*Barclays strongly supports the Paris Climate agreement, in particular the commitment to align financial flows with a pathway towards low-carbon and climate-resilient development. We welcome the work of the European Commission’s High-Level Expert Group on Sustainable Finance and would have the following comments and recommendations to their interim report.*

**QUESTION 1: From your constituency’s point of view, what is the most important issue that needs to be addressed to move towards sustainable finance?** *(sustainable finance being understood as improving the contribution of finance to long-term sustainable and inclusive growth, as well as strengthening financial stability by considering material environment, social and governance factors)*

* The principal need is for an industrial strategy that generates business opportunities in sustainable economic development that banks can finance. We believe (energy) policy stability is essential to investor confidence and would welcome measures to improve the pipeline of commercially viable infrastructure projects.
* A common EU taxonomy for sustainable assets, common standards and transparency could help improve the contribution of finance to long-term growth and financial stability. Therefore, we support the development of a European standard for green bonds as well as the FSB Task Force’s recommendations on climate-related financial disclosures.
* We believe that a review of the prudential treatment of project financing and specialised lending in the Basel III standard is needed to maximise banks participation in the sustainable economy, while further work is required to build the EU’s capital markets to ensure equity financing for small-scale projects and businesses that are essential to the EU’s transition to a low-carbon economy.

**QUESTION 2: What do you think such an EU taxonomy for sustainable assets and financial products should include?**

* We believe a single EU classification of sustainable assets that captures all acceptable definitions of ‘sustainable’ and a framework to measure their impact would be a great help for issuers of green securities and investors alike.
* We recommend that the EU taxonomy work be done on the underlying physical asset first, rather than in respect of financial products related to such assets.
* We support the HLEG recommendation to focus first on a common classification for assets serving green policy goals such as climate change mitigation, climate change adaptation, biodiversity loss, natural resource depletion, pollution prevention and control.

**QUESTION 3: What considerations should the EU keep in mind when establishing a European standard and label for green bonds and other sustainable assets? How can the EU ensure high-quality standards and labels that avoid misuse/ green-washing?**

* We would agree that the introduction of an official European standard for green bonds could help to further grow the green bond market.
* We believe that various existing market-led initiatives, including the Climate Bonds Initiative and ICMA’s Green Bond Principles, constitute a robust basis for European minimum for green bonds and sustainable finance labels for funds.
* We are supportive of independent assurance and audit of the label to further instil trust in the market.

**QUESTION 4: What key services do you think an entity like ‘Sustainable Infrastructure Europe’ should provide more specifically in terms of advisory services and connecting public authorities with private investors?**

* The European Fund for Strategic Investments (EFSI) has successfully crowded-in private investors in transactions that would have not been financeable otherwise and we welcome the inclusion of SDG goals in the EFSI investment criteria.
* The European Investment Advisory Hub (EIAH) set up by the Commission and the European Investment Bank is an efficient single point of entry providing advisory and technical assistance.
* The EIAH is the natural place for municipalities bringing sustainable projects to receive technical expertise and advices. We welcome the HLEG recommendation to improve the EIAH to advise on the sustainability of projects.
* We also support to leverage the EIAH with subsidiaries in the regions in order to reach out to municipalities to advise on operational, financial and sustainable matters.
* The development of further education to EU’s municipalities and procurement authorities about the benefits of public-private partnership transactions, as compared to funding through public funding is necessary.

**QUESTION 5: It is frequently stated that inherent short-termism in finance, especially financial markets represents a distraction from, or even obstacle to, a long-term orientation in economic decision-making, including investments that are essential for sustainability. Do you agree with this statement?**

* We do not agree that there is inherent short-termism in finance as a whole (compared to other economic sectors), although we note that in certain segments of the industry (such as open-ended investment funds), short-term considerations may dominate business decisions, given that the liabilities of these institutions are short-term.
* Equally, there are segments of finance, such as pension funds and other long-term savings institutions, with long term liabilities, that are able to adopt a long-term orientation in investment decision-making and are therefore significant investors in illiquid assets such as private equity, real estate and infrastructure (including many green projects).

**QUESTION 6: What key levers do you think the EU could use to best align the investment and analyst community with long-term sustainability considerations in the real economy?**

* We support the implementation of the Financial Stability Board’s Task Force on climate-related financial disclosures’ recommendations and its objective of greater public disclosure of financial risks arising from climate change and policy responses thereto, where material and relevant to the business of a given issuer.
* All corporates exposed to climate-related risks should consider the use of scenario analysis to inform their strategic and financial planning processes and disclose the potential impacts and the organisation’s response. The use of such modelling would permit analysists and investors to understand how climate risk may likely impact returns in different scenarios and over a longer-term horizon.
* We support the concept of developing standard suggested climate scenarios and time horizons for climate-related financial disclosures by sector. However, further work would be required to make them useful, while flexibility would still be needed about how such standards are applied by each issuer given its own facts and circumstances.
* We encourage standardised ESG disclosures within a consistent global reporting framework, similar to international accounting standards. This would allow to better compare and benchmark the climate disclosures by companies.
* We also welcome improving disclosure on ESG-related issues among financial-market participants including through an industry-led corporate disclosure benchmark to review, monitor and compare the quality of climate disclosures by companies and corporate sustainability league tables to benchmark company performance against the UN Sustainable Development Goals.

**QUESTION 7: How can the EU best create a strong and visible pipeline of sustainable investment projects ready for investment at scale?**

* To make investment in sustainable and climate-resilient infrastructure projects more accessible to institutional investors, Europe needs to develop a more standardised and harmonised infrastructure capital market.
* We would welcome the adoption of a common framework for project due diligence and disclosure, best practices in infrastructure debt documentation and a pan-EU passport to make infrastructure investment more accessible for long-term investors.
* We support greater transparency and harmonisation of national project pipelines and measures to increase the availability of benchmarking and performance data to increase the supply of commercially viable projects and public and private sector confidence in the sector.
* A stable and predictable (energy) policy environment is also needed to maintain investor confidence and subsequently unlock greater private sector investment.

**QUESTION 8: What are some of the most effective ways to encourage credit rating agencies to take into consideration ESG factors and/or long-term risk factors?**

* We welcome the world’s leading credit rating agencies commitment to the FSB’s Task Force on climate-related financial disclosures’ recommendations to integrate ESG factors into their decision-making.
* However, credit rating agencies need data to run assessments so standardisation and increase in disclosure from market participants would be required.

**QUESTION 9: What would be the best way to involve banks more strongly on sustainability, particularly through long-term lending and project finance?**

* Two critical areas of investment are technological innovation and large-scale infrastructure development, both of which are currently challenging for banks.
* We welcome the European Commission’s proposed preferential treatment of infrastructure investment under the CRR2 proposal.
* However, we remain concerned that ongoing Basel discussions on the prudential treatment of project finance and specialised lending may hamper the transition to a low-carbon economy. We support a lowering of minimum capital requirements for specific ‘green’ assets provided that more data is collected on their risk profile and associated risks allow for it. Therefore, we support initiatives such as the European Mortgage Federation/ European Covered Bond Council’s Energy Efficient Mortgage Action Plan to further develop a more risk-sensitive prudential framework.
* We would support the creation of a guarantee schemes for green assets that would allow banks to reduce the risk and hence capital.
* Banks could play the role of a “one stop shop” for the various grants and incentives that exists to encourage green initiatives (e.g. the Green Deal in the UK). It can be quite cumbersome for individual and companies and having it all pre-packaged (for example as part of mortgage application) could reduce complexity and increase the take up rate.
* Banks also face challenges to invest in technological innovations due to lack of historical performance data.
* It is equally important to unlock risk capital for small-scale projects and businesses that are central to a successful transition to a low-carbon economy. Therefore, we recommend the EU to continue its works on building a Capital Markets Union including through capital market financing, where banks as intermediaries will help to match the variety of projects and risks with adequate financial products.

**QUESTION 10: What would be the best way to involve insurers more strongly on sustainability particularly through long-term investment?**

No response

**QUESTION 11: What do you think should be the priority when mobilising private capital for social dimensions of sustainable development?**

No response

**QUESTION 12: Do you have any comments on the policy recommendations or policy areas mentioned in the Interim Report but not mentioned in this survey?**

* We support the integration of climate-related disclosures in the accounting framework, either directly in the financial statement or non-financial statement, as well as part of regulatory reporting.

**QUESTION 13: In your view, is there any other area that the expert group should cover in their work?**

No response