

Dear Madam / Sir,

Österreichischer Verband Financial Planners is pleased to comment on the proposed Regulation COM (2018) 353 final. Please find our comments below:

Proposed Regulation  
on the establishment of a framework to facilitate sustainable investment  
COM (2018) 353 final

**COMMENT**

Österreichischer Verband Financial Planners (in short OVFP) welcomes and supports any initiative on fostering sustainable investments, especially the EU Commission's Action Plan and the proposed regulation based on this action plan. As stated the financial industry will play a crucial role in facilitating this fundamental change. We as OVFP however have to state that we cannot speak for institutional investors nor for listed or unlisted companies of the real economy. Our focus in the comment is the position of a professional delivering advice to his/her clients.

Having said that, we highly welcome that there will be a common EU classification system for sustainable investments. At the moment a lot of national and global classification systems are in use, a fact that strongly contradicts the goal of a European single market for sustainable investments. Thus, we are looking forward to the release of a common taxonomy.

We have to stress that the existence of a European-wide taxonomy as well as sustainability benchmarks will be a precondition, otherwise it will be very difficult to correctly advise clients. We are aware of the difficulty to reach clearly defined benchmarks and KPIs, but we prefer to have such measurable outcomes in place.

The proposal itself is excellent, but in our perception still lacks the degree of clarification that is necessary to properly advise clients on sustainable investments. Our concern is threefold:

1. Clients have very different views on what they understand as sustainable, eco-friendly, green or however you name it. The more precise the taxonomy the easier it will be to reach agreement with clients. Otherwise the possible liability vis-à-vis a client not satisfied with the sustainable investment stemming from financial advice will be huge.
2. Secondly, the proposal deals with sustainability risks, e.g. in Art 2 and Art 14. In connection with proposed regulation COM (2018) 354 final such sustainability risks have to be disclosed properly, especially the impact on the performance of a sustainable investment. We wonder how such risks could be measured in a way that is a) appropriate and b) understandable for an average retail client.

3. Lastly, we highly welcome the goal of long-term strategies for companies. However, we see a possible conflict of this goal with the short-term interests of some shareholders. It might be necessary to consider measures to protect the executive board of a company pursuing long-term strategies against shareholder activism.

In general, we are afraid that the timeline envisaged might not be consistent. We refer to Measure 1 of the Commission's Action Plan which calls for a first report on taxonomy in the first quarter of 2019. In contrast to this Measure 4 of the Action Plan calls for amended guidelines on suitability to accommodate rules for judging sustainability preferences of clients in the fourth quarter of 2018! Therefore, we urge that first a common taxonomy is released, and only then guidelines by the Joint Committee of the ESAs are released setting forth further suitability requirements in regard to advice on sustainable investments.

We do hope that our comments are of some use.

Yours sincerely



Prof. Otto Lucius CFP®, EFA®  
Chairman

Vienna, 21. August 2018

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### **About Österreichischer Verband Financial Planners**

Österreichischer Verband Financial Planners (thereafter OVFP in short) is a not-for-profit organisation. It is also a certifying body for certified financial advisors and financial planners. OVFP represents some 1,400 certified professionals in Austria. All these professionals have undergone extensive education, rigorous exams, are bound to a strict code of ethics and are obliged to meet CPD requirements by far exceeding legal provisions. OVFP is member of Financial Planning Standards Board Europe and of European Financial Planner Association aisbl.

Dear Madam / Sir,

Österreichischer Verband Financial Planners is pleased to comment on the proposed Regulation COM (2018) 353 final. Please find our comments below:

Proposed Regulation  
on disclosures relating to sustainable investments and sustainability risks  
COM (2018) 354 final

**COMMENT**

Österreichischer Verband Financial Planners (in short OVFP) welcomes and supports any initiative on fostering sustainable investments, especially the EU Commission's Action Plan and the proposed regulation based on this action plan. As stated the financial industry will play a crucial role in facilitating this fundamental change. We as OVFP however have to state that we cannot speak for institutional investors nor for listed or unlisted companies of the real economy. Our focus in the comment is the position of a professional delivering advice to his/her clients.

Having said that, we highly welcome that there will be a common regime of disclosures based of an EU classification system for sustainable investments. It is absolutely true that a lot of national and global classification systems are currently in use, a fact that contradicts the goal of a European single market for sustainable investments.

We see the release of a common taxonomy and a unified benchmark system for sustainable investments as a crucial precondition before taking next steps. Otherwise it will be very difficult to correctly advise clients. We appreciate the degree of difficulty to reach clearly defined benchmarks and KPIs, but we prefer to have such measurable outcomes in place.

The proposal itself is excellent, but still lacks the degree of clarification that is necessary to properly advise clients on sustainable investments. Article 2 lit. o) refers to the definition of sustainable investments in COM (2018) 353 final. As already commented on COM (2018) 353 final we are convinced that first we need clear definitions and a common taxonomy for sustainable investments before one can put measures for declaration and suitability in place.

Clients have very different views on what they understand as sustainable, eco-friendly, green or whatever they name it. The more precise the taxonomy the easier it will be to reach agreement with clients. Otherwise the possible liability vis-à-vis a client not satisfied with the sustainable investment stemming from financial advice will be huge.

Our concern is twofold:

1. The proposal repeatedly refers to sustainability risks and their possible impact on the return of the investment product advised on (e.g. Art 4 para 2 lit (b)). We doubt that the financial

community is already able to assess the impact of sustainability risks of the performance of a financial product. Without a clear assessment methodology, there will be an enormous potential liability risk for financial advisors. We wonder how such risks could be measured in a way that is a) appropriate and b) understandable for an average retail client.

2. Secondly, the Art 8 of the proposal calls for review of disclosure, which includes regular updates and the explanation of the update. Although this seems very reasonable it might be an overly burden for independent financial advisors.

In general, we are afraid that the timeline envisaged might not be consistent, as also outlined in our comment to COM (2018) 353 final. We refer to Measure 1 of the Commission's Action Plan which calls for a first report on taxonomy in the first quarter of 2019. In contrast to this Measure 4 of the Action Plan calls for amended guidelines on suitability to accommodate rules for judging sustainability preferences of clients in the fourth quarter of 2018! Therefore, we urge that first a common taxonomy is released, and only then guidelines by the Joint Committee of the ESAs are released setting forth further suitability requirements in regard to advice on sustainable investments.

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