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## Consultation on institutional investors and asset managers' duties regarding sustainability

Dear Mr Bassi,

With reference to the above-mentioned subject, I wish to express our gratitude for launching a consultation process and giving stakeholders the opportunity of expressing their views on institutional investors and asset managers' duties with regard to the important subject of sustainability.

Sustainability aspects are playing an increasingly important role in the investment decisions of private and institutional investors alike these days and constantly keep gaining significance. Against this background, we believe that the consultation document could have offered a more substantial perspective than a rather general view on the consideration of environmental, social and governance (ESG)-criteria in investment decisions. For example, more detailed aspects concerning institutional investors and asset managers (investment entities) as well as factors linked to the targeted investment object, e.g. different structures and business models, could have been taken into account and reflected in the consultation questionnaire. In addition, while the questionnaire explicitly addresses institutional and private investors, it neglects the perspective of companies as investment targets although the latter will at least be indirectly affected when duties of investment entities regarding sustainability are addressed.

In Germany as in other European Union member states, companies across all industries are deeply committed to Corporate Social Responsibility (CSR)/sustainability. They have acted on these issues in the best interest of their stakeholders as well as their public responsibility and reputation long before the adoption of the European CSR-Directive. Companies are and have been performing a vast range of CSR activities for a long time. These activities are frequently accompanied by high quality CSR reports on a voluntary basis corresponding to internationally acknowledged standards, such as the UN Global Compact, ISO 9000, the Global Reporting Initiative or the International Integrated Reporting Framework.

These reports constitute an essential and reliable information basis for investment entities and enable them to respect in their investment decisions all relevant and material ESG-criteria with regard to a potential investee company. Consequently, CSR disclosures should be closely aligned to the concept of materiality, which is also a

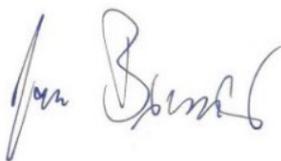
cornerstone of the European CSR-Directive. A departure from the materiality principle would be counterproductive as threatening to turn CSR reporting into a pure box-ticking-exercise. Correspondingly, regulatory attempts aiming at establishing firm and inflexible processes and procedures for investment entities to respect sustainability factors in their investment decisions should be abstained from. A one-size-fits-all approach will be bound to fail. Not only are investment entities, strategies and investment targets too diverse as to make such an approach successful and credible. Essentially, it threatens to backfire on the quality of CSR reports by indirectly exercising pressure on companies to prepare their reports in alignment with regulatory provisions addressed at investment entities. The materiality principle could thereby be undermined, which will ultimately weaken CSR reports and vice versa lead to irritation and confusion among investors. In addition, attempts to rule on ESG-factors and a ranking of those to be respected by institutional investors may de-facto lead to a ban of certain investments, which would be highly questionable from a legal point of view. Such developments are to be prevented and should not take effect.

Today, successful market-driven solutions, such as codes of conduct and stewardship codes for investment entities have a large focus on CSR/sustainability and gained wide acceptance and great respect among the investor community. These effects deserve to be respected. CSR/sustainability is a too important subject as to expose it to the danger of declining credibility or suffering reputational harm.

In this context, before deciding on potential subjects to be addressed in the forthcoming review of the European CSR-Directive, we kindly ask the European Commission to engage into a dialogue with companies in order to be able to take their views on the topic of CSR/sustainability into account for the benefit of a holistic picture. The forthcoming sustainability debate should neither be limited to the financial sector nor to certain industries but should be led comprehensively and on a profound basis.

We kindly ask you to take these thoughts into consideration and will be pleased to further explain our perspective also in a personal meeting upon your convenience.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Jan Bremer', is positioned above the typed name and title.

Jan Bremer, LL.M.  
Head of EU Liaison Office