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Financing Sustainable Growth and Building Capital Markets Union in the European Union

Abstract

The EU is trying to make environmental, social and corporate governance (ESG) central to its financial system. According to the assumptions, the EU economy is expected to become an environmental and resilient circular ecosystem. Investments, which flow through the capital market, should favour sustainable development meaning investors' decisions should take account of ESG aspects including, inter alia, greenhouse gas emissions, depletion of natural resources, and working conditions. These requirements target, above all, institutional investors who are expected to inform their clients how the above mentioned factors are considered in their respective actions. The closing of an investment gap in the sustainable investment is one among priorities that must be accomplished on the way to the sustainable growth of the EU economy. The problem is that, quite unfortunately, sustainable finance has been made part of the plan to build the capital markets union stepping from the assumption that boosting the dynamics of capital markets development and the resultant volume of investment resources obtained through them will also help increase the volume of funds for sustainable investment. The paper discusses conditions and feasibility of the undertaken commitments vis-à-vis the capital markets reality.

Keywords: sustainable finances, sustainable investments, sustainable development, capital markets union

Introduction

World economies compete to achieve the highest growth dynamics possible and higher GDP per capita usually equated with increased citizens' welfare. Every year we have rankings showing which countries are the top competitors. Unfortunately, there are no

rankings that would tell us what environmental and social cost of acceleration in the economic growth is born by the individual countries. Currently, the European Union launched, for the first time at such scale, the action plan in funding sustainable growth. The move is an unprecedented one because the plan is a response to another European initiative: the building of capital markets union. Free movement of capital is usually seen in the light of its optimal allocation understood as its potentially the highest rate of return achievable at a certain assumed level of investment risk. According to common belief, financial markets are driven by greed. This belief is fully justified if we look at the causes, scale and depth of the global financial crisis 2008+. By incorporating goals connected with financing sustainable growth of the EU Member States in the plan of building capital markets union, the EU has sent a remarkable signal about how it perceives the role of a capital market in the economy. Nowadays, the market has acquired a new mission that previously was not defined so explicitly. The EU wishes the Environmental, Social and Governance issues (ESG) to become central elements of the financial system. The EU economy is expected to develop into an environmentally-friendly and resilient circular ecosystem. Investments, which flow through capital markets should favour sustainable growth, which means that investors should consider the ESG aspects, such as: greenhouse gas emissions, depletion of natural resources, and working conditions in their decision-making. This recommendation is addressed especially to the institutional investors who should inform their clients how the above mentioned aspects are considered in their decisions. This paper aims at discussing the conditions and feasibility of undertaken commitments against the background of the capital markets reality.

1. Free movement of capital and capital markets union

Legally, free movement of capital within the EU was put in place in May 1994 when Greece, as the last among all Member States, abolished the remaining restrictions. Yet, we need to stress that although the elimination of legal barriers to the free movement of capital is a precondition for deepening the integration of capital markets, it is not enough. If it were enough, subsequent activities undertaken by the EU in this area since 1999 would have been obsolete [for more see: Janicka 2018, pp. 195-206]. Nowadays, whenever a new country joins the EU, it must abolish all restrictions to the free movement of capital (with the exception of jointly agreed exemptions maintained throughout the transitional period) meaning formal barriers are no more obstacles to the

deepening of *de facto* integration. However, another plan in this area – the building of the capital markets union – proves that the EU is not satisfied with the already reached level of integration. ”Despite significant progress in recent decades to develop a single market for capital, there are still many long-standing and deep-rooted obstacles that stand in the way of cross-border investments. These range from obstacles that have their origins in national law – insolvency, collateral and securities law – to obstacles in terms of market infrastructure, tax barriers and changes in the regulatory environment that undermine the predictability of rules for direct investments.” [European Commission 2015a, p. 23].

At the same time, in accordance with earlier commitments (Council Directive of 24 June 1988 for the implementation of Art. 67 of the Treaty 88/361; Treaty on the European Union, signed on 7 February 1992 and ratified on November 1993, OJ C 191 of 29.07.1992), the EU Member States opened themselves up to the flows of capital with third countries. Unlike liberalisation of the flow of goods, where countries expect both parties to facilitate access to their respective markets, for capital flows the EU Member States did not demand the principle of mutuality to be met. Early 1990s were the period when the developed countries had no reasons to fear for their position in the global economy. They had the most developed and rich financial markets and none developing economy could undermine their domination in this field. Under such circumstances, not only this one-sided opening to capital flows entailed no risk to the EU but it could produce concrete benefits resulting from more liberal approach of the third countries to the inflow of funds from the EU. The situation changed in the last decades when developing countries, in particular China, became the principal sources of capital in the global economy. Chinese capital stock is largely controlled by the central government (FX reserves), while the Chinese investments are not always guided by the criterion of optimal allocation of capital. By maintaining the barriers to entry into their market and taking advantage of the opening of the EU, China started to invest in the EU economies also in sectors that these countries perceive as sensitive [Popławski 2017]. As a result, the EU Member States had to review their policy of openness to capital flows from the external environment and undertake measures in the internal market to foster the position and role of capital markets in their respective economies. Nevertheless, still in 2015, when the plan to build the capital markets union was drafted, we could hear voices full of anxiety saying that

“Cross-border risk sharing within the EU has weakened since the start of the crisis and investment coming from outside the EU also declined over the same period. [...] More integrated EU capital markets would also increase the attractiveness of the EU Member States as investment destinations for third country investors.” [European Commission 2015a, p. 23]. One year later, the inflow of investment from third countries, especially direct investment, became questionable. Effects of the opening, so far unknown to developed countries (and not always favourable for capital recipients), provoked the need to reconsider the EU policy vis-à-vis the inflow of investment/capital.

2. Financing sustainable growth

Action plan to build capital markets union only marginally addressed the issue of financing sustainable growth. It only reads that “efficient financial markets can help investors to make well informed investment decisions, and analyse and price long term risks and opportunities arising from the move towards a sustainable and climate friendly economy. This shift in investment can contribute towards delivering the 2030 climate and energy policy objectives and the EU's commitments on the Sustainable Development Goals” [European Commission 2015a, p. 17]. In September 2016, the Commission presented another document „Capital Markets Union – accelerating reform,” in which it once again only briefly referred to the financing of sustainable growth: “Reforms for sustainable finance are necessary to support investment in clean technologies and their deployment, ensure that the financial system can finance growth in a sustainable manner over the long term, and contribute to the creation of a low-carbon, climate resilient economy. Such reforms are essential to meet our climate and environment objectives and international commitments [...]” [European Commission 2016, pp. 5-6].

The key document on financing sustainable growth, which resulted from earlier identified goals connected with the building of capital markets union was published in March 2018 under the title “Commission Action Plan on financing sustainable growth” (SF) [European Commission 2018a]. To start with, we need to focus on the term ‘sustainable finance’. In accordance with the definition included in the document ‘sustainable finance’ generally refers to the process of taking due account of environmental and social considerations in investment decision-making, leading to increased investments in longer-term and sustainable activities.” [European Commission 2018a]. In other words, it is about Socially Responsible Investment (SRI), the term already present in the subject-matter literature, which nowadays is being replaced with: sustainable investment or responsible investment or the broadest term

“sustainable finance” [Sustainable Finance Glossary 2018]. The term “sustainable finance”, if not explained properly, may be misleading, especially when rendered in other languages, as it may be understood as a way of financing an investment, e.g., the relationship between own and external capital in the project in question. Similar mental shortcut is also used in relation to, e.g., sustainable capital market or sustainable financial market. These terms may be interpreted contrary to the intentions of those who have coined them. Sustainable market, i.e., a market, which is balanced, which develops harmoniously without serious tensions, in picturesque terms can be presented as a flattened financial cycle. Such interpretation fundamentally differs from seeing a sustainable capital market as a market which acts as a broker in transferring funds for the ESG investment. Yet detailed goals of the SF leave no room for doubts what planned activities refer to [European Commission 2018a, p. 2]:

- 1) reorient capital flows towards sustainable investment in order to achieve sustainable and inclusive growth;
- 2) manage financial risks stemming from climate change, environmental degradation, and social issues;
- 3) foster transparency and long-termism in financial and economic activity.

One of the key terms that many times pop up in the plan is the so called circular economy. In accordance with the interpretation of the European Commission [European Commission 2015b], circular economy is a production and consumption model, which consists in sharing, borrowing, reuse, repairing, refurbishing and recycling materials and products as long as it is possible and expanding product lifecycle. When a product lifecycle is coming to an end, raw materials and waste from this product should remain in the economy, as they can be reused easily, which in practice may mean reducing waste to a minimum. Such approach contrasts with a traditional, linear economic model based on the scheme "take - make - use - dispose" and large quantities of cheap and easily available materials and energy. The so called “planned obsolescence,” i.e., designing products, which do not work beyond a specific time horizon, is an element of the model [Gospodarka o obiegu zamkniętym 2018]. Transferring the current economy model, which aims at increasing the consumption, into a model of limited consumption adapted to one’s needs and at the same time extending product lifecycle are surely justified postulates. However, there is a serious doubt whether under the current model of how economies and societies operate, in particular in developed countries, these postulates can really be accomplished. The extension of product lifecycle means the

need to restrict the production of consumer goods because they are used/work longer (especially electronic and electric equipment); moreover, it means a change in the approach to how they are constructed: instead of closed models, which must be replaced as units, we need individual components, which can be replaced to repair products, which not long ago we would have thrown away. A good example is the dynamically growing apparel sector; today, creating new trends and exerting an impact upon a consumer through many marketing channels to convince her/him to buy is a powerful and increasingly strong business. It seems that coming back to the tradition of having one high quality coat (often inherited by subsequent generations) and a pair of shoes whose sole has been repaired several times may be an idea that will appeal neither to contemporary consumers nor to companies which manufacture these goods. Nowadays, many products are replaced not because they really have got physically worn out but because of their moral wear and tear. Under the above circumstances, a question arises what arguments can convince companies to choose this business model? Smaller sales and production not only mean potentially smaller employment but also smaller profits and income of company owners (including shareholders). If we agree that capital market informs about current company's value, inter alia, through revealing its financial performance, one may easily imagine a situation, in which shareholders, who declare that SRI and CSR are ideas relevant to them, in reality dispose company's shares when they cannot secure a satisfactory rate of return. If a company's output and profits are decreasing, the situation can be reversed either by increasing the number of customers who buy its products or by increasing prices. Both possibilities are strongly limited – the first one by natural conditions, the second one by competition in the market. Low quality goods are still being bought by many purchasers with limited financial resources, to whom price is the main selection criterion. In the market, we can find products that comply with the CSR idea: environmentally-friendly food, clothes, and cars. The market for these goods exists and is on the rise although it still represents a small chunk of the traditional market and the main barrier is the price higher than the market average. In capital markets, specifically in the stock market, we have indices that include companies that meet CSR requirements (e.g., Dow Jones Sustainability Index series, Calvert Social Index, Johannesburg Stock Exchange Socially Responsible Index, Sao Paulo Stock Exchange Corporate Sustainability Index, KLD Global Sustainability Index Series, and Respect Index), however, vast majority of investors

continue to focus on classical stock indices. The “critical mass” of the CSR companies has not been exceeded yet in the capital markets.

Careful examination of the action plan for sustainable finance also encourages to reflect that **it clearly too little addresses the question which is crucial from the point of view of sustainable finance:** the strategy of influencing consumer and investor’s choices. Choices made by these two groups, which often intertwine, will be decisive for the success of the plan. I do not share optimism radiating from the Final Report 2018 by the High-Level Expert Group on Sustainable Finance published in 2018, according to which “There is strong evidence that Europe’s citizens overwhelmingly believe that social and environmental objectives are important for their savings and investments.” [Financing a Sustainable European Economy 2018]. This conclusion was drawn from analyses carried out by a variety of institutions about CSR and SRI. One of these analyses can be found in the study [Mind shift... 2017] prepared by NATIXIS – one of the world’s largest asset management firms. According to it, individual investors are very much interested in SRI, unfortunately we cannot learn from the study what countries these investors come from, most probably not only from the European countries because the research was conducted at a global scale: “Among the 7,100 individuals from 22 countries who were included in our 2016 Global Survey of Individual Investors, we find a consistent belief that it is important to address ESG factors in their investments” [Mind shift... 2017, p. 7]. It is a pity, that detailed information about the research sample (broken down only by generation and sex) was not provided directly in the study as it may be vital for final conclusions. If the sample had included mainly respondents from developed countries, with relatively high income and education, such answers come to no surprise especially that the study covered active investors. From the point of view of successful delivery of the plan, the key lies in bringing the message to the biggest group of the youngest recipients: **education for the future** is in this case the key challenge. Future consumers and investors must realise close relationship between the choices they make and how their environment works at social and environmental levels. To most ESG criteria are important, nevertheless, the question arises how many consumers and investors are guided by them in making purchase decisions and investing their money. Environmentally-friendly purchases will eliminate non environmentally-friendly manufacturers, the SRI forces companies to observe the ESG standards. Yet, sometimes one may have an impression that the SF

plan focuses on the final element of the investment process – the company which receives capital. By the same token, an assumption is made that the main problem of insufficient financing for ESG companies lies in clogged investment flow channels rather than in the lack of investors' interest in increasing their volume. It is an optimistic assumption.

An important aspect, to which attention is drawn in the SF action plan is the so called “greenwashing,” i.e., using marketing to present products, activities or strategies of an organisation as environmentally-friendly when they are not such in reality. This issue is very much relevant for combining financial markets with financing sustainable growth. In May 2018 the draft of a Regulation on the establishment of a framework to facilitate sustainable investment [European Commission 2018b] was put on the table. As we read in this proposal, its goal is to eliminate divergences in the existing national taxonomies and address market-based initiatives at national level to reduce the risk of “greenwashing,” make it easier for economic operators to raise funds for environmentally sustainable activities across borders, and to establish a level playing field for all market participants. Financial market participants, who offer financial products labelled as environmentally sustainable investments or investment products exhibiting similar characteristics, will have to make it clear to investors, why these products can be considered environmentally sustainable based on uniform criteria established at the EU level [European Commission 2018b pp. 5-6]. This Regulation is fundamental for sustainable finance; the absence of clear-cut definitions and criteria for companies that meet ESG requirements results in discretionary interpretation of terms from the realm of sustainable development and using them in an unauthorised way to promote their business.

Summing up, the emerging capital markets union should help increase the volume of investment earmarked for developing undertakings within the sustainable finance framework, which will help implement the idea of transforming the European Union economy from linear to circular model.

3. Sustainable finance and capital market: potential problems and ramifications

Although the expected increase in the volume of investments meeting ESG criteria is a fully justified objective, combining the two plans – building the capital markets union

and the development of sustainable finance – should be considered a rather risky initiative. In accordance with traditional approach, investors ready to accept low risk choose bank products while those prepared to accept higher risk choose capital market instruments. Since it is believed that the efficiency of the transmission of investment resources in a market economy is lower for the banking sector compared to the capital market, it is no wonder that the EU wishes to change the model of the financial system from bank-oriented to market-oriented, similarly to the United States. The EU is still dominated by the continental – banking – system; it is not the first attempt, so far little successful, made by the EU to change the model. Surprisingly, subsequent plans of deepening capital markets integration lack references to one of fundamental issues: the readiness of capital providers from the EU to accept higher levels of investment risk, as it is the case in the United States. In accordance with the saying “there is no a free lunch” – I expect more but I risk more. The building of capital markets union is expected to provide the framework that will facilitate as much as possible flows of investment capital within the EU; investors will have more options of selecting investments with diverse profit/risk parameters and different time horizon. The interweaving of sustainable finance into the process makes these parameters less transparent. The plan for sustainable finance reads: “Investment decisions are typically based on several factors, but those related to environmental and social considerations are often not sufficiently taken into account, since such risks are likely to materialise over a longer time horizon. It is important to recognise that taking longer-term sustainability interests into account makes economic sense and does not necessarily lead to lower returns for investors.” [European Commission 2018a p. 2]. Lack of clarity in this paragraph is to a large extent the consequence of combining terms, such as: investor interest, interest of the economy, capital market, sustainable finance. Environmental projects often require the long-term engagement and investment outlays involved in the environmentally-friendly companies may be higher than in businesses which do not apply such solutions, however, such investments are justified by the economic and social interests of the country. Investors who expect a particular rate of return over a specific, not necessarily long-term, time horizon will most probably not be interested in them, which is why environmentally-friendly investments are often financed from public funds. The statement that they “will not necessarily lead to lower returns for investors” is unclear. They do not have to lead to such consequences, but they may. A new category has emerged in the financial markets, which is more complex than simple

but clear profit: profit/environmental costs of generating it [Janicka 2016, p.7]. Nevertheless, it is difficult to find analyses, which would take it into account. Credibility of the operator and project predictability are key elements of each investment decision. Private capital should be attracted to the SRI after all ramifications/risks connected with such investments have been made clear and reference should be made to values other than the rate of return. In order for SRI not to remain only a side stream of investments targeting eccentric or socially responsible investors it is crucial to universally introduce the ESG requirements into the economy and monitor their implementation. Cases of the inhuman working conditions approved by the international holdings in the developing countries or the exceeded norms of the harmful substances in the fuel gases hidden by the corporations, have undermined trust in the implementation of the CSR principles in the companies, which declare such effort. “Just recently, the governor of the Bank of England, Mark Carney, called for the financial system to adapt quickly, smoothly and effectively to social needs and particularly to climate-change issues. The Banque de France, which has just announced a responsible investment charter, is committed to taking things even further than supporting green assets to actually penalising climate-damaging ones (“brown assets”)” [Revelli 2018]. If companies are supposed to modify their operating model and switch to the system compliant with ESG requirements, appealing for changes is not enough. The market, also the financial market, must clearly formulate its expectations and then enforce them completely.

Affluent investors in the developed countries (but surely also in some developing ones) for sure are willing to allocate some of their resources for sustainable investment, if they feel that they deliver a mission and that they make part of a bigger group, which understands such mission and approves of it. Yet, as *The Economist* rightfully observed: “But the more fundamental question is the trickiest to solve, because it boils down to ethics rather than finance. How can the relative value of, say, educating a girl in the developing world be compared with preventing a tonne of air pollution? In the end, investors’ choices among the different variants of sustainable investments will be driven by their own personal interests, rather than just by financial calculations” [The Economist 2018].

I would like to stress that **building capital markets union does not exclude sustainable finance**. However, if the EU wants to develop the capital markets, it should

first focus on this task to avoid a situation, in which the implementation of two diverse objectives leads to a failure. In the context of these considerations it is worth quoting the most puzzling excerpt from the SF plan: “Despite the efforts made by several European companies, undue short-term market pressures may make it difficult to lengthen the time horizon in corporate decision-making. Corporate managers may become overly focused on short-term financial performance and disregard opportunities and risks stemming from environmental and social sustainability considerations. As a consequence, the interactions between capital market pressures and corporate incentives may lead to unnecessary exposure in the long-term to sustainability risks. The Commission will engage with all relevant stakeholders to analyse this issue more closely.” [European Commission 2018a, p. 13]. This paragraph proves that the authors of the plan probably have not fully grasped the operating principles of the capital markets. Short-term investments/transactions are inherent components of these markets as they generate market liquidity. If investors invested their financial resources only for long-term, trade in the markets would die out completely and then capital market would fail on delivering its primary functions: mobilisation, evaluation and transformation of capital. Freedom of operations of market participants is fundamental for the growth of the capital market – no-one can take away from them the right to withdraw from an investment at any time similarly like no-one can restrict time horizon for an investment, it is subject to the agreement between the capital recipient and the capital provider. Under these circumstances we can clearly see that for the needs of sustainable growth, banking sector financing is a far better option because it sees long-term investment project as a standard solution and loan agreements are different by nature than capital market instruments. The question is why combine sustainable finance with capital market, which is ruthless and very dynamic, which holds corporate boards accountable for, inter alia, failed short- or long-term decisions? The investigation into the content of the plan suggests that perhaps the point is to **develop the market of investment funds working towards the accomplishment of sustainable investment principles and idea**, which should increasingly more substitute the financing of ESG projects from public funds¹ with private investment, especially in the face of the deepening

¹ “The EFSI has proven to be instrumental in crowding in private investment for strategic projects across the EU, mobilising almost EUR 265 billion in total investments. Following its successful first years of operation, the EFSI has been recently extended until 2020 (EFSI 2.0) and its investment target has been raised to half a trillion euros..” [European Commission 2018a, p. 7]

investment gap.² In fact, investment funds are capital market operators but there is no coincidence between their operations and the “undue short-term pressure from capital markets” [European Commission 2018a, p. 3]. We should not equate all capital market activities with sustainable finance. The growth in sustainable investment and an increasing share of its volume should follow evolutionary rather than revolutionary. The trend is reflected in data (see Table 1). A clear increasing trend is observed for the absolute value of assets of the European Responsible Investment Funds as well as for the share of this market in the total European market of investment funds. It is not a quantum-leap but the change is indicative of the growing importance of the SRI among the classical investment solutions.

Table 1. Investment funds market in Europe in the years 2010, 2012, 2014, and 2016

	2010	2012	2014	2016
Net Assets of European Investment Funds (bn EUR)	8 573	9 468	12 030	14 142
Net Assets of European Responsible Investment Funds (bn EUR)	251	287	376	476
Percentage of Net Assets of European Responsible Investment Funds in Net Assets of European Investment Funds (%)	2.9	3.0	3.1	3.6

Source: own calculations based on data available at: [Delbecque, Carroll 2017, p. 3], [European Responsible Investing 2017, p. 6]

We will stress once again, sustainable investment segment is one of elements of a broadly understood investment pool flowing through capital market. For the time being it is rather a marginal, not dominant, part of capital market operations.

When it comes to the short-term driven approach exhibited by capital markets, in Action 10 we read: “The Commission invites the European Supervisory Authorities (ESAs) **to collect evidence of undue short-term pressure from capital markets on corporations** and consider, if necessary, further steps based on such evidence by Q1

² “Europe has to close a yearly investment gap of almost EUR 180 billion to achieve EU climate and energy targets by 2030. According to estimates from the European Investment Bank (EIB), the overall investment gap in transport, energy and resource management infrastructure has reached an astounding yearly figure of EUR 270 billion.” [European Commission 2018a, p. 3]

2019. More specifically, the Commission invites ESMA to collect information on undue short-termism in capital markets, including: (i) portfolio turnover and equity holding periods by asset managers; (ii) whether there are any practices in capital markets that generate undue short-term pressure in the real economy.” [European Commission 2018a, p.14]. Since no ESMA report has been published yet in this field, it is hard to predict what evidence of practices exercised in the capital markets and leading to undue short-term pressure in the real economy will be collected. However, our observations of operations of capital market in the real economy within the EU, including mainly the stock markets, suggest that it will not be difficult to collect such evidence as usually whenever investors learn about poor financial performance of companies they rapidly dispose their assets; negative stock market indices reduce interest in investing in these markets, etc.; all of that happens rapidly and within very short time spans. It would be interesting to know what measures will be put in place based on the collected evidence and how coherent they will be with the building of capital markets union. In 2019 the Commission is due to release a report on the implementation of the SF Action Plan. In the light of the above presented doubts, the report will make a very interesting contribution, especially its part dealing with the capital market. It is not clear to me whether allegations of undue short-term pressure exerted by the capital market concern only sustainable investment or all investment? How will entities that manage the assets be hold accountable for the period for which investments are made? Will there be any regulations that will restrict the freedom to choose the investment time horizon by the financial market operators? These and many other questions that arise from the analysis of the SF Action Plan are not just rhetorical questions. Answers to them are linked with the key EU initiative designed to shift the channel through which investment assets flow in the European economy, i.e., to the building of capital markets union expected to change the model in which the European financial system operates.

4. Conclusions

Harmful and highly alarming changes in the natural environment resulting from economic operations pursued by humans have become a challenge that must be faced by contemporary generations if we want future generations to live normally on our planet. Economic growth still takes precedence over caring for natural environment, which has been clearly demonstrated by the withdrawal of the United States in 2017 from the so called Paris Agreement on climate change. According to what we can read in the

Agreement, the share of the United States in the global greenhouse gas emissions amounts to ca. 18%. It ranks second in the shameful ranking with China featuring at its top with the share of ca. 21% (all of the EU generates ca. 12% of global emissions). Contrary to the decision of the United States, the EU declares sticking to the Paris Agreement and undertakes concrete steps to make the idea of sustainable growth a reality. One of initiatives that make part of the idea is the EU action plan for sustainable finance. Undoubtedly, closing the investment gap in sustainable investment is one among priorities that must be accomplished on the way to sustainable growth. The problem is, however, that the Commission decided, rather unfortunately, to include sustainable finance into the building of capital markets union initiative hoping that by making capital markets growth more dynamic and by increasing the volume of investment resources it will increase the volume of funds available for sustainable investment. Risk, profit, investment horizon are the principal categories considered by investors. The analysis of the Action Plan in the field of financing sustainable growth shows that sustainable investment may entail higher risk, lower potential profit and the time horizon longer than for traditional investment projects. The authors of the plan would not only like the investors to approve these changed parameters and shift resources to investments meeting the ESG criteria, but also the capital markets to stop exerting short-term pressure upon the economy, whatever the postulate means. Challenging the operating principles of the capital markets, which so far have not been restricted with any requirements as to the time horizon of transactions, questions the successful accomplishment of the building of capital markets union *per se*. It is worth considering gradual implementation of plans to build capital markets union and financing sustainable growth starting with the deepening of capital markets integration and, if that works out successfully, possibly change their operating principles.

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Finansowanie zrównoważonego rozwoju wobec budowy unii rynków kapitałowych w Unii Europejskiej

Streszczenie

UE pragnie uczynić kwestie z zakresu ochrony środowiska, polityki społecznej i ładu korporacyjnego (ang. *Environmental, Social and Governance*, „ESG”) centralnymi elementami systemu finansowego. Gospodarka UE ma w założeniach stać się ekologicznym i odpornym ekosystemem o obiegu zamkniętym. Inwestycje, w przepływie których pośredniczy rynek kapitałowy, powinny sprzyjać zrównoważonemu rozwojowi, co oznacza, że inwestorzy powinni uwzględniać w swych decyzjach czynniki ESG, w tym m.in. emisję gazów cieplarnianych, wyczerpywanie się zasobów naturalnych i warunki pracy. To zalecenie kierowane jest szczególnie do grupy inwestorów instytucjonalnych, którzy powinni informować swoich klientów o tym, w jaki sposób wspomniane czynniki są uwzględniane w podejmowanych przez nich działaniach. Likwidacja luki inwestycyjnej odnoszącej się do zrównoważonych inwestycji jest jednym z priorytetów, które muszą zostać zrealizowane na drodze zrównoważonego rozwoju gospodarki UE. Problem w tym, że dość niefortunnie postanowiono włączyć kwestie zrównoważonych finansów w koncepcję budowy unii rynków kapitałowych wychodząc z założenia, że zdynamizowanie rozwoju rynków kapitałowych, a w efekcie wzrost wolumenu środków inwestycyjnych pozyskiwanych za ich pośrednictwem, pozwoli także zwiększyć wolumen środków na inwestycje zrównoważone. Celem artykułu jest dyskusja na temat uwarunkowań i wykonalności podjętych zobowiązań wobec realiów działania rynków kapitałowych.

Słowa kluczowe: zrównoważone finanse, zrównoważone inwestycje, zrównoważony rozwój, unia rynków kapitałowych