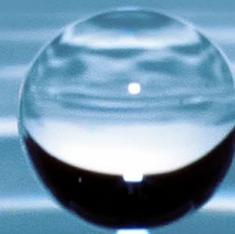


The logo for Hogan Lovells, consisting of the words "Hogan" and "Lovells" stacked vertically in a black serif font, set against a solid lime green square background.

Hogan  
Lovells

# Sustainable Finance

Measures Taken By Financial Supervisory  
Authorities and Institutions



# Introduction

Following the political commitments set out in the United Nation's 2030 Agenda for Sustainable Development<sup>1</sup> and Paris Climate Agreement from 2015, the European Union (EU) has set its own ambitious climate goals to cut the greenhouse emissions by at least 40%<sup>2</sup> by 2030 compared to 1990 levels with the view of becoming the world's first climate neutral continent by 2050.

Reaching the 2030 climate targets will require the EU to ensure additional investments of approximately EUR 260 billion<sup>3</sup> per year in this green transition process and this scale of investments goes far beyond the capacities of the public sector alone. Against this background, EU Commission has recognized the potential of the financial sector which will be expected to get more involved in the future in this green transition process.

Our table sets out in more detail the measures taken by financial supervisory authorities in Europe covering:

## Sustainable Finance Policy

Disclosure

Taxonomy

EU Green Bond Standard and EU Ecolabel  
For Retail Financial Products

MiFID II

UCITS and AIFMD

IFR and IFD

Benchmarks

Credit Ratings

Insurance Distribution Directive

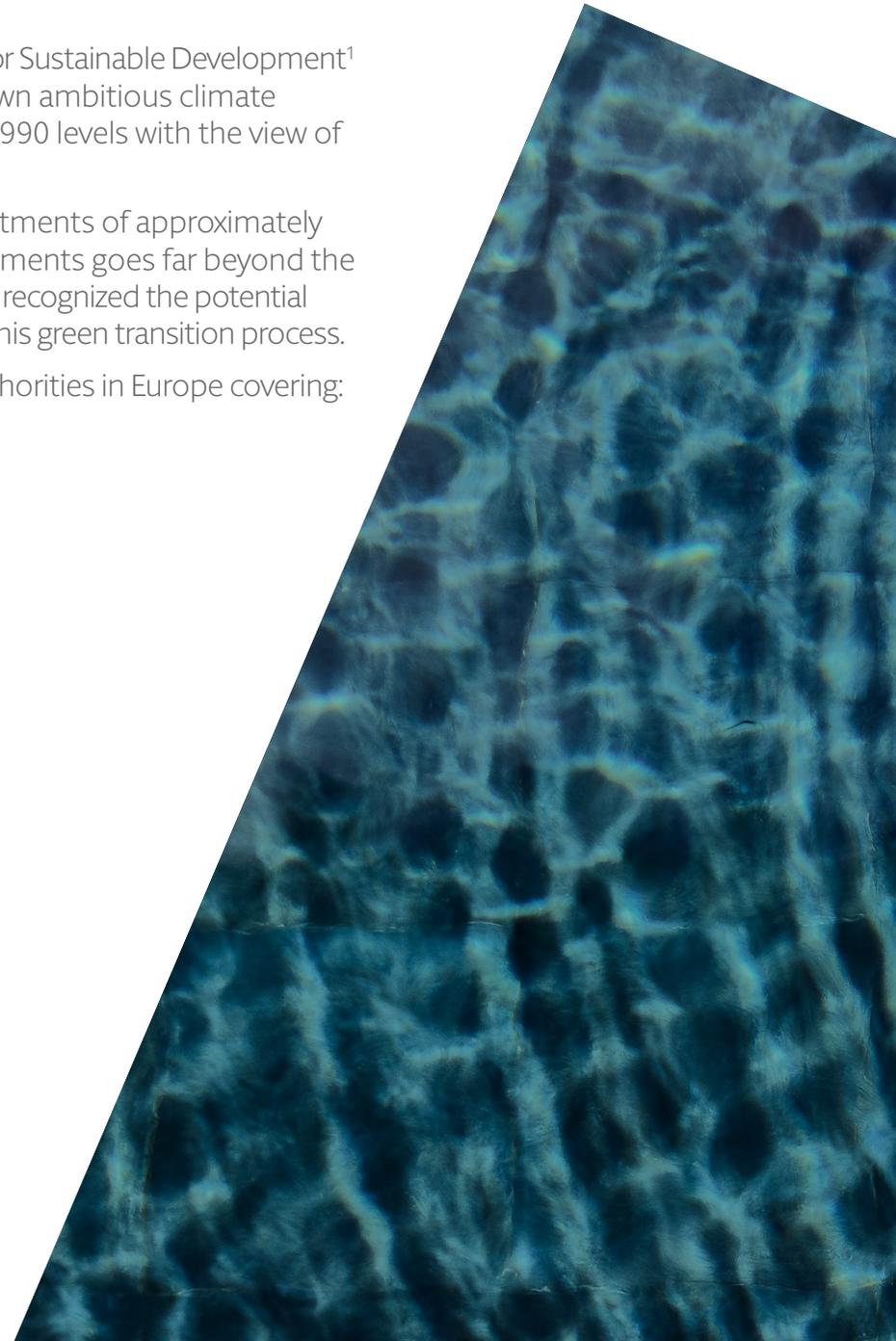
Solvency II

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1 <https://sdgs.un.org/2030agenda>

2 EU Action Plan from 8 March 2018: [https://ec.europa.eu/info/sites/info/files/180308-action-plan-sustainable-growth-factsheet\\_en.pdf](https://ec.europa.eu/info/sites/info/files/180308-action-plan-sustainable-growth-factsheet_en.pdf)

3 Overview Sustainable Finance: [https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/overview-sustainable-finance\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/overview-sustainable-finance_en)



# Introduction

## EU Action Plan

On 8 March 2018 the EU Commission came up with its Action Plan on Sustainable Finance which aims to ensure that financial institutions start to play a key role in the process of reaching of the aforementioned climate goals by reorienting capital flows towards more sustainable investments, financing the sustainable and long-term growth and by contributing to the creation of a low-carbon, climate resilient and circular economy.

Under the EU Action Plan, EU Commission has proposed several legislative measures, the most important of which include:

## Taxonomy Regulation

Having entered into force on 18 June 2020, the Taxonomy Regulation (Regulation (EU) 2020/852) establishes a uniform framework for classification of environmentally sustainable economic activities which aims to prevent the so called “greenwashing” in the EU. Further, the Taxonomy Regulation stipulates additional disclosure obligations to those applicable to financial institutions under the Disclosure Regulation as well as disclosure obligations for certain corporates by a way of supplementing the disclosure obligations under the Non-Financial Reporting Directive. Regulatory requirements under other legislative proposals that are part of the EU Action Plan will be largely be dependent on the classification system stipulated under Taxonomy Regulation.

## Disclosure Regulation

The Disclosure Regulation (Regulation (EU) 2019/2088), also known as Sustainable Finance Disclosure Regulation (SFDR), introduces new disclosure obligations for financial market participants and financial advisors as regards the disclosure of sustainability related information with respect to investment services provided and financial products offered to clients. The SFDR entered into force on 27 November 2019 and the majority of its provisions will start to apply as from 10 March 2021.

## Low Carbon Benchmark Regulation

Regulation 2019/2089/EU amends the EU Benchmark Regulation (Regulation (EU) 2016/1011) by introducing two new types of environmentally oriented benchmarks, the EU Climate Transition Benchmark and the EU Paris Aligned Benchmark, and by imposing obligations on benchmark administrators to make significant disclosures regarding the methodology used to measure and reconcile environmental, social and governance (ESG) factors and low-carbon factors in the composition of the aforementioned low-carbon benchmarks. The Regulation entered into force on 10 December 2019 and has started to apply from 30 April 2020.

## Amendments to Level 2 acts under MiFID II, UCITS, AIFMD, IDD and Solvency II

Targeted legislative amendments to sector specific pieces of EU legislation which implement new requirements on disclosure of sustainability related information and consideration of relevant sustainability factors and risks into several Level 2 acts under MiFID II<sup>4</sup>, UCITS<sup>5</sup>, AIFMD<sup>6</sup>, IDD<sup>7</sup> and Solvency II<sup>8</sup> framework have also been proposed as part of the EU Action Plan on Sustainable Finance. Draft legislative proposals have been published by the EU Commission on 8 June 2020 and they are now still to be finalized and officially adopted.

## EU Green Deal

Building on the EU Action Plan on Sustainable Finance, on 11 December 2019 the EU Commission presented the new European Green Deal, a set of ambitious and wide-ranging measures which are aimed at increasing the original carbon reduction targets to 50-55% by 2030 and which will be backed by the new legislative force, the EU Climate Law. With this legislative initiative EU Commission intends to stipulate for the first time a legally binding commitment to net zero carbon emissions in the EU by 2050. As part of the European Green Deal, a public consultation on the renewed Sustainable Finance Strategy was also launched in April 2020 and is intended to define new measures for the finalization of the main pillars of the EU Action Plan on Sustainable Finance from 2018.

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4 Amendments to Delegated Directive (EU) 2017/593 and Delegated Regulation (EU) 2017/565

5 Amendments to Implementing Directive 2010/43/EU

6 Amendments to Delegated Regulation (EU) No 231/2013

7 Amendments to Delegated Regulation (EU) 2017/2358

8 Amendments to Delegated Regulation (EU) 2015/35

## EU Initiatives (Sustainable Finance Policy)

Institution	Date / Timeline	Measure	Description	Additional Links
European Commission	8 March 2018	<a href="#">Action Plan: Financing Sustainable Growth Sustainable Finance Action Plan</a> (Sustainable Finance Action Plan)	<ul style="list-style-type: none"> <li>The aim of the European Commission's Sustainable Finance Action Plan is to: <ul style="list-style-type: none"> <li>- reorient capital flows towards sustainable investment in order to achieve sustainable and inclusive growth;</li> <li>- manage financial risks stemming from climate change, resource depletion, environmental degradation and social issues; and</li> <li>- foster transparency and long-termism in financial and economic activity.</li> </ul> </li> <li>To this end, the Sustainable Finance Action Plan sets out 10 initiatives including the creation of an EU taxonomy for sustainable activities, legislative proposals on sustainability related disclosures, sustainable benchmarks and integration of sustainability aspects in investment advice, prudential requirements, ratings and research.</li> </ul>	<p>European Commission, <a href="#">Consultation on the Renewed Sustainable Finance Strategy</a>, 8 April 2020</p> <p>Sustainable Finance Study Group (SMSG), <a href="#">Sustainable Finance Synthesis Report</a>, July 2018</p>
EBA	6 December 2019	<a href="#">EBA Action Plan on Sustainable Finance</a>	<ul style="list-style-type: none"> <li>The action plan outlines <ul style="list-style-type: none"> <li>- deliverables and activities related to ESG factors and ESG risks,</li> <li>- the phased approach and associated timelines for the reports, advices, guidelines and technical standards mandated to the EBA,</li> <li>- key policy messages on the topic of sustainable finance to provide some clarity to relevant financial institutions on the EBA's high-level policy direction.</li> </ul> </li> </ul>	<p>EBA, <a href="#">Joint EBA &amp; EBF Workshop on Sustainable Finance – Highlights and Summary</a>, 4 April 2019</p>
European Commission	11 December 2019	<a href="#">European Green Deal</a>	<ul style="list-style-type: none"> <li>The Green Deal outlines the EU's approach to implement the United Nation's 2030 Agenda and the SDGs.</li> <li>It includes an initial roadmap of key legislative and non-legislative actions that will need to be taken over the coming years.</li> <li>EU Commission is aiming to increase the EU's emissions reduction target from 40% to at least 55% which needs to be reached until 2030</li> <li>Proposal for a European Climate Law to ensure a climate neutral European Union by 2050</li> </ul>	<p>European Commission, <a href="#">Proposal for a European Climate Law</a>, 4 March 2020</p>

## EU Initiatives (Sustainable Finance Policy)

Institution	Date / Timeline	Measure	Description	Additional Links
European Commission	14 January 2020	<a href="#">Sustainable Europe Investment Plan / European Green Deal Investment Plan</a> (European Green Deal Investment Plan)	<ul style="list-style-type: none"> <li>The Sustainable Europe Investment Plan is the investment pillar of the European Green Deal.</li> <li>The Sustainable Europe Investment Plan aims at mobilising private and public sustainable investments through the EU budget and the associated instruments.</li> </ul>	
ESMA	6 February 2020	<a href="#">Strategy on Sustainable Finance</a>	<ul style="list-style-type: none"> <li>ESMA's Strategy on Sustainable Finance includes: <ul style="list-style-type: none"> <li>- taking ESG factors into account across the range of its activities (Single Rulebook, Supervisory Convergence and Direct Supervision),</li> <li>- monitoring ESG related market developments and monitor ESG related risks, as well as include environmental related systemic risk in its stress test scenarios (risk assessment activity).</li> </ul> </li> </ul>	ESMA, <a href="#">ESMA Sustainable Finance Strategy Press Release</a> , 6 February 2020
European Commission	8 April 2020	<a href="#">Consultation On The Renewed Sustainable Finance Strategy</a>	<ul style="list-style-type: none"> <li>The renewed sustainable finance strategy will build upon the 10 actions of the European Commission's Sustainable Finance Action Plan.</li> <li>It will predominantly focus on three areas: <ul style="list-style-type: none"> <li>- Creating an enabling framework, with appropriate tools and structures.</li> <li>- Increased opportunities to have a positive impact on sustainability for citizens, financial institutions and corporates.</li> <li>- Management and integration of climate and environmental risks into financial institutions and the financial system as a whole.</li> </ul> </li> </ul>	EIOPA, <a href="#">Response</a> , 15 July 2020 ESMA, <a href="#">Response</a> , 15 July 2020 EBA, <a href="#">Response</a> , 16 July 2020 European Commission, <a href="#">Sustainable Finance Action Plan</a> , 8 March 2018

## EU Initiatives (Sustainable Finance Policy)

Institution	Date / Timeline	Measure	Description	Additional Links
ECB	27 November 2020	<a href="#">Guide on climate-related and environmental risks</a>	<ul style="list-style-type: none"> <li>In its final guide on climate-related and environmental risks, the European Central Bank (ECB) defines ESG-related supervisory expectations, including: <ul style="list-style-type: none"> <li>- understanding of climate-related and environmental risks,</li> <li>- integration of climate-related and environmental risks when developing the institution's overall business strategy, business objectives and risk management framework, and</li> <li>- inclusion of climate-related and environmental risks in their risk appetite framework.</li> </ul> </li> </ul>	<p><a href="#">Draft ECB Guide on climate-related and environmental risks</a>, 20 May 2020</p> <p>ECB, <a href="#">Climate change and the role of central banks</a>, 3 March 2020</p> <p>ECB, <a href="#">Climate change and financial stability</a>, 26 May 2020</p> <p>Network for Greening the Financial System (NGFS), <a href="#">Guide for Supervisors: integrating climate-related and environmental risks into prudential supervision</a>, 27 May 2020</p> <p>NGFS, <a href="#">A Sustainable and Responsible Investment Guide for Central Banks' Portfolio Management</a>, 17 October 2019</p>

## EU Legislation (Disclosures)

Institution	Date / Timeline	Measure	Description	Additional Links
EU Parliament and Council	27 November 2019 (applicable as of 10 March 2021) <sup>1</sup>	<a href="#">Regulation (EU) 2019/2088</a> (Sustainable Finance Disclosure Regulation / SFDR) <sup>2</sup>	<ul style="list-style-type: none"> <li>The SFDR applies to all “financial market participants” (e.g. MiFID II investment firms/credit institutions which provide portfolio management, alternative investment fund managers (AIFMs), and management companies of UCITS).</li> <li>The SFDR also applies to all “financial advisors” (i.e. investment firms and credit institutions, AIF and UCITS management companies, as well as insurance companies and insurance intermediaries providing investment advice in relation to MiFID II financial instruments or insurance advice in relation to insurance investment products).</li> <li>It introduces requirements for sustainability related disclosures at both product and entity level with respect to: <ul style="list-style-type: none"> <li>- the integration of sustainability risks in the investment decision making process</li> <li>- the consideration of principal adverse impacts of the investment decisions on sustainability factors</li> <li>- as to how the remuneration policies are consistent with the integration of sustainability risks</li> <li>- whether, and if so how, the financial products in scope (managed portfolios, AIFs, UCITS etc) considers principal adverse impacts on sustainability factors</li> <li>- environmental or social characteristics or sustainable investment objective of the financial product where the financial product is being promoted as such.</li> </ul> </li> <li>The European Commission has confirmed that the RTS level 2 measures under the SFDR will be delayed until “a later stage”.</li> </ul>	<p>ESA, <a href="#">Draft Regulatory Technical Standards (RTS) on ESG disclosure standards for financial market participants</a>, 22 April 2020 (see under “SFDR RTS” below)</p> <p>EU Parliament and Council, <a href="#">Regulation (EU) 2020/852</a> (Taxonomy Regulation), 18 June 2020</p> <p>European Commission, <a href="#">Draft SFDR</a>, 24 May 2018</p> <p>Task Force on Climate-related Financial Disclosures (TCFD), <a href="#">TCFD Final Report</a>, 29 June 2017</p> <p>TEG, <a href="#">Status Report on Climate-related Disclosures</a>, 10 January 2019</p> <p>European Commission, <a href="#">Letter to ESAs on RTS Delay</a>, 20 October 2020</p>

<sup>1</sup> Pursuant to a press statement of the BVI dated 7 October 2020, the BVI reported that there would be a delay to the technical regulatory standards relating to the detailed specifications of the Disclosure Regulation and that they would only come into force at an unspecified later date and not on 10 March 2021. The BVI speculates in its press statement that regulatory technical standards will probably come into force in early 2022. The delay was later confirmed by the EU Commission in a letter to the ESAs on 20 October 2020.

<sup>2</sup> Please note that the SFDR will be amended by the Taxonomy Regulation (please see in the table below).

## EU Legislation (Disclosures)

Institution	Date / Timeline	Measure	Description	Additional Links
European Commission	17 June 2019	<a href="#">Guidelines on reporting climate-related information</a>	<ul style="list-style-type: none"> <li>The guidelines aim at           <ul style="list-style-type: none"> <li>- better disclosure of climate-related information,</li> <li>- increased awareness and understanding of climate-related risks and opportunities within the company,</li> <li>- better risk management, and</li> <li>- more informed decision-making and strategic planning.</li> </ul> </li> </ul>	
ESAs	22 April 2020 (postponement of the application date has been announced, see under "SFDR" above)	<a href="#">Draft Regulatory Technical Standards on ESG Disclosures</a> (SFDR RTS)	<ul style="list-style-type: none"> <li>The draft RTS were developed by the three European Supervisory Authorities (EBA, EIOPA and ESMA; jointly: ESAs) under the SFDR. The consultation on the proposals closed on 1 September 2020.</li> <li>The RTS specify requirements on content, methodologies and the presentation of disclosures pursuant to the SFDR.</li> <li>On 21 September 2020 the ESAs launched a survey on templates for environmental and/or social financial products under the SFDR based on which relevant disclosures are to be made. The survey closed to comments on 16 October 2020.</li> </ul>	<a href="#">Regulation (EU) 2019/2088 (Sustainable Finance Disclosure Regulation / SFDR)</a>  ESAs, <a href="#">Survey on templates for Environmental and/or Social financial products under SFDR</a> , 21 September 2020

## EU Legislation (Taxonomy)

Institution	Date / Timeline	Measure	Description	Additional Links
EU Parliament and Council	18 June 2020 (applicable as of 1 January 2022 and 1 January 2023 respectively)	<a href="#">Regulation (EU) 2020/852</a> (Taxonomy Regulation)	<ul style="list-style-type: none"> <li>The EU Regulation on the Establishment of a Framework to Facilitate Sustainable Investment (Taxonomy Regulation) implements the European Commission's Action Plan on Financing Sustainable Growth. <ul style="list-style-type: none"> <li>- better disclosure of climate-related information,.</li> </ul> </li> <li>The Regulation: <ul style="list-style-type: none"> <li>- introduces an EU-wide classification system of environmentally sustainable activities by defining certain environmental objectives, such as climate change mitigation, climate change adaptation or sustainable use and protection of water and marine resources amends the EU Regulation on Sustainability Related Disclosures in the Financial Services Sector (Disclosure Regulation), and</li> <li>- introduces new disclosure obligations for a wide range of entities, including financial market participants and large non-financial companies (partially supplementing the SFDR).</li> </ul> </li> </ul>	<p>TEG, <a href="#">Taxonomy: Final Report of the Technical Expert Group on Sustainable Finance</a>, March 2020</p> <p>TEG, <a href="#">Taxonomy: Technical Report of the Technical Expert Group on Sustainable Finance</a>, June 2019</p> <p><a href="#">Commission webpage European Commission, Sustainable Finance Action Plan</a>, 8 March 2018</p>
European Commission	20 November 2020	<a href="#">Climate Change Mitigation and Adaptation Taxonomy</a> supplementing the Taxonomy Regulation relating to climate change mitigation and adaptation	<ul style="list-style-type: none"> <li>Proposed under Articles 10(3) and 11(3) mandate, this draft Delegated Regulation sets out: <ul style="list-style-type: none"> <li>- the technical screening criteria for climate change mitigation, which are specified in detail in <a href="#">Annex I</a> to the Delegated Regulation; and</li> <li>- the technical screening criteria for climate change adaptation, which are specified in detail in <a href="#">Annex II</a> to the Delegated Regulation.</li> </ul> </li> <li>The deadline for responses to the consultation is 18 December 2020. The Commission indicates the criteria will apply from 1 January 2022.</li> </ul>	<p>TEG, <a href="#">Taxonomy: Final Report of the Technical Expert Group on Sustainable Finance</a>, March 2020</p>

## EU Legislation (Taxonomy)

Institution	Date / Timeline	Measure	Description	Additional Links
ESMA	5 November 2020	<a href="#">Consultation paper</a> setting out draft advice to the European Commission on Article 8 of the Taxonomy Regulation specifying the content, methodology and presentation of the key performance indicators (KPIs) that non-financial undertakings and asset managers are required to disclose	<ul style="list-style-type: none"> <li>On non-financial undertakings, the consultation covers the content of the three KPIs (that is, the proportion of turnover, capital expenditure (CapEx) and operating expenditure (OpEx) related to environmentally sustainable activities that must be disclosed) and sets out specific considerations relating to the methodology for their preparation and presentation.</li> <li>The consultation closed on 4 December 2020. ESMA must deliver a final report, containing its final advice and a summary of responses to the consultation, to the Commission by 28 February 2021.</li> </ul>	<a href="#">Commission call for advice</a> , 15 September 2020 <a href="#">Commission roadmap</a> on taxonomy-related disclosures by undertakings reporting non-financial information, 28 July 2020
EIOPA	30 November 2020	<a href="#">Consultation</a> on disclosure obligations for KPIs under Article 8 of the Taxonomy Regulation	<ul style="list-style-type: none"> <li>EIOPA considers whether the mandatory ratios of non-financial undertakings, as set out in the Taxonomy Regulation, are relevant and appropriate to depict insurance and reinsurance activities or whether they need to be translated to the most appropriate and comparable KPIs for insurance and reinsurance businesses.</li> <li>Feedback is requested on the proposed ratios and the potential alternative measures, the methodologies used, and the expected impact of the future mandatory disclosures.</li> <li>The consultation closes on 12 January 2021. EIOPA intends to submit its advice to the Commission in February 2021.</li> </ul>	<a href="#">Commission call for advice</a> , 15 September 2020

## EU Initiatives (EU Green Bond Standard and EU Ecolabel for Retail Financial Products)

Institution	Date / Timeline	Measure	Description	Additional Links
European Commission	12 June 2020	<a href="#">Targeted consultation on the establishment of an EU Green Bond Standard</a>	<ul style="list-style-type: none"> <li>On 12 June 2020 European Commission launched a targeted consultation on the establishment of an EU Green Bond Standard which builds upon the EU Green Deal and TEG Report published in June 2019. It has also published a draft <a href="#">impact assessment</a>.</li> <li>With this consultation Commission aims to collect the views and opinions of interested parties in order to inform the establishment of an EU Green Bond Standard.</li> <li>The consultation closed on 2 October 2020.</li> </ul>	TEG, <a href="#">Report - Proposal for an EU Green Bond Standard</a> , 18 June 2019 (see under TEG Proposal for an EU Green Bond Standard below)  European Commission, <a href="#">Consultation on the Renewed Sustainable Finance Strategy</a> , 8 April 2020  ICMA, <a href="#">Green Bond Principles</a> , 14 June 2018
TEG	9 March 2020	<a href="#">Usability guide for the EU Green Bond Standard (GBS)</a>	<ul style="list-style-type: none"> <li>The user guide contains recommendations from the TEG on the practical application of the EU GBS intended to assist potential issuers, verifiers and investors of EU green bonds. It includes recommendations on the establishment of a market-based, voluntary interim registration process for verifiers of EU green bonds that might apply until any supervisory role for ESMA concerning verifiers is fully operational.</li> </ul>	TEG <a href="#">Report - Proposal for an EU Green Bond Standard, 18 June 2019</a>
JRC	20 December 2019	<a href="#">Development of EU Ecolabel criteria for Retail Financial Products, Technical Report 2.0: Draft proposal for the product scope and criteria</a>	<ul style="list-style-type: none"> <li>Background to the <a href="#">Report 1.0</a> by the European Commission's Joint Research Centre (JRC) on the development of EU Ecolabel criteria for retail financial products.</li> <li>The EU Ecolabel is a voluntary award scheme intended to promote products with a reduced environmental effect during their entire life cycle and to provide consumers with accurate, non-deceptive, science-based information on the environmental impact of products.</li> </ul>	JRC, <a href="#">Development of EU Ecolabel criteria for Retail Financial Products, Technical Report 1.0</a> , 20 March 2019

## EU Initiatives (EU Green Bond Standard and EU Ecolabel for Retail Financial Products)

Institution	Date / Timeline	Measure	Description	Additional Links
JRC			<ul style="list-style-type: none"> <li>It is a part of the broader <a href="#">EU Action Plan on Sustainable Consumption and Production and Sustainable Industrial Policy</a>. Action 2.3 of the Action Plan tasked the Commission with exploring the application of the EU Ecolabel framework to certain retail financial products.</li> </ul>	European Commission, <a href="#">EU Action Plan on Sustainable Consumption and Production and Sustainable Industrial Policy</a> , 16 July 2008
Commission	26 June 2020	<a href="#">Study testing draft EU Ecolabel criteria on UCITS equity funds</a>	<ul style="list-style-type: none"> <li>The study examines the application of the proposed Ecolabel Criterion 1 to a sample of 100 'green' UCITS equity funds domiciled in the EU to determine the eligibility of these funds for the Ecolabel.</li> </ul>	

## EU Legislation (MiFID II)

Institution	Date / Timeline	Measure	Description	Additional Links
European Commission	8 June 2020	<a href="#">Draft Delegated Regulation amending Delegated Regulation (EU) 2017/565</a>	<ul style="list-style-type: none"> <li>The Draft Delegated Regulation amends Commission's Delegated Regulation (EU) 2017/565 as regards:               <ul style="list-style-type: none"> <li>- the integration of sustainability factors in the suitability assessment and</li> <li>- the integration of sustainability risks into the organisational requirements.</li> </ul> </li> </ul>	ESMA, <a href="#">Final Report: ESMA's technical advice to the European Commission on integrating sustainability risks and factors in MiFID II</a> , 30 April 2019
European Commission	8 June 2020	<a href="#">Draft Delegated Directive amending Delegated Directive (EU) 2017/593</a>	<ul style="list-style-type: none"> <li>The Draft Delegated Directive amends Commission's Delegated Directive (EU) 2017/593 by incorporating sustainability preferences and factors into requirements on product governance applicable to manufacturers and distributors of financial products.</li> </ul>	ESMA, <a href="#">Final Report: ESMA's technical advice to the European Commission on integrating sustainability risks and factors in MiFID II</a> , 30 April 2019

## EU Legislation (UCITS and AIFMD)

Institution	Date / Timeline	Measure	Description	Additional Links
European Commission	8 June 2020	<a href="#">Draft Delegated Directive amending Directive 2010/43/EU</a>	<ul style="list-style-type: none"> <li>• The Draft Delegated Directive amends the UCITS Implementing Directive 2010/43/EU as regards the sustainability risks and sustainability factors to be taken into account for Undertakings for Collective Investment in Transferable Securities (UCITS) by requiring UCITS management companies to:               <ul style="list-style-type: none"> <li>- consider sustainability risks when complying with operational requirements including as part of their risk management procedures</li> <li>- when identifying conflicts of interest also consider those related to client's sustainability preferences</li> <li>- take into account sustainability risks in the course of due diligence processes prior to making investment decisions</li> </ul> </li> </ul>	ESMA, <a href="#">Final Report: ESMA's technical advice to the European Commission on integrating sustainability risks and factors in the UCITS Directive and AIFMD</a> , 30 April 2019
European Commission	8 June 2020	<a href="#">Draft Delegated Regulation amending Delegated Regulation (EU) No 231/2013</a>	<ul style="list-style-type: none"> <li>• The Draft Delegated Directive amends the AIFMD Delegated Regulation (EU) No 231/2013 as regards sustainability risks and sustainability factors to be taken into account by Alternative Investment Fund Managers (AIFMs) by requiring AIFMs to:               <ul style="list-style-type: none"> <li>- consider sustainability risks when complying with operational requirements including as part of their risk management procedures</li> <li>- when identifying conflicts of interest also take into account those related to client's sustainability preferences</li> <li>- take into account sustainability risks in the course of due diligence processes prior to making investment decisions</li> </ul> </li> </ul>	

## EU Legislation (IFR/IFD)

Institution	Date / Timeline	Measure	Description	Additional Links
EU Parliament and Council	27 November 2019 (applicable as of (with exceptions) 26 June 2021)	<a href="#">Regulation (EU) 2019/876</a> (IFR)	<ul style="list-style-type: none"> <li>The IFR amends <a href="#">Regulation (EU) 2019/876</a> (CRR II), <a href="#">Regulation (EU) 600/2014</a> (MiFIR) and <a href="#">Regulation (EU) 806/2014</a> (SRM Regulation).</li> <li>The IFR includes a Chapter 5 on “Environmental and social objectives” pursuant to which, by 26 December 2021, the EBA shall assess a possible adjustment of the K-factors for assets exposed to activities associated substantially with environmental or social objectives.</li> <li>Under Art. 52-53, investment firms, with on- and off-balance sheet assets that exceed EUR100 million in value over the four-year period immediately preceding the given financial year will be required to make disclosures concerning their investment policies and, three years after the date of entry into force of the IFR, their ESG-related risks.</li> </ul>	
EU Parliament and Council	27 November 2019 (applicable as of (with exceptions) 26 June 2021)	<a href="#">Directive (EU) 2019/2034</a> (IFD)	<ul style="list-style-type: none"> <li>The IFD amends MiFID II, <a href="#">Directive 2009/138/EC</a> (Solvency II), <a href="#">Directive (EU) 2019/878</a> (CRD V) and <a href="#">Directive 2009/65/EC</a> (UCITS Directive).</li> <li>Pursuant to Art. 35, the EBA shall, by 26 December 2021, report on the introduction of technical criteria regarding ESG objectives for the supervisory review and evaluation process.</li> <li>Pursuant to Art. 66, the IFD review in 2024 shall be based on a Commission report on ESG risks in investment firms’ internal governance, remuneration policy, treatment of risks and the supervisory review and evaluation process.</li> </ul>	

## EU Legislation (Benchmarks)

Institution	Date / Timeline	Measure	Description	Additional Links
EU Parliament and Council	27 November 2019 (applicable as of 1 January 2020)	<a href="#">Regulation (EU) 2019/2089</a> (Low Carbon Benchmarks Regulation)	<ul style="list-style-type: none"> <li>The Low Carbon Benchmarks Regulation amends the Benchmarks Regulation ((EU) 2016/1011) (BMR) by introducing:               <ul style="list-style-type: none"> <li>the EU Paris-aligned Benchmark (EU PAB),</li> <li>the EU Carbon Transition Benchmark (EU CTB),</li> <li>a decarbonization trajectory, and</li> <li>sustainability-related disclosures requirements.</li> </ul> </li> <li>Benchmarks promoting carbon emission reduction without constituting EU CTBs or EU PABs must explain how they contribute to limiting global warming and how the index is calculated.</li> </ul>	EU Parliament and Council, <a href="#">Regulation (EU) 2016/1011</a> (Benchmarks Regulation / BMR), 8 June 2016  TEG, <a href="#">Final Report on Climate Benchmarks and Benchmarks' ESG Disclosures</a> , 30 September 2019
ESMA	29 April 2020	<a href="#">No action letter</a>	<ul style="list-style-type: none"> <li>The letter sets out an opinion addressed to national competent authorities (NCAs) on appropriate supervisory and enforcement practices in respect of the new disclosure requirements relating to sustainability-related disclosures for benchmarks under Art. 13(1)(d) and 27(2a) of the Benchmarks Regulation ((EU) 2016/1011) (BMR).</li> <li>ESMA explains that it and NCAs are aware of the difficulties encountered by administrators in fulfilling the new requirements on ESG-related disclosures for benchmarks before the application of the related Delegated Regulations. ESMA considers NCAs must address the absence of the Delegated Regulations through consistent risk-based supervisory and enforcement practices. NCAs should not prioritise supervisory or enforcement action against administrators regarding these new requirements until the Delegated Regulations apply.</li> </ul>	

## EU Legislation (Benchmarks)

Institution	Date / Timeline	Measure	Description	Additional Links
Commission	17 July 2020	<a href="#">Commission Delegated Regulation (EU) 2020/1816 supplementing the BMR as regards the explanation in the benchmark statement of how environmental, social and governance factors are reflected in each benchmark provided and published</a>	<ul style="list-style-type: none"> <li>This Regulation, which reflects a mandate in Art. 27(2b) of the BMR, sets out the explanation that should be included in the benchmark statement about how ESG factors are reflected in each benchmark or, where applicable, family of benchmarks provided and published. The Commission has published the <a href="#">Annexes</a> to this Regulation separately.</li> <li>Applied from on 23 December 2020.</li> </ul>	ESMA, <a href="#">opinion</a> , 29 April 2020  ESMA, <a href="#">no action letter</a> , 29 April 2020
Commission	17 July 2020	<a href="#">Commission Delegated Regulation (EU) 2020/1817 supplementing the BMR as regards the minimum content of the explanation on how environmental, social and governance factors are reflected in the benchmark methodology</a>	<ul style="list-style-type: none"> <li>This Regulation, which reflects a mandate in Art. 13(2a) of the BMR, lays down the minimum content of the explanation of how the key elements of the benchmark methodology reflect ESG factors for each benchmark, with the exception of interest rate and foreign exchange benchmarks, as well as the standard format to be used. The Commission has published the <a href="#">Annex</a> to this Regulation separately.</li> <li>Applied from on 23 December 2020.</li> </ul>	ESMA, <a href="#">opinion</a> , 29 April 2020  ESMA, <a href="#">no action letter</a> , 29 April 2020
Commission	17 July 2020	<a href="#">Commission Delegated Regulation (EU) 2020/1818 supplementing the BMR as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks</a>	<ul style="list-style-type: none"> <li>This Regulation, which reflects a mandate in Art. 19a(2) of the BMR, sets out the minimum standards that EU climate transition and EU Paris-aligned benchmarks should meet in order to be labelled as such, and lays down the transparency requirements on the methodology for both benchmarks.</li> <li>Applied from on 23 December 2020.</li> </ul>	ESMA, <a href="#">opinion</a> , 29 April 2020  ESMA, <a href="#">no action letter</a> , 29 April 2020

## EU Initiatives (Credit Ratings)

Institution	Date / Timeline	Measure	Description	Additional Links
ESMA	18 July 2019	<a href="#">Technical advice to the European Commission on sustainability considerations in the credit rating market</a>	<ul style="list-style-type: none"> <li>The technical advice assesses the current practice within the credit rating market concerning sustainability considerations.</li> <li>It concludes that Credit Rating Agencies (CRAs) are currently considering ESG factors in their credit ratings, whereas the extent to which each factor is considered varies by asset class.</li> <li>It further advises against an amendment to Regulation (EU) No 462/2013 (CRA Regulation) regarding the consideration of sustainability characteristics in CRA's credit assessments.</li> </ul>	
ESMA	18 July 2019	<a href="#">Final Report – Guidelines on Disclosure Requirements Applicable to Credit Ratings</a>	<ul style="list-style-type: none"> <li>The final report contains                             <ul style="list-style-type: none"> <li>guidelines to improve the quality and consistency of the information that is disclosed following a credit rating action and</li> <li>guidelines to improve the transparency of credit rating actions concerning the extent to which sustainability factors have been key driving factors behind that action</li> </ul> </li> <li>The final report is provided specifically with a view to supporting the European Commission's Sustainable Finance Action Plan.</li> </ul>	European Commission, <a href="#">Sustainable Finance Action Plan</a> , 8 March 2018

## EU Legislation (Insurance Distribution Directive)

Institution	Date / Timeline	Measure	Description	Additional Links
European Commission	8 June 2020	<a href="#">Draft Delegated Regulation amending Delegated Regulation (EU) 2017/2358 and Delegated Regulation (EU) 2017/2359</a>	<ul style="list-style-type: none"> <li>• The Draft Delegated Regulation amends IDD Delegated Regulation (EU) 2017/2358 and Delegated Regulation (EU) 2017/2359 as regards the integration of sustainability factors and preferences into the product oversight and governance requirements for insurance undertakings and insurance distributors and into the rules on conduct of business and investment advice for insurance-based investment products by:               <ul style="list-style-type: none"> <li>- Including mandatory consideration of customer's sustainability preferences as part of product governance process for insurance products</li> <li>- Requiring insurance intermediaries and insurance undertakings when identifying conflicts of interest to also take into account those related to client's sustainability preferences</li> </ul> </li> </ul>	EIOPA, <a href="#">Technical Advice on the integration of sustainability risks and factors in the delegated acts under Solvency II and IDD</a> , 30 April 2019  EIOPA, <a href="#">Sustainable Finance Roundtable</a> , 16 December 2020

## EU Legislation (Solvency II)

Institution	Date / Timeline	Measure	Description	Additional Links
European Commission	8 June 2020	<a href="#">Draft Delegated Regulation amending Delegated Regulation (EU) 2015/35 and Delegated Regulation (EU) 2017/2359</a>	<ul style="list-style-type: none"> <li>The Draft Delegated Regulation amends the Solvency II Delegated Regulation (EU) 2015/35 as regards the integration of sustainability risks in the governance of insurance and reinsurance undertakings by: <ul style="list-style-type: none"> <li>- requiring insurance and reinsurance undertakings to integrate sustainability risks in their risk management procedures and remuneration structures.</li> </ul> </li> </ul>	<p>EIOPA, <a href="#">Technical Advice on the integration of sustainability risks and factors in the delegated acts under Solvency II and IDD</a>, 30 April 2019</p> <p>EIOPA, Sustainable Finance Roundtable, 16 December 2020</p>
EIOPA	10 December 2020	EIOPA <a href="#">discussion paper</a> on non-life underwriting and pricing in light of climate change	<ul style="list-style-type: none"> <li>The discussion paper is follow-up work on EIOPA's September 2019 opinion on sustainability within Solvency II.</li> <li>In its discussion paper, EIOPA aims to highlight the challenges associated with short-term non-life contracts and annual re-pricing using past Nat Cat events, and the impact of climate change on the premium, affordability and protection gap. EIOPA also identifies how insurers could address the protection gap issues in the context of climate change and contribute to climate change mitigation and adaptation.</li> <li>EIOPA invites comments on its discussion paper by 26 February 2021. It will consider the feedback received and expects to publish its final report in spring 2021, together with a feedback statement.</li> </ul>	EIOPA <a href="#">opinion</a> on sustainability within Solvency II
EIOPA	30 September 2019	EIOPA <a href="#">opinion</a> on sustainability within Solvency II	<ul style="list-style-type: none"> <li>The Commission called for this opinion from EIOPA to give its views on the integration of sustainability, in particular climate-related developments, into the Solvency II framework for the valuation of assets and liabilities, investment and underwriting practices, the calibration of market and natural catastrophe risks and the use of internal models.</li> <li>The Commission will take this opinion into account in the preparation of its report on the Solvency II Directive.</li> </ul>	

## EU Legislation (Solvency II)

Institution	Date / Timeline	Measure	Description	Additional Links
EIOPA			<ul style="list-style-type: none"><li>• <a href="#">Discussion</a> paper on a methodology for the potential inclusion of climate change in the standard formula under the Solvency II Directive when calculating natural catastrophe underwriting risk.</li><li>• The discussion paper is a follow-up to EIOPA's <a href="#">opinion on sustainability within Solvency II</a> issued in September 2019, which concluded that there is a need to consider if and how climate change-related perils could be better captured in the Solvency II framework under the natural catastrophe risk submodule.</li><li>• Comments are welcome on the discussion paper until 26 February 2021. EIOPA will consider the feedback received and expects to publish its final report in spring 2021, together with a feedback statement.</li></ul>	EIOPA <a href="#">opinion</a> on sustainability within Solvency II

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