Report

International Seminar

30 March 2022

International Seminar on Sustainable Finance through a Financial Consumer Protection Lens

Foreword and Acknowledgements

This document sets out the Agenda, Summary Report and Speaker Biographies for the joint G20/OECD Task Force on Financial Consumer Protection and FinCoNet *International Seminar on Sustainable Finance through a Financial Consumer Protection Lens*, held on 30 March 2022.

The G20/OECD Task Force on Financial Consumer Protection and FinCoNet would like to acknowledge and thank everyone who organised and participated in the Seminar, and particularly all Speakers, Panellists and Moderators for their valuable contribution to the discussion.

About the G20/OECD Task Force on Financial Consumer Protection

The G20/OECD Task Force on Financial Consumer Protection ("the Task Force") was established in 2010 in response to the financial crisis and in recognition of the fact that an appropriate level of financial consumer protection is an essential requirement to ensuring consumer trust and confidence in the market. The Task Force is the leading international forum for the development of financial consumer protection policy and acts as a forum for the exchange of information and expertise relating to policy developments and emerging issues across jurisdictions. The Task Force is responsible for the High-Level Principles on Financial Consumer Protection ("the Principles"), which have been endorsed by G20 Leaders and adopted by the OECD Council, and are included in the Financial Stability Board Compendium of Standards.

About FinCoNet

In November 2013, International Financial Consumer Protection Organisation (FinCoNet), was formally established as an international organisation of market conduct supervisory authorities with responsibility for financial consumer protection. FinCoNet is recognised by the Financial Stability Board and the G20. The goal of FinCoNet is to promote sound market conduct and enhance financial consumer protection through efficient and effective financial market conduct supervision, with a focus on banking and credit. FinCoNet Members see the organisation as a valuable forum for sharing information on supervisory tools and best practices. By sharing best practices and by promoting fair and transparent market practices, FinCoNet aims to strengthen consumer confidence and reduce systemic consumer risk.

Disclaimer

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Sustainable Finance through a Financial Consumer Protection Lens

12.00-12.10	**Opening remarks** Mr Richard Monks, Chair of the G20/OECD Task Force on Financial Consumer Protection
12.10-13.00	**Presentations** Moderator: Mr Miles Larbey, Head of Financial Consumer Protection, OECD *Overview of issues for the financial sector and international developments* • Mr Robert Patalano, Head of Financial Markets Division, OECD *Opportunities, responsibilities and risks for financial consumers* • Mr Bryan Coughlan, Sustainable Finance Officer, The European Consumer Organisation (BEUC)
13.00-14.20	**Panel discussion** Moderator: Ms Flore-Anne Messy, Head of Consumer Finance, Insurance and Pensions Division, OECD Panellists: • Mr Mark Manning, Technical Specialist, Environmental, Social and Governance Policy, Financial Conduct Authority, United Kingdom • Mr Yuji Yamashita, Deputy Commissioner for International Affairs, Financial Services Agency, Japan. • Ms Bénédicte Van Ormelingen, Legal and Policy Officer, DG for Justice and Consumers, and Ms Silvia De Iacovo, Policy Assistant, DG for Financial Stability, Financial Services and Capital Markets, European Commission
14.20-14.30	**Closing Remarks** Ms Maria Lúcia Leitão, Chair of FinCoNet

Summary Report – International Seminar

Sustainable Finance through a Financial Consumer Protection Lens

30 March 2022, 12.00-14.30 CEST

Opening remarks

Mr Richard Monks, Chair of the Task Force, opened the International Seminar on Sustainable Finance through a Financial Consumer Protection Lens, and welcomed all attendees on behalf of the Task Force, the leading international forum for the development of financial consumer protection policy, and FinCoNet, a network of market conduct supervisors from around the world dedicated to financial consumer protection. Mr Monks noted that the subject was a critically important topic, and one where international collaboration was increasingly key.

Mr Monks emphasised that while regulators often think about risks, sustainable finance is about much more than that. Financial services have a role to play in greening the economy, and this policy area is as much about opportunity as it is about risk. He further acknowledged that it was very rare to have government, regulators, industry and consumer groups all working toward the same goal.

Mr Monks pointed out that the OECD and G20 were committed to taking action, noting that sustainable finance was included as a cross-cutting theme in the revision of the G20/OECD High-Level Principles on Financial Consumer Protection currently underway.

Mr Monks noted the increasing consumer demand, at the retail level, for green financial services and products, with some banks offering breakdowns on consumers' carbon footprints based on their purchasing history.

Mr Monks underlined the importance for policy makers and regulators to consider the impact, opportunities and risks associated with sustainable finance, emphasising the need to think about the role regulators can play in supporting informed consumer choices, mitigating risks that consumers face, and developing responses or approaches to ensure that consumers are treated fairly.

Mr Monks noted that while sustainable finance was a recent trend, these were familiar challenges. He concluded with an overview of the Seminar's agenda, which would begin with an overview of developments in financial markets related to sustainable finance, then feature the consumer perspective on opportunities and risks, and conclude with jurisdictional experiences.

Presentations

First presentation – Mr Robert Patalano, Head of Financial Markets Division, OECD

Mr Miles Larbey, Head of Financial Consumer Protection, OECD, introduced the first speaker, Mr Robert Patalano, Head of Financial Markets Division, OECD. The key points of Mr Patalano's presentation were as follows:

Scaling-up and Market Challenges

- There are significant opportunities for individuals to tailor their investment goals, but at the same time there are risks, which go beyond strictly financial risks. Financial markets cease to be efficient and effective when trust is lost. Trust underpins everything, and financial consumer protection and financial literacy are the foundations for getting all of this right.
- ESG (Environmental, Social and Governance) ratings and investing are being mainstreamed across major markets by a number of countries. AmongU.S. public companies, over 95% have an ESG rating (by market capitalisation). Sustainable finance is also scaling up, and one could argue that this is a very good thing, as climate transition is becoming more important.
- Climate transition reporting is becoming more important, and its use is scaling across industries. Companies that disclose policies to improve emissions reduction are getting coverage by ESG rating agencies. Institutional, small pension funds, and particularly individual investors do not have the time and expertise to make these assessments, so these ESG ratings give a sense of how markets perceive these companies in terms of how aligned they are with sustainability.
- However, companies setting emissions reductions do not consistently receive a high "E" pillar (environmental) score. There is no correlation between reduction of carbon intensity and high "E" pillar scores. This raises questions about what ESG stands for.
- Similarly, higher use of renewable energy does not imply higher "E" pillar score, nor does higher environmental expenditures.
- "Climate aware" funds have grown sharply in recent years. Yet, some investment styles – climate solutions, green bonds, and clean energy – have *much more carbon intensity* than typical funds. Individuals may think they're getting a climate favourable product, but they may be getting more carbon intensity than they thought.

International Progress

- Mr Patalano outlined the following international developments, to which the OECD had contributed:
  - Financial Stability Board report to the G20 on assessing the availability of data and a roadmap for addressing climate-related financial risks.
  - Network for Greening the Financial System (NGFS): central banks and supervisors working together to bring about assessments of ESG integration, climate scenarios, climate disclosures and bridging data gaps, with the OECD co-leading work on market transparency.

- COP26: two outcomes in particular – 1) Glasgow Financial Alliance for Net Zero (a coalition of the willing of net zero asset owners and asset managers to bring about the movement within the financial system to reach net zero), and 2) International Financial Reporting Standards announced the formation of a new International Sustainability Standards Board (ISSB) to develop—in the public interest—a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors' information needs.
- The G20, under the Italian Presidency in 2021, set a multi-year G20 Sustainable Finance Roadmap which will focus on taxonomy, disclosure and financing instruments, as well as improving the transparency and accountability of institutions' transition-related commitments.

Selected OECD Initiatives

- The OECD is also taking on significant responsibilities, with the following snapshot providing an overview:
    - The Meeting of the OECD Council at Ministerial Level, in October 2021, focussed on climate finance and net zero, leading to a ministerial statement on ESG risks and the need for climate transition principles.
    - In parallel, OECD hosted a session with APEC on ESG investing to bring senior-level investors together to discuss challenges and how to overcome them.
    - The OECD Directorate for Finance and Enterprise Affairs is working to support the G20 Roadmap through various initiatives that relate to three of the Roadmap's five focus areas.
    - The Committee on Financial Markets is turning analytical work into policy recommendations to improve ESG and climate transition practices. These recommendations are grouped into three pillars: Market Practices for ESG Investing; Market Practices for Climate Transition; and Good Practices for Central Bank & Financial Authorities.
    - The OECD's ESG Risk Policy Framework brings together the analysis with policy considerations going through key committees, updating legal instruments and building capacity in OECD and non-OECD countries to operationalise these instruments.
- Significant progress is being made. At the same time, because sustainable finance is growing so quickly, the ambition might be getting ahead of market integrity and financial consumer protection, and this must be addressed. The OECD is leveraging its work to build understanding and shape policy to lead to positive outcomes. This is particularly true for financial consumer protection and financial literacy, as these are part of the foundation for making public markets work.

Mr Larbey thanked Mr Patalano for his presentation. Mr Larbey moderated a Q&A session with Mr Patalano where the following questions were raised:

Q: How would you define "sustainable finance"?

Mr Patalano noted:

- The term is actually hard to define. We were careful in our publications to note that there is a spectrum, going from philanthropy to hard-nosed commercial finance. Sustainable finance is somewhere in between. It is not short-term and it is not indifferent to the impact on the environment. Moving from short-term to long-term is important because it creates patient capital, and long-term is better at incorporating some of these factors. Sustainability, of course, factors into long-term value, but measuring that is complicated. Over the long-term financial value and sustainability goals should align, particularly when individuals make educated choices about their purchases, because it will affect corporate revenues over the long term.

Q: We need to address this topic taking into consideration the specificities of different markets (e.g., capital markets, insurance, payments and credit). In which markets should we begin discussing this? Some areas are self-evident (e.g., securities), but how do you see the importance of addressing these topics in other markets, such as payments and credit?

Mr Patalano noted:

- Financial consumer protection in the context of traded products is key, and it is a good starting point – focusing on disclosure, definitions, explanations, etc. Start by looking at funds, indices and benchmarks to make sure those are functioning properly for retail investors. Across the market, products should do what they say they will do. Debt, equity and ETF (exchange-traded funds) products are all very important. It is key to get the language and taxonomy right.

Q: What are the timelines for implementation of the roadmaps and standards?

Mr Patalano noted:

- There are several timelines – the two roadmaps from FSB and G20 are 3-year outlooks. In trying to achieve improvements with ESG, we need to consider how the high-level outputs from standard-setting bodies flow to national authorities, where they become direct recommendations and guidance; that process may take several years. IFRS (International Financial Reporting Standards) creating accounting standards is critically important. NGFS and other bodies are also working on climate transition plans that are rigorous, not just PR tools. The OECD is focusing efforts to make sure regulators have insights on the international perspective to be able to make the right decisions. This will build confidence on an international level.

Second presentation – Mr Bryan Coughlan, Sustainable Finance Officer at BEUC, the European Consumer Organisation

Mr Larbey introduced the next speaker, Mr Bryan Coughlan, Sustainable Finance Officer at BEUC, the European Consumer Organisation. The key points of Mr Coughlan's presentation were as follows:

Sustainable finance: A consumer perspective

- Consumers engage with sustainable finance for several reasons. Consumers are exposed to the negative externalities arising from unsustainable activities. This leads to demand for mitigation as well as adaptation.

- Consumers, particularly in the EU, have increasingly become aware of these issues and want to participate and support these objectives. There are several ways they can do so financially: sustainable investments, credit, mortgages, loans for home renovations that contribute to energy preservation, insurance, etc. Consumers recognise the need for the economy to transform and want to contribute, even though much of the harm to the environment is not consumer-originating.

- To do this, consumers need transparency. Information must be reliable, accurate, relevant, comparable and concise. Consumers face a challenge now with multiple standards that cannot be compared, some of which are social, others ecological, with different levels of ambition. Consumers need a framework to allow them to compare different products.
- Structural issues that apply to the entirety of the retail financial market carry over to sustainable finance. These include shortcomings in the distribution of products, which stem from misaligned incentives and conflicts of interest that undermine negotiation between supply and demand. In the case of sustainable finance, this can lead to greenwashing or low-quality financial products.

Overview of EU Sustainable Finance Legislation

- Three legislative/regulatory initiatives comprise the core of the European sustainable finance framework:
  - The taxonomy defines what activities are sustainable. It sets scores for economic activities and then establishes goals that need to be met by the activity to be counted as “Substantial contribution” or “Do No Significant Harm”.
  - Sustainable Finance Disclosures Regulation (SFDR) defines how and what financial service providers must report on the sustainability of their products. It applies to financial market participants including asset managers, financial advisors, investment firms, pension funds, banks, etc. SFDR created different product categories, which are being referred to as “light green” and “dark green”, although because these categories lack explicit standards, products with these labels may not have the attributes that consumers would expect.
  - Non-Financial Reporting Directive (NFRD) obligates companies to report on their sustainability impact (this will be renamed Corporate Sustainability Reporting Directive).

Issues with this approach

- Transparency is not a replacement for direct action. The idea that consumer activism will shift the entire economy onto a more sustainable trajectory is not adequate, as it shifts responsibility from a systemic problem to personal activism. Consumers may be interested in investing sustainably, but they are not responsible for the entire climate transition.
- Sustainable finance needs financial regulation, not just transparency. Financial markets cannot replace steering action on the real economy. Sovereign actions must be taken, and they cannot be replaced by consumer actions.

Mr Larbey thanked Mr Coughlan for his presentation, noting the importance of hearing the consumer voice and critiques from the consumer perspective.

Mr Larbey moderated a Q&A session with Mr Coughlan where the following questions were raised:

Q: Do you have any insights on how attitudes are changing among consumers relating to "green premiums" – i.e., a willingness among investors to pay a premium for green bonds?

Mr Coughlan noted:

- Risk premiums arise from negative externalities related to climate change, for example. This is recognised in the EU, and the reporting requirements require something called "double materiality", which requires reporting not just on the impact the undertaking has on sustainability, but also which sustainability issues will affect the undertaking. This tells the consumer something about the sustainability impact and the financial risk. If the risk is already reported on, it will likely be considered in the premium. If the risk is high, returns will need to be higher. If the undertaking is sustainable, then it will receive a "greenium", which contributes to mitigation and adaptation.

Q: What do you think financial regulators and supervisors can do to help achieve good consumer outcomes in this market? And what would a good consumer outcome look like?

Mr Coughlan noted:

- The EU framework was well thought out – the criticisms are based on its execution. Undermining transparency through lobbying means that definitions have become unaligned with SDGs and sustainability science. False information undermines trust and is one of the main causes of rapid price corrections. The EU framework is sound, but the content is weak. Besides transparency, we also need enforcement, especially around greenwashing. This could be countered with false advertising regulation (BaFin is doing this, for example). The court system cannot handle the sheer volume, so supervisors can play a proactive role here. Forward guidance and clear communications are very helpful tools.

Panel discussion

Ms Flore-Anne Messy, Head of the Consumer Finance, Insurance and Pensions Division, OECD, moderated a panel discussion of policymakers from three jurisdictions. Ms Messy noted that the OECD is very interested in sustainable finance, from a variety of perspectives. She noted that the issue pertains to the entire financial sector, from investments to mortgages, consumer credit and also insurance. Ms Messy highlighted mismatches between consumer demand and what the market was offering (as demonstrated in Mr Coughlan's remarks), as well as mismatches between the scores companies receive from ESG rating agencies and their actual impact on the environment (as described by Mr Patalano).

Ms Messy also referenced the ongoing review of the G20/OECD High-Level Principles on Financial Consumer Protection, which proposes the inclusion of the impact, risks and opportunities of sustainable finance on financial consumers as a cross-cutting theme, in line with the forward-looking policy agenda.

United Kingdom

Mr Mark Manning of the UK Financial Conduct Authority, delivered a presentation on the theme of building trust in ESG. The key points were as follows:

- There was a clear consensus on the finance day of COP26 in November that finance is part of the climate solution. It was also at COP26 that the FCA launched its new ESG strategy. The strategy builds on the programme of work that had been in place since 2019, and sets out a number of commitments and key actions under five themes: Transparency, Trust, Tools, Transition and Team.

- Under the theme of Transition, the FCA is committed to playing its part to support the UK Government's announcement to make UK the first net zero financial centre.
- Under the Tools theme, the FCA is working collaboratively with others to develop solutions to sustainability challenges. This includes work through the FCA's Innovation Division, such as tech sprints and sandbox initiatives.
- Under the Team theme, FCA is working internally to embed climate and wider ESG considerations throughout all its work.
- The financial sector can only support the transition if consumers can trust the sector. Growing scepticism is a concern; we cannot let greenwashing persist, otherwise the capital will dry up. Much of the problems stem from loose and interchangeable terminology in this area. Over time, ESG has taken a somewhat different meaning, not just risk management as it was originally used 15 years ago.
- We need to ensure we are using language clearly, providing transparency in an accessible and interpretable way for consumers at the end of the chain.
- To build trust through transparency, the FCA is focussed on five steps: high-quality corporate disclosures; active investor stewardship; an effective ESG ecosystem; sustainable investment labels; and ESG embedded in FCA regulation.
- The FCA is working to support the UK Government's Roadmap to Sustainable Investing, which includes ambitious plans for sustainability disclosure requirements. Given the scope of FCA's remit, they will play a part in delivering sustainability disclosure rules.
- These rules are anticipated to comprise two layers of disclosure: a concise, targeted layer aimed at consumers, supported by more detailed disclosures aimed at institutional investors. Sitting on top of these would be a product label.

Japan

Ms Messy invited Mr Yuji Yamashita, Deputy Commissioner for International Affairs of the Japan Financial Services Agency (JFSA), to deliver a presentation on consumer protection initiatives for sustainable finance in Japan. The key points were as follows:

- Many countries, including Japan, made commitments to achieve net zero by 2050. This is one of the top priority policy agendas, not only in Japan but also globally. Prime Minister Fumio Kishida declared at his policy speech that it would be necessary to double investment in this field, and that it would require not only changes to energy supply structure, but also a major transformation of our economy and society as a whole.
- JFSA promotes sustainable finance, recognizing the need for capital mobilization to reach net zero. The issues are not limited to carbon neutrality; they also need to consider corporate governance, biodiversity and ageing populations. In this context, in December 2020, JFSA established an Expert Panel on Sustainable

Finance. In June 2021, the panel published a report entitled "Building A Financial System that Supports a Sustainable Society".

- Drawing on this report, JFSA has set a priority for promoting sustainable finance in its annual strategy published in August 2021, which included "Promotion of sustainable finance", with four subdivided pillars: Enhancement of disclosure, both in quality and quantity; Exertion of market functions; Support for investees and climate change risk management; and Active participation in international discussions.
- To support this priority, JFSA highlighted two pillars: enhancement of disclosure, both in quality and quantity; and exertion of market functions.
- To enhance disclosures, JFSA is encouraging disclosures based on Task Force on Climate-Related Disclosures (TFCD) recommendations. Japan has a higher number of TFCD supporters than any other country. JFSA is also discussing sustainability disclosure in the Disclosure Working Group under the Financial System Council, and actively participating in the initiative by the International Financial Reporting Standards (IFRS) Foundation.
- To support the exertion of market functions, JFSA will develop a framework for objectively confirming the eligibility of green and ESG bonds and an information platform on green/ESG bonds. It will also develop a code of conduct for ESG rating organizations and data providers, and monitor asset management companies and distributors regarding ESG-related investment trusts for individual investors. JFSA will further provide specific examples of indicators regarding the social benefits of social projects based on the Social Bond Guidelines of October 2021.
- The Ministry of the Environment has led work on the development of Green Bond Guidelines, which were established with the clear aim of preventing greenwashing. Among other things, the Guidelines set out expected examples of information to be disclosed to investors by green bonds issuers.
- The Japan Exchange Group (JPX) has led several major initiatives to support dissemination of information (e.g., Information Platform for ESG Bonds); knowledge/capacity development (e.g., providing educational materials); and indices. By summer 2022, it will launch a new information platform for the ESG bonds, which provides a comprehensive list (HTML and Excel-based) of ESG bonds that have been publicly issued and also provides links to useful information for bonds on the list.
- While ESG/sustainable investments are on the rise in Japan, concerns have been raised about misleading investors (greenwashing). Asset managers are required to carefully explain the characteristics of an ESG-related investment trust at its issuance and distribution and be accountable for ESG aspects of the selected issues on an ongoing basis.
- Typical examples of asset manager-level greenwashing could include situations where: a product has the word "sustainable" or "ESG" in its name, but in reality the investment objectives only reference financial performance; it only uses a limited negative screening strategy; its disclosure states that the asset manager "may" take ESG factors into account; and a product exaggerates its investments in projects in terms of environment (E), but has problems in terms of society (S) and governance (G).

- With the aim of developing is supervisory viewpoints for addressing greenwashing risks to investors, JFSA will monitor asset management companies and distributors regarding ESG-related investment trusts by conducting a comprehensive survey and by holding dialogues with asset management firms to understand their ESG/sustainability-related practices.
- From Mr Yamashita's personal viewpoint, it is important to make an assessment of whether a certain project is green/sustainable, not only from a partial view or a partial optimisation focusing on a specific property or market, but also a holistic perspective or a holistic optimisation to consider a broader range of implications on various properties and markets. Taking an example of a project that invests in replacing gasoline vehicles with electric vehicles, while it would be crystal-clear that the project itself seems green for contributing to the reduction of GHG (green house gas) emissions in the automobile market, the holistic view would require knowing how the electricity is produced that is powering the electric vehicles (e.g., does it come from renewable sources or from burning fossil fuels?) to evaluate if that project could result in increasing the total amount of GHG emissions in the entire ecosystem. This type of holistic perspective is necessary for all sustainability-related decisions.

European Commission

Ms Messy invited Ms Bénédicte Van Ormelingen and Ms Silvia De Iacovo of the European Commission to jointly deliver a presentation. The key points were as follows:

- Consumer protection is based on the idea that the consumer is in weaker position than the trader as regards to their bargaining power and their level of knowledge. Consumer protection aims at rebalancing this asymmetry. The second aspect of consumer protection is the idea of empowering consumers so they can take an active role, providing them with the relevant tools so they can make informed decisions. In the context of sustainable finance, the goal is to enable every consumer to play an active role in the green transition. Transparency and trust are critical. Ultimately, the goal is to have sustainability by design or by default.
- In the EU framework, consumer protection is embedded in all policy – all legislation specific to a sector should ensure consumer protection. Complementing this specific legislation within sectors, horizontal consumer protection legislation fills gaps, ensuring a minimum level of protection, which is referred to as the safety net. Two pieces are especially relevant for sustainability in the financial services sector: Unfair Commercial Practices Directive, and the Unfair Contract Terms Directive. Both aim to ensure that a high-level of consumer protection can be maintained in all sectors.
- The Unfair Commercial Practices Directive provides a legal basis to ensure that traders do not present environmental claims in a way that is unfair to consumers. Even though there is no reference today to sustainability in the directive itself, it prohibits certain types of practices, including "business to consumer" misleading green claims. In December 2021, the EC adopted revised guidance on the implementation/application of the Directive. Today, the Commission is adopting a new legislative proposal to empower consumers in the green transition. This would amend the Unfair Commercial Practices Directive with stronger rules. For

example, it would introduce environmental claims into the text of the Directive and would update Annex 1, which is the blacklist of banned commercial practices.

- In addition, environmental claims are high on the agenda of enforcement authorities. In a survey of 344 environmental claims online coordinated by the Commission, almost half were found to be misleading. Authorities are currently identifying the most common green claims and determining how to approach them.
- The Consumer Credit Directive is currently under review. Protection foreseen therein should be equally available to consumers taking green loans. To encourage green loans, they must be made financially attractive. As indicated in the "Strategy for financing the transition to a sustainable economy", a call for advice to the EBA is being prepared for an opinion on the definition and possible supporting tools for green retail loans and mortgages.
- The "Strategy for financing the transition to a sustainable economy", adopted by the European Commission in July 2021, put forward four key policy areas: financing the transition to sustainability; inclusiveness; financial sector resilience and contribution; and global ambition.
- The policy area of inclusiveness focuses on enhancing support to retail investors and SMEs. As part of the ongoing review of the Mortgage Credit Directive, a public consultation was issued in recent months, with results currently being analysed. The consultation included questions on green mortgages and how to support investors and consumers in their access to these instruments.
- The EU Retail Investment Strategy is currently under development. More and more retail investors are expressing preferences for investments with sustainable impacts. Last year, new rules were adopted to ensure that sustainability is included in financial advice, and improving the qualifications and expertise of financial advisors is one of the objectives of the Capital Markets Union Action Plan. Under the current financial framework (MiFID II), advisors are already required to have certain level of knowledge about the products they offer, but requirements on knowledge related to sustainability should be strengthened.
- The EU Retail Investment Strategy also aims to improve financial literacy, building on the recently adopted joint EU/OECD-INFE financial competence framework for adults. The Retail Investment Strategy will include initiatives to improve financial literacy from sustainability aspects.
- The foundations of the EU sustainable finance framework comprise the EU Taxonomy (a common classification of economic activities substantially contributing to environmental objectives, using science-based criteria), Disclosure (comprehensive disclosure regime for both non-financial and financial institutions to provide investors with the information necessary to make sustainable investment choices), and Tools (a broad toolbox for companies, market participants and financial intermediaries to develop sustainable investment solutions, while preventing greenwashing).
- To ensure the resilience of the financial system, it is also necessary to address greenwashing risks. It is critical to ensure that sustainable finance regulation in place is effective and to ensure a sufficient and consistent level of supervision and enforcement across the EU. The EC will assess and monitor greenwashing risks in the financial market and see whether supervisory legal mandates, powers,

capabilities and obligations are fit for purpose. The EC will work with European Supervisory Agencies to determine this, as included in the "Strategy for financing the transition to a sustainable economy".

Question & answer session

Ms Messy thanked the Panellists for their insightful presentations and moderated a Q&A session with the Panellists. The following questions were raised:

Q: The first question is related to how we tend to use sustainable finance linked to the three factors of ESG. In certain products, we can assess the compliance with the environment goal, but cannot necessarily assess S and G, for example when looking at a mortgage loan. We need to think according to the different features of different products; some factors may be relevant and others may not be able to be assessed. The second question relates to the role of oversight authorities. Who is going to assess pre-contractual information? Would this be carried out by an external entity that would produce a rating? During the term of a product, how can supervisors asses that the goal is being accomplished? Do authorities need new capacities or should they rely on external entities?

Mr Manning responded:

- The way that the FCA has been thinking about it is through the question, what is the claim that the provider of the product is making? If the provider is making an environmental claim, that is what needs to be evidenced. They need to ensure that the claim is reflected in the objective of the product, in its strategy and ultimately in what the product comprises in its holdings.
- When a product is first issued, it can only be about intentionality. On an on-going basis that needs to be evidenced in such a way that the provider of the product can be held to account by the investors.
- The second question is who is checking? Who is responsible for labelling and disclosure and then assessing claims on an ongoing basis? One option is to have a verification service independently carry that out, in which case the supervisor is providing a backstop. This is essentially a risk-based and potentially thematic approach, following up with dialogue with the firms. This would provide assurance to the wider community that it is considering all of this on an on-going basis. Not everything can be left to the supervisor, as they do not have the capacity and it is not necessarily their role. There may be a role for independent verification providers in a lot of this work.

Mr Yamashita responded:

- While regulators and supervisors should make their best efforts to strengthen capabilities for all aspects of ESG, we should also acknowledge that it is not feasible to be an expert on all aspects of E, S and G. The role of regulators and supervisors would be to have the competence to check the capacity and governance of the external vendors and experts. The regulator's role would be similar to that of the auditors of financial statements. Even though they are experts on accounting, they do not necessarily have the competence to assess the appropriateness of all the activities of a firm. For instance, some auditors rely on the competence of pension actuaries when they assess the accurateness of the firm's pension liabilities.

Q: First, we know that transparency may have a lot of limits, and it might not be fully effective when delivered to financial consumers. They may not be able to handle information. In the last few years, we have been moving toward simplification and salient information. On top of the usual problems with transparency and disclosure, are there additional issues in this context? People may be more vulnerable to biased information. Secondly, as regulators we may want to apply the same schema we have been applying so far about financial information (relying on external entities). But still, do we need in this case, some specificities that may imply a broadened scope for supervision? For instance, developing metrics based on disclosures, linguistics of disclosures, trying to check whether these metrics are correlated with virtuous behaviour?

Q: First, in terms of intermediaries distributing the products, are there any point-of-sale protections? Secondly, can we discuss surveillance and enforcement? If an asset manager is found to have engaged in greenwashing, are any penalties considered? For example, taking away the green label? The product may not qualify as green but could still qualify as an investment product.

Mr Manning responded:

- Is transparency enough? This is a fantastic question and it has been central to our thinking. Ultimately, consumers will have a limited appetite to get into the detail of the information, but they need enough information to be able to navigate. That is what underpins the FCA's three levels of disclosure. The first label, which is very accessible, serves an initial filtering device. But then the consumer-facing disclosures need to be quick and easy to read, accessible and provide the salient information. We have run extensive consumer experiments with a first pass at the labelling and consumer-facing disclosures, to test accessibility and comprehension. We have been analysing the results, and as the thinking evolves, we will run further experiments to identify what additional requirements we may need to make on the platform providers and distributors. At the very least, they will need to pass through the information that we are asking the product manufacturers to have on their website, so that irrespective of the channel, the consumer receives the same information and can rely on it. Advisors are an important piece of the puzzle.

Ms De Iacovo responded:

- On the question regarding transparency, we agree that there is a high volume of complex and overlapping information consumers are facing. Furthermore, it is difficult to process investment information in many cases, due to a low level of financial literacy. That is why we want to tackle this issue both from the advisor and the receiver of the information. To do that, we will need to modernise the disclosures, digitalise them and strengthen their effectiveness. We also need to strengthen financial literacy and make sure that the advisory process is sufficient for consumers and investors.

- Regarding the question about third parties and supervision of these products, one important aspect is ESG rating – these increasingly have an impact on capital markets and especially on investor confidence in products. In January 2021, we published a study that identified a lack of transparency in ESG rating providers and a low level of comparability. We are willing to take further action to strengthen the reliability and comparability of ESG ratings. We will soon launch a public consultation on the functioning of the ESG ratings market (note: the consultation was launched on 5 April 2022).

Ms Messy concluded the Panel discussion by thanking the Panellists for sharing their experiences and insights and for a rich discussion.

Closing remarks

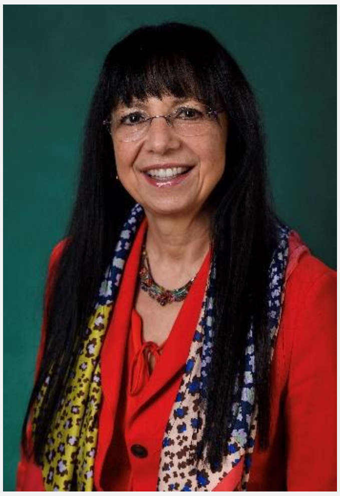
Ms Maria Lúcia Leitão, Chair of FinCoNet, thanked all speakers and moderators and attendees for such interesting discussions, which were very relevant for the work of FinCoNet. She thanked the speakers for their valuable insights and for the opportunity to discuss sustainable finance from a financial consumer protection perspective,. Institutions must assign importance to ESG factors, Ms Leitão noted, and financial consumer protection must join in these goals and mitigate any risks that may arise to consumers, such as greenwashing. She stressed that these were pressing topics on the agendas of regulators and supervisors, and referenced how sustainability concerns were being reflected in the revision of the G20/OECD High-Level Principles on Financial Consumer Protection.

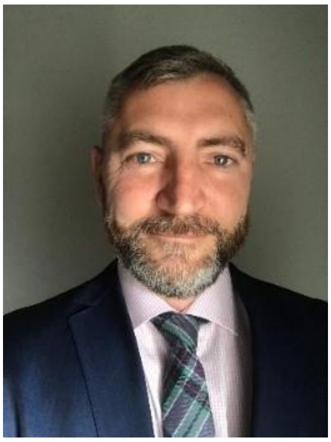
Ms Leitão further noted that sustainable finance was also a cross-cutting theme in the competence framework for financial literacy in the EU, published recently by the EC and OECD-INFE. At the same time, she said, oversight authorities must adapt supervisory tools for developments in sustainable finance. Ms Leitão recognized the importance of ensuring that consumer preferences reflect reliable and accurate information. She noted that transparency of information was a crucial element, but it is not enough. She emphasized the need to gather regulators and supervisors around the world to exchange information and views.

Ms Leitão acknowledged the many challenges in front of us and the need to acquire new expertise.

In closing, Ms Leitão expressed gratitude to the OECD Secretariat for their preparation of the Seminar, as well as to the Chair of the Task Force, Mr Richard Monks. Last but not least, Ms Leitão thanked all participants for joining.

Speaker Biographies

	**Richard Monks** is the Director of Strategy at the FCA. Richard has over 15 years' experience in Financial Regulation, including roles in Supervision, Policy, Enforcement and as Private Secretary to former FSA Chairman, Lord Turner. Richard is responsible for setting the FCA Strategy, allocating FCA resource and for delivering cross-cutting strategic policy, such as Climate Change and Intergenerational issues.
	**Maria Lúcia Leitão**, Head of Banking Conduct Supervision Department, Central Bank of Portugal (Banco de Portugal). With a background in Economy and European Studies, Maria Lúcia Leitão is since its inception (in 2011) the Head of Banking Conduct Supervision Department at the Banco de Portugal following her appointment as Deputy Head of Banking Supervision Department in 2007. Ms. Maria Lúcia Leitão is also the Chair of the Steering Committee of the Portuguese National Strategy for Financial Education lead by the three financial supervisory authorities. Mrs. Maria Lúcia Leitão actively participates in several international fora dedicated to financial consumer protection and financial education. At the international level, Maria Lúcia Leitão is Chair of the International Financial Consumer Protection Organisation (FinCoNet) and she is a member of the Advisory Board and Vice-Chair of the OECD/INFE (International Network on Financial Education). At the European level, she participates as a member in the Standing Committee on Consumer Protection and Financial Innovation of the EBA (European Banking Authority). She also participates in the G20/OECD Task Force on Financial Consumer Protection. She also participated in the Joint Committee of the European Supervisory Authorities (ESAs). Mrs. Maria Lúcia Leitão often participates as speaker at international gatherings invited by organizations such as the OECD, G20/GPFI, United Nations Conference on Trade and Development (UNCTAD), World Bank, Alliance for Financial Inclusion, Child and Youth Finance International.



Miles Larbey is the Head of the Financial Consumer Protection Unit at the OECD. He is responsible for the OECD's work on financial consumer protection policy, as well as supporting the G20/OECD Task Force on Financial Consumer Protection and FinCoNet, a network of market conduct supervisors. Particular areas of focus include the protection of consumers who may be vulnerable, the impact of digitalisation, demographic changes, financial inclusion, sustainability, and the impact and response to COVID-19.

Miles has over 25 years' experience of working in financial regulation, law and policy; banking and insurance supervision; and financial education across a number of jurisdictions. Before his role at the OECD, Miles held positions as the Senior Executive Leader for Financial Capability at the Australian Securities and Investments Commission; General Manager of the Investor Education Centre in Hong Kong; and worked on consumer protection law reform at the Financial Conduct Authority in the UK.

Robert Patalano, Head of Financial Markets Division, Rob Patalano directs a team of economists and policy analysts that develop analytical reports and policy recommendations for the OECD's Committee on Financial Markets, its Experts Group on Finance and Digitalisation, the Working Party on Public Debt Management, and the Taskforce on Long-term Investment, and the Blockchain Policy Centre. In this capacity, Rob represents the OECD on the G20 Sustainable Finance Working Group; the Financial Stability Board's working groups on financial stability and fintech; the B20 Task Force on Finance and Infrastructure; and, the NGFS, where he co-chairs a workstream on market transparency.

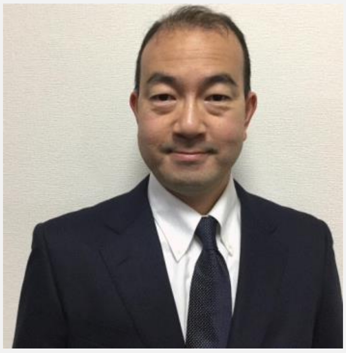
Prior to joining the OECD, Rob spent five years at the Financial Stability Board, where he led the assessment of global financial stability risks for the Standing Committee on Assessment of Vulnerabilities and chaired its Analytical Group on Vulnerabilities. Earlier in his career, he spent a decade at the Federal Reserve Bank of New York in managerial and analytical roles in the Markets Group, and was a senior economist in the European Central Bank's market operations directorate.

Rob earned an MBA in finance and corporate strategy from the University of Michigan and an MA in international relations and economics from the Johns Hopkins School of Advanced International Studies. He is a CFA charterholder and a Salzburg Global Fellow.

Bryan Coughlan is the Sustainable Finance Officer at BEUC, The European Consumer Organisation.

In this capacity he works closely on consumer protection issues, particularly concerning sustainability disclosures and regulation of sustainable investments. The Taxonomy regulation, work on the Platform for Sustainable Finance, Sustainable Finance Disclosure Regulation, Corporate Sustainability Reporting Directive,

	sustainability integration into financial advice via MiFID II and IDD, and the planned European Single Access Point have been the most recent fields of engagement. Prior to working at BEUC, Bryan worked at the Federation of German Consumer Organisations in Berlin, in the financial markets team. Bryan Coughlan holds a B.A in economics and a M.A. in international economics, both from the university of Göttingen.
	**Flore-Anne Messy** is the Head of Consumer Finance, Insurance and Pensions Division of the OECD Directorate for Financial and Enterprise Affairs, Secretary General of the International Organisation of Pension Supervisors (IOPS) and Executive Secretary of the OECD International Network on Financial Education (INFE). She joined the OECD in June 2000 to develop the activities of the Insurance and Private Pensions Committee. After several years working on the development of pensions, insurance and financial market policy issues, she launched and steered the OECD work on financial literacy and consumer protection (including the OECD/INFE, PISA financial literacy exercises, the G20/OECD Task Force on Financial Consumer Protection and the secretariat of FinCoNet). From 2016, she headed successively the OECD Insurance Private Pensions and Financial Market Division and the Consumer Finance, Insurance and Pensions Division. Prior to the OECD she worked as a consultant and auditor for banks and insurance companies at Deloitte Touche Tomatsu. She graduated from the Institute of Political Studies of Paris and received her thesis in international economics from University Pantheon-Sorbonne of Paris.
	**Mark Manning** leads the FCA's policy work on sustainable finance and investor stewardship. In this role, he is responsible for several initiatives, including the FCA's implementation of the TCFD's recommendations and the FCA's work with IOSCO on corporate reporting standards on sustainability. Prior to joining the FCA in 2018, Mark spent fifteen years as a central banker with the Bank of England (BoE) and the Reserve Bank of Australia (RBA). He held a number of senior roles, with a particular focus on policy, research and supervision in the field of financial market infrastructures (FMIs). Before joining the official sector, Mark spent several years as a fixed income and currency fund manager with Kleinwort Benson Investment Management and Goldman Sachs Asset Management. Mark holds Master's degrees in Economics and Finance, from University College London and London Business School, respectively.

	**Yuji Yamashita** is currently the Deputy Commissioner for International Affairs at Japan's Financial Services Agency (JFSA). He plays leading roles in various global financial fora, including chairmanship of Joint Committee of APEC's Asian Regional Fund Passport (ARFP) and Committee of Evaluation of Standards of Legal Entity Identifiers (LEI) at Regulatory Oversight Committee (ROC). Mr Yamashita started his career at the Bank of Japan (BoJ) in 1993. He has been engaged in various monetary and prudential policy functions. He also worked at International Accounting Standards Board (IASB) to develop accounting standards for Financial Instruments. Before the current position, he was the Chief Representative in Paris of BoJ. Mr Yamashita has a bachelor's degree in Economics from University of Tokyo and master's degree of Public Financial Policy from London School of Economics (LSE).
	**Silvia De Iacovo** is a Policy Assistant in the Sustainable Finance Unit of DG FISMA (Directorate-General for Financial Stability, Financial Services and Capital Markets Union). She joined the Commission in 2020, working on the Strategy for financing the transition to a sustainable economy, adopted in July 2021, and on the International Platform on Sustainable Finance. She is also in charge of retail sustainable investing and communications in the Unit. She studied International Relations and European Union Studies in Rome and Salzburg.
	**Bénédicte Van Ormelingen** is a Legal and Policy Officer in the Consumer Policy Unit (Financial Services Team) of the Directorate-General for Justice and Consumers (DG JUST) in the European Commission. She is in charge of the review of the Consumer Credit Directive (2008/48/EC). She joined the European Commission in December 2019, as Policy Assistant in the Cabinet of Commissioner for Justice D. Reynders. She studied Law at the Université catholique de Louvain (Belgium) and at University of California, Berkeley (USA).