take the recommendations of NGOs into account.

Implicit in our request is that :

1. Financial regulatory legislation include language obliging the financial industry to exercise due diligence to avoid negative ESG impacts, which cannot be achieved through mechanisms
of voluntary self-regulation alone.
2. The Commission adopt a definition of ESG that is line with that outlined at the beginning of this report.
3. The Commission should further refrain from promoting investment models that result in the large-scale transfer of tenure rights to investors, in line with Article 12(6) of the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGGT). Free, Prior and Informed Consent (FPIC) should also be secured from all affected communities, for all land and natural resource-based investments it supports through lending.

Further details regarding our recommendations integrating sustainability into the Capital Markets Union: are contained in the Annex to this report.

Annex

Summary of the responses to the Call for Evidence from six NGOs: Friends of the Earth Europe, Action Aid, Global Witness, WWF, Finance Watch and SOMO:

Question	Friends of the Earth Europe, Action Aid, Global Witness
1 Unnecessary regulatory constraints on financing	Long-term prosperity & economic stability require ESG integration. There is a lack of policy coherency between CMU & EU2020, Roadmap to Response Efficient Europe & 7th Environment Action Programme, as well as SDGs. CMU barely mentions sustainability or ESG issues. We are concerned about reintroducing securitization, as well as the ample use of 'comply or explain' principle, such as in the SRD (SRD, NFR & support of Green Bond Initiative, which relies on self-regulation). The CMU is an opportunity to increase transparency & ESG integration to promote efficiency & sustainability but as it is now, the CMU fails to mainstream ESG.

Question	Friends of the Earth Europe, Action Aid, Global Witness	WWF	Finance Watch
3 Investor and consumer protection	**IORPII**: Welcomes art. 29 (& Recital 41) that included qualitative assessment of climate & environmental risks. **SRD**: Concerned by arts. 26 & 29 limitations on threshold for applicability to institutions. Use of ESG inconsistent. **Recommendations:** **IORPII**: Clarify fiduciary duty/ prudent person principle regarding ESG. Quality of SIPPs should be improved. Need for support & codification of best practices to prevent market fragmentation. **PRIIPs**: Need for clear criteria/ procedures to verify ESG impact of investments. This information should be included in KIDs. The Commission should integrate this issue into its mandatory review of the Regulation in mid-2018. **UCITS**: Need for inclusion of ESG factors in due diligence processes, in the form of regulatory standards (art. 23). Need to address risk of land grabbing by agribusiness companies that UCITS invest in by reviewing eligible assets, e.g. UCITS ETF should not be permitted to invest in farmland acquisition or agribusinesses associated with land grabbing. **ELTIF Regulation**: Amend the Regulation to include requirement for asset managers launching ELTIFs to disclose ESG policies. Ban ELTIFs from investing in land grabbing. **AIFMD**: Unclear extent to which due diligence & risk analysis in art. 15 includes ESG, e.g. land grabbing. Therefore should include ESG in risk assessment/mitigation/ due diligence measures as part of 2017 review by Commission & development of delegated technical standards.	Financial regulation fails to integrate ESG. ESG integration improves financial performance. WWF provided evidence and made recommendations to fix this failures in: **1 PRIIPs**: Require retail investment disclosure on ESG in KIDs. **2 UCITS**: Align UCITS KID with PRIIPs KID, including on ESG issues to ensure policy coherence & mainstreaming. Propose ESG factors to be included in due diligence process as regulatory standard. **3 IORP II**: Include ESG in risk assessment (recital 41 & art. 26). Integrate ESG in 'prudent person principle'. Include ESG in investment decisions (art. 22). Make annual accounts & annual report public. SIPPs should be public & include more ESG info. **4 AIFMD**: Integrate ESG into due diligence (art. 15(3a)) & risk analysis (art. 15(3b)). **5 ELTIF**: Require report on ESG integration. Require asset managers to disclose ESG policy. Require ESG integration for investments outside EU.	Supports definition of common standards & definitions in sustainable finance due to rise of green bonds & to promote investor trust. Issues include lack of additionality in carbon-offset projects financed by green bonds. Welcomes creation of HLEG on sustainable finance. Calls for inclusion of sustainability in financial policymaking, esp. SDGs, e.g. amendment of DG FISMA mission statement to include sustainable finance goals.

Question	Friends of the Earth Europe, Action Aid, Global Witness	WWF
6 Reporting and disclosure obligations	**Shareholder Rights Directive**: Strongly support art. 3f requirement for engagement policies on ESG. Concerned if it applies only on comply or explain basis. UK experience with Stewardship Code demonstrates that comply or explain is not overly onerous but many investors will avoid becoming more transparent, responsible or engaged. Swedish Corporate Governance Code is clearer on comply or explain. Engagement policies should explicitly include ESG risks. **Prospectus Directive**: The current directive contained no reference to ESG issues. The review of the Directive should introduce ESG risk assessment/mitigation/due diligence requirements. There should be mandatory disclosure by agribusiness or land tenure project issuers of shares or bonds how they avoid harmful ESG impacts. **Solvency II**: Fails to clearly require insurers to account for ESG risks in their internal models & systems. EIOPA should be encouraged to require risk class descriptions to include ESG risks. Guidelines on FLAOR should integrate ESG. UK PRA will consider climate change in its existing framework & supervisory approach; Commission could take account of these developments. **CRDIV**: Risk assessment & management methodologies used by banks have been updated. Until now, no inclusion of ESG issues. Research has highlighted this gap. Commission should work with EBA to require large banks wishing to use IRB approach to integrate ESG criteria in their risk assessment. **CRA Regulations**: CRAs contributed to crisis through opaque ratings methodologies. Hope that ESG integration into internal risk management of financial institutions will reduce reliance on CRAs for risk analysis. Commission should ask ESMA to issue regulatory standards requiring CRAs to better integrate ESG into their analyses, which remain weak.	ESG is inconsistent, insufficient & not standardized. WWF recommended changes to: **1 Non-Financial Reporting Directive**: The Commission's forthcoming guidelines should direct companies to integrate ESG issues, ensure reporting on due diligence & risks to give understanding of impacts of company's activities, clarify safe harbour clause. **2 Prospectus Directive**: Integrate ESG criteria into risk assessment. **3 Solvency II Directive**: Stimulate EIOPA to integrate ESG risks & design risk calibration for green climate-resilient infrastructure projects. **4 Shareholder Rights Directive**: Include ESG in engagement policy (art. 3f(1b)). Clarify stakeholders & comply or explain. **5 Credit Ratings Agencies Regulation**: Incentivise ESMA to develop regulatory standards requiring CRAs to integrate ESG.

Question	Friends of the Earth Europe, Action Aid, Global Witness	WWF
11 Definitions	Concerned by lack of clear & consistent definitions of ESG & ESG risks across EU financial regulation, e.g. ELTIF Regulation, IORPII, Prospectus Directive. ESG has not yet been integrated in prudential level legislation. UK PRA is reviewing how climate change may be incorporated into solvency modelling. Commission should consider this issue. Commission should integrate all ESG matters, not solely climate change. Concerned that Green Bond initiative is only part of CMU that explicitly addresses ESG matters.	Ensure policy consistency in references to ESG issues in various legislative texts. Clarify definition of green bonds.

Question	Friends of the Earth Europe, Action Aid, Global Witness	WWF	SOMO
13 Gaps	Concerned by lack of measures to prevent EU financial institutions from banking projects overseas that cause land grabbing. Companies & investors have failed to develop systems to assessment & mitigate tenure-based risks. Need for a binding standard that promotes compliance. Our research demonstrates the prevalence of land grabbing & the (financial) risk it poses to business. The Commission should consider imposing Know-Your-Client (KYC) due diligence requirements, analogous to or part of Chapter II of Anti-Money Laundering Directive. Anti-Money Laundering Directive will be reviewed in 2017. **Non-Financial Reporting Directive**: The Commission should publish strong clear Guidelines during the transposition phase and hold a consultation on the methodology of reporting non-financial info as part of its review of the Directive in 2018.	Need to close regulatory gap of unclear ESG definitions. Integrate ESG into NFR Directive guidelines.	EU post-crisis regulation has failed to adequately integrate ESG factors, which has occurred elsewhere e.g. in Brazil and China. **CRD IV/CRR** does not incorporate financial inclusion as objective/ requirement of financial institutions, regulators or supervisors. **Directive on transparency & comparability of payment account fees** does not have comprehensive approach. Voluntary and market-based mechanisms have failed to produce change. **Recommendations:** Compulsory disclosure beyond the **Non-Financial Reporting Directive** on how ESG factors are taken into account by financial institutions & contribution to energy transition. **CRDIV/CRR**: Banking risk assessments should include ESG risks, e.g. where banks wish to use the IRB. Prohibit providing financial services/financing to activities that breach human rights. Include ESG objectives in trade and investment agreements, e.g. CETA, TiSA, TTIP. **PRIIPs**: Provide labels for financial products & funds that include social & environmental assessments.

Question	Friends of the Earth Europe, Action Aid, Global Witness	WWF	SOMO
14 Risks	The CMU should be linked to relevant EU & international commitments, e.g. the EU 2020 Strategy, the Roadmap to a Resource Efficient Europe & the 7th Environment Action Programme, as well as the UN SDGs, all of which prioritise sustainability. CMU appears to represent a siloed approach to financial regulation, which should be avoided. Growth & size of responsible investment markets indicate that standardization of ESG metrics & disclosure is necessary. This is particularly urgent given that EU citizens are being encouraged to invest their retail savings & pensions in capital markets. The respondents provide evidence of the economic impact of ESG events. Member States are beginning to launch SRI labels, e.g. LuxFLAG & French SRI label. Divergent approaches to disclosure for & quality of ESG products & services impedes level playing field, distorts competition & leads to varying levels of investor protection.	Lack of ESG transparency can be financially costly. Integration of ESG in portfolio construction is major trend in asset management. Lack of consistency between CMU & other EU policies like SDGs & EU 2020 would delay sustainable economy. Climate change re-pricing could jeopardize financial stability.	ECB Financial Stability Review identified herding behaviour in global asset price movements and associated high volatility risks. This volatility indicates that financial regulation has failed to promote stability.