

Speech Laura van Geest ter ere van DUFAS-jubileum (20 jaar)

Dear attendees,

- Thank you for the invitation to speak at your anniversary dinner. And congratulations!
- We have been around for almost the same amount of time – the AFM turned twenty last year, and I vividly recall how nice it is to have a moment to celebrate the successes of the past and to turn your thoughts to the next twenty years.
- Of all the challenges we all face – AI, geopolitical strife, climate change – the sustainability issue (some call it a crisis) is the most urgent. No wonder that you have chosen that topic for your anniversary dinner. After all, we would all like to have another anniversary somewhere down the road.
- More surprising is perhaps the choice of a supervisor as keynote speaker. I see this as a reflection of our good relation.
- Naturally, we both have our role to play. Our relation is a professional one, but on the issue of the sustainability transition we definitely see eye to eye.
- The asset management market is facing pressure in two areas: (1) more and more demand for sustainable products from your clients, and (2) the duty to integrate transition and physical risks into your risk management. Adequate and clear information on sustainability is therefore essential for the functioning of the asset management market.
- As a conduct supervisor, the AFM has a particular focus on the risk of greenwashing and green wishing. In the world of green finance, the

proof of the pudding is indeed in the eating. Not all promises can be taken at face value.

- Given the challenges ahead, I will focus on three sustainability ‘issues’ through a consumer lens:
 - the new regulations we’re facing;
 - the regulatory framework; and
 - the interests of your stakeholders.

New regulations

- Let me start with the recently introduced regulations, the SFDR and the EU Taxonomy.
- Market parties, regulators and supervisors alike are pioneers in the field of sustainability disclosures. We expect year-on-year improvement. At the same time, we should avoid looking at the SFDR as the perfect recipe for informing clients.
- After all, most retail investors are primarily guided by marketing communication, prominent website information or the names of products. Like customers in a Chinese restaurant, they look at the pictures on the menu, not at the description!
- By contrast, the SFDR is all about specifying what sustainable investments or investments with sustainable characteristics mean to you. It is about adding detail to the template text. There are probably only a few clients that go through the templates in detail.
- In essence, you can go a long way towards accommodating investors – and so can the regulators – by sticking to these three principles in **all your communications: correct, clear and not misleading**. The Wft (the Dutch Financial Supervision Act) already requires this from you: **all information must be correct, clear and not misleading**. Whether it concerns information on your website, in your annual report, in your brochures... you name it.
- Fortunately, we have observed that you are increasingly enriching this information. Substantiation and hard evidence are important to remove scepticism among investors.

- So, in addition to ‘practice what you preach’, I would add ‘**show** what you practice’. The photos on your menu should reflect reality, not the pimped-up versions you see in cookbooks.
- And now for some good news: you do not have to start from scratch. As your supervisor, the AFM has put together guidelines on how to present information about sustainability.
- These guidelines will hopefully make the implementation process easier. Are you green? Are you brown? Personally, I prefer green. But since I am standing here as a supervisor, I say: the AFM would like your menu to be understandable and predictable. More precisely: we want clients to know in advance what they are eating. It must be correct, clear and not misleading. This way, we can avoid disappointment afterwards.
- So, I hope this message is clear: the new regulation is not rocket science. And there are already some good practices out there.

The framework

- My second point is about the current regulatory framework.
- Our task is to make sure the regulatory framework supports the ultimate goal: the availability of more and more information to guide the choices of those who wish to invest sustainably.
- However, much of the current legislative framework is geared towards value alignment strategies: investments in products that are made up of companies that are already sustainable.
- We know that this is not necessarily what consumers want or what contributes most to the goal of a transition to a sustainable economy. Most sustainable investors seek positive real-world impact.
- Now that we are discussing how to improve the framework – think about the upcoming review of the SFDR – the AFM strongly advocates a consumer-oriented approach that will lead to better classifications and

labels. Don't get me started on the misleading use and interpretation of SFDR Articles 8 and 9 as labels.

- We favour classifications or labels that considers client's expectations and objectives. They should allow investors like you to recognise products that have an impact approach, either by investing new capital (direct impact) or through engagement strategies (transition).
- In addition, they should allow investors to see the difference between these two approaches. In a way, we would like to add a new dish to the existing menu: the transition dish.
- In our ongoing dialogue with DUFAS and individual asset management companies, we emphasise the necessity of this consumer-oriented approach.
- I sincerely hope you will be on our side in this. Perhaps you have already decided to do so?

The stakeholders

- I want to close by talking about another factor you need to think about: the stakeholders.
- Of course, intrinsic motivation is the shortest route to ensuring the sustainability transition. But if this does not work for you personally, you may need to consider your stakeholders.
- As Ronald pointed out in an article on the DUFAS website: 75% of households in the Netherlands have exposure to the capital markets through pensions, insurance, or direct investments. This is a unique situation compared to other EU Member States.
- This underscores the importance of a broad social view. At the end of the day, you are not only or primarily accountable to the supervisor. NGOs, your employees, and social media also take a clear interest in your offer. They could prove to be the group with the most discerning palate.

- On a more personal level, you could think about your children – or maybe even grandchildren, nephews, and nieces. What type of planet will they inherit?
- It is our task – and your task as well – to strive for a robust and resilient market. Individually, we cannot save the planet, but if we work together – each from our own perspective – we can take a step in the right direction.
- At the AFM, we are lucky to have DUFAS on our side in this endeavour. DUFAS is an important and experienced mediator in our communication with the market. We also really feel that you are pursuing the same goals when it comes to a sustainable planet. How effective and efficient is it for us as a supervisor to speak with a well-established industry which represents more than 50 asset management companies that are active in the Dutch market?
- This fruitful dialogue between DUFAS and the Dutch supervisor is not enough, however. It is up to DUFAS and its members to seek dialogue not only with the supervisor, but with all existing stakeholders. We express the wish that DUFAS will accelerate the end-to-end dialogue both with institutional clients and with retail clients.

Dear attendees,

- The sustainability transition is key. Change is not always easy or pleasant. But it is unavoidable. We all have our role to play.
- I am very happy to note that the financial sector in the Netherlands was among the first to commit itself to the transition.
- The proof of the pudding is of course in the eating. Big strides must be made in the limited time we have.
- Make sure that the transition will leave your retail consumers satisfied. A menu that is correct, clear, and not misleading will never disappoint.
- Thank you for your attention, and as the Dutch say: *'eet smakelijk'*. Enjoy your dinner.



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