# BRIEFING

## Initial Appraisal of a European Commission Impact Assessment

# An EU framework to facilitate investments in environmentally sustainable economic activities

Impact assessment (SWD(2018) 264, SWD(2018) 265 (summary)) accompanying the following Commission proposals for regulations of the European Parliament and of the Council: on the establishment of a framework to facilitate sustainable investment (COM(2018) 353), on disclosures relating to sustainable investments and sustainability risks and amending Directive (EU) 2016/2341 (COM(2018) 354), and on introducing two new categories of carbon benchmarks in the Regulation (EU) 2016/1011 (COM(2018) 355).

This briefing provides an initial analysis of the strengths and weaknesses of the European Commission's impact assessment (IA) accompanying the above-mentioned proposals, adopted on 24 May 2018 and referred to the European Parliament's Committee on Economic and Monetary Affairs (ECON) and Committee on the Environment, Public Health and Food Safety (ENVI). Proposal COM(2018) 353 intends to 'establish the framework to set out uniform [technical screening] criteria to determine the *environmental* sustainability of an economic activity' (explanatory memorandum, p. 12) in order to facilitate *environmentally* sustainable investments.[1] Proposal COM(2018) 354 seeks to introduce harmonised rules on the disclosure of information regarding the integration of sustainability-related risks in the process of taking decisions on investments and in the investment or insurance advice of 'relevant entities' (as referred to in the IA).[2] According to its explanatory memorandum (p. 1), proposal COM(2018) 355 intends to 'introduce new categories of *low carbon* and *positive carbon impact* benchmarks [in the benchmark Regulation (EU) 2016/1011]', in order to help investors compare the carbon footprint of their investments and to enable asset managers and institutional investors to better measure the performance of their low-carbon strategies (IA, p. 85). At the same time, it intends to 'create a harmonised methodology for *environmental* benchmarks ...' (IA, pp. 85-86).

This legislative package represents a first follow-up to the Commission's action plan on financing sustainable growth,[3] COM(2018) 97 final. The contents of the package appear to be in line with the Parliament's resolution 2018/2007(INI) of 29 May 2018 on sustainable finance,[4] which called on the Commission to, inter alia: lead a multi-stakeholder process to establish a sustainability taxonomy; develop European sustainability benchmarks using the European sustainability taxonomy; and endorse the recommendations of the Task Force on Climate-related Financial Disclosures.

## Problem definition

The IA identifies **two problems** (pp. 16-20):

1 **lack of incentives for the relevant entities to consider environmental, social and governance (ESG) factors**. The IA states that with the exception of the Directive on Institutions for Occupational Retirement Provision (IORP Directive, (EU) 2016/2341)), the relevant EU legislation does not explicitly mention ESG factors and therefore constitutes a barrier to their integration in the investment and advisory process (IA, p. 17). While the IA states that there is growing awareness of the importance of ESG factors, with an increasing number of asset managers and institutional investors believing that sustainability factors affect the risk/return trade-off (OECD 2017), the number of relevant entities considering them is rising only slowly (IA, Box 2, pp. 18-19). Based on the findings of the stakeholders' consultation and on other



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findings,[5] the IA states that the relevant entities lack incentives to consider ESG factors in their decision-making and advisory processes, and that this situation is the result of 'an absence of clarity and coherence in EU legislation and other possible determinants' (IA, p. 19).

2 **High search costs faced by end-investors**. The IA states that the availability of information regarding ESG factors is 'crucial' to ensure that investors planning to invest in accordance with them would actually do so. Based on a survey of 369 socially responsible investors, the IA states that they might have difficulties in finding relevant information on ESG factors due to drivers 2 and 3 listed below, and to a lack of harmonisation of the assessment methodologies (IA, p. 16). The IA states that, although many institutional investors claim to apply sustainable investment strategies, the impact of the inclusion of ESG factors on investment decisions is rarely disclosed. Should investors not be made properly aware of sustainable investment options, they 'will be biased towards investing in the default setting (i.e. conventional investment without considering ESG factors) ... [and] it will be difficult for them to develop their preferences towards ESG integration' (IA, p. 17). The IA identifies the following **five drivers** (p. 15, and Table 2, p. 35), of which the last two are considered to be outside the scope of the IA:

1. lack of clarity and coherence on the duties of institutional investors, asset managers and investment advisors towards investors and beneficiaries regarding how to consider ESG factors in the investment and advisory process (IA, pp. 21-25);
2. lack of disclosure requirements for institutional investors, asset managers and investment advisors regarding how ESG factors have been considered in the investment and advisory process (IA, pp. 24-25);
3. lack of clarity on what constitutes a sustainable economic activity (IA, pp. 25-27);
4. lack of comparable and readily available ESG information from firms and issuers (IA, p. 27);
5. short-termism (IA, p. 27).

The IA states that drivers 1 to 3 stem from a regulatory failure, either because the design and implementation of existing EU laws is not optimal, or because there are no specific provisions on ESG disclosure to address the issue of imperfect information (p. 15). The IA does not describe drivers 4 and 5, stating only that the former 'focuses on the behaviour of firms that surpasses the scope of the IA' and that it will not be considered 'because it is/will be addressed by separate Commission initiatives' (see IA, footnote 36, p. 27) As regards the latter, the IA says it is related to a 'broader structural issue' that is being addressed by separate Commission initiatives. However, the IA would have benefited from devoting some time to describing drivers 4 and 5, as they have been found to be among the factors explaining the problems identified by the IA.

## Objectives of the initiative

The IA identifies **three general objectives** (p. 34), which correspond to the three main aims of the action plan on financing sustainable growth (COM(2018) 97 final, p. 2):

1 mainstreaming financial risks stemming from sustainability issues;
2 fostering transparency in financial and economic activity on sustainability; and
3 reorienting capital flows towards sustainable investments.

These appear to be clear but only partially consistent with the manner in which the problems have been defined. This is because the objective of reorienting capital flows towards sustainable investments would have implied the identification of a third problem, namely closing the investment gap for achieving EU sustainability goals, which is missing. In addition, the IA identifies **three specific objectives** (pp. 34-35), namely:

1 ensuring clarity and a coherent approach across sectors and Member States as regards the integration of ESG factors by the relevant entities in their investment/advisory process;
2 increasing transparency for end-investors by improving ESG-related disclosure requirements;

3 providing clarity at EU level on what constitutes a sustainable economic activity.

These objectives appear to be clear and consistent with the definition of the general objectives. However, **the IA does not define any operational objectives**. This would appear to contradict the Commission's Better Regulation Guidelines (Tool #16, p. 100), which specify that operational objectives should be identified after selecting the preferred option(s). The absence of such objectives is very likely due to the fact that all operational aspects are envisaged to be defined, clarified and analytically developed through delegated acts following the adoption of the three proposals.

## Range of options considered

The IA illustrates clearly and adequately what would happen under the baseline scenario (IA, pp. 28-30 and pp. 36-37). In addition to the baseline option 1, the IA examines at least five options for each legislative proposal, which tackle related but not overlapping aspects of sustainable finance. This briefing does not describe and appraise all of them, as this would have been too lengthy an exercise. Instead, it first provides a graphical overview of the identified options, which is regrettably missing from the IA. It then explains how the options have been identified. Finally, it makes some specific comments on the four preferred options. In Table 1 below, the preferred options are shaded in grey.

Table 1 – Options and drivers in relation to COMs (2018) 353, 354, 355 (Data source: author)

| | | COM(2018) 354 | | COM(2018) 353 | COM(2018) 355 |
| --- | --- | --- | --- | --- | --- |
| | | DRIVER 1 | DRIVER 2 | DRIVER 3 | NO DRIVER |
| OPTIONS | 1 | **BASELINE** | **BASELINE** | **BASELINE** | **BASELINE** |
| | 2 | To clarify existing EU rules on the duties of institutional investors, asset managers and investment advisors towards investors and beneficiaries | ***discarded:*** *the IA does not indicate the content of the discarded option nor does it explain why the option was discarded* | ***discarded****: to establish an EU environmental taxonomy through a recommendation or a communication* | Harmonised EU rules for 'decarbonised' indices |
| | 3 | To integrate ESG factors in the investment process and in the advisors' recommendation process as part of duties towards investors and beneficiaries | To introduce mandatory disclosure requirements, at [relevant] entity level, on ESG integration[6] in the investment / advisory process | To establish an EU environmental taxonomy with 'medium granularity' | Harmonised EU rules for 'positive carbon impact' indices |
| | 4 | ***discarded****: to harmonise models / methodologies on the integration of ESG factors in the investment decisions / advisory recommendations* | Two sub options (see below) | To establish an EU environmental taxonomy with 'high granularity' | Harmonised EU methodology for 'low-carbon' and 'positive carbon impact' indices |
| | 4A | No sub option | To introduce the same disclosure requirements as in option 3, as well as mandatory disclosure requirements, at financial product or service level, on ESG integration in the investment / advisory process | No sub option | Introduction of a minimum standard |
| | 4B | No sub option | To introduce the same disclosure requirements as in option 4A, as well as mandatory disclosure requirements on additional aspects | No sub option | Introduction of a maximum harmonisation regime |
| | 5 | No option | No option | ***discarded****: to establish a 'fully fledged' EU environmental taxonomy with a high degree of detail* | No option |

The IA identifies the options addressing drivers 1 to 3 by using both a non-legislative/soft-law approach and a regulatory one; in relation to the options identified for proposal COM(2018) 355, the IA only uses a regulatory approach. Although the IA does not identify any driver for this proposal, the options associated with it were included in Table 1 for the sake of providing an overview of all the options identified by the IA for all proposals. It is worth noting that the numbers used in Table 1 above to identify the options addressing drivers 2 and 3 differ from those used in the IA,[7] in order to make the options referring to proposals COM(2018) 353 and 354 consistent with the non-regulatory approach used in the IA to identify them. *All options* listed range from a non-regulatory to a comprehensive regulatory approach. Below is a description of the **preferred options**.

**Option 3** (addressing driver 1): it is not entirely clear how the adoption of a 'common approach' (this option) would ensure that 'ESG factors are assessed and integrated in a harmonised way ... and [that] integration approaches adopted by relevant entities would be comparable' (IA, Table 6, p. 44). This is because, as stated in the IA, 'Option 3 is only on procedures, not on methodologies' (IA, p. 47).

**Option 4B** (addressing driver 2): although it envisages the disclosure of the highest amount of information, it does not appear to tackle the methodological issue highlighted by the IA when discussing its pros and cons. While requiring the disclosure of the methodology used for calculating the contribution/impact of the portfolio/investment fund selected/advised, this option does not require that this methodology be consistent and applied by all relevant entities. As regards its impact on key stakeholders (IA, Table 11, pp. 52-54), it is unclear why the reputational benefits of this option have been assessed to be 'qualitatively' identical to those of option 4A, which envisages the disclosure of a lower amount of information. Worth noting, according to the IA, is option 3 (mandatory requirements at entity level), which was the stakeholders' most preferred one (IA, p. 57).

**Option 4** (addressing driver 3): it is reasonable to say that the inclusion of technical screening criteria is critical in the choice of this option over option 3.

**Option 4A** (addressing the methodology for low-carbon benchmarks): this option brings together options 2 and 3. However, based on the explanations provided in the IA, it is unclear whether this really makes sense, because the strategies and objectives pursued by the two indices considered under these two options (i.e. low-carbon and positive carbon impact benchmarks) are different.

## Scope of the impact assessment

The IA provides a very brief initial assessment of the *overall* economic and *overall* environmental impacts, followed by the slightly lengthier assessment made of them when analysing each of the preferred options individually. As regards the former (IA, pp. 105-106), the IA establishes a link (which is not substantiated) between the increase of the overall transparency within the financial system and the increase in the reliability and attractiveness of ESG financial products. In addition, the IA does not explain how innovation in investment strategies and the design of financial products would be fostered by enhanced transparency, as stated in it (IA, p. 105). As regards the latter (IA, p. 109), the IA states that investments in, say, renewable energy or waste management, would translate into environmental benefits such as reduced pollution levels. Although it is reasonable to assume such an outcome, no quantifications or supporting evidence are provided to substantiate it. Social impacts have not been analysed; however, the explanatory reason provided in the IA does not appear to be convincing (IA, p. 111). Based on the analysis included in the IA, which sometimes appears to be repetitive across the different sections, the added value of the initial (overall) assessment appears to be quite limited. On the other hand, the IA provides sufficient understanding of the economic and environmental impacts of the preferred options at the point where these are analysed individually. Finally, some statements appear to have only partially been substantiated or not at all. As such, it seems that the IA has only partially succeeded in explaining the impacts considered in a satisfactory way.

## Subsidiarity / proportionality

The explanatory memoranda of the three proposals state that their legal basis is Article 114 of the Treaty on the Functioning of the European Union (TFEU). The IA, after consistently stating (p. 30) that Article 114 (TFEU) constitutes the proposals' legal basis, concludes without giving further explanation that 'the legal basis for the EU to act is Article 53(1) TFEU for amendments to the UCITS Directive 2009/65/EC and the MiFID II Directive 2014/65/EU' (IA, p. 32). Contrary to the Better Regulation Guidelines, the IA does not deal specifically with proportionality, which is only mentioned three times (IA, pp. 30-31, p. 85, and p. 125). As regards subsidiarity, the IA gives a clear explanation of the need for and added value of EU action (pp. 32-33). As regards the proposals' compliance with the principle of subsidiarity, none of the Member States' national parliaments submitted a reasoned opinion by the deadline of 24 September 2018. However, comments for political dialogue regarding proposal COM(2018) 353 were submitted by the German Bundesrat, the Romanian Chamber of Deputies and the Spanish Cortes Generales.

## Budgetary or public finance implications

As regards COM(2018) 353, the IA states that the budgetary impact for the Commission to progressively develop and maintain an EU taxonomy over the longer term, through a future platform on sustainable finance (explanatory memorandum, p. 1), has been estimated at around €9.7 million for a four-year period starting from 2020. Additional operational costs of around €0.8 million for a four-year period would be needed for holding meetings of private and public experts, for carrying out studies, and for IT infrastructure (IA, p. 67). According to their respective explanatory memoranda, proposals COM(2018) 354 and COM(2018) 355 have no budgetary impact.

## SME test / Competitiveness

SMEs are only mentioned twice (IA, p.119 and p. 190), and the IA does not clarify whether the identified problems and their underlying drivers are particularly relevant to them. The IA does not provide an analysis regarding the structure of the (financial) sector impacted by the proposals, which could have provided useful information as to whether some of the relevant entities are SMEs. An analysis regarding SMEs is entirely missing from the report; whether this could be partially or entirely explained by the structure of the sector providing financial investment or advice is difficult to infer from the text of the IA. In any event, it could have provided more information with regard to SMEs. As regards competitiveness, the IA only states that the preferred option for addressing driver 1 (option 3) would, inter alia, enhance competition, in addition to increasing consumer protection, but does not engage in any further analysis.

## Simplification and other regulatory implications

Proposal COM(2018) 354 intends to amend the IORP Directive (EU) 2016/2341 by introducing provisions that could, inter alia, ensure consistency with the provisions of Directives 2009/65/EC, 2009/138/EC, and 2011/61/EU. Proposal COM(2018) 355 intends to amend the benchmark Regulation (EU) 2016/1011, by introducing new categories of *low-carbon* and *positive carbon impact* benchmarks, as well as rules establishing and governing the provision of these benchmarks, in addition to further requirements. The legislative package is consistent with the review of the European system of financial supervision, which envisages that the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), and the European Securities and Markets Authority (ESMA) would take account of risks related to ESG factors when carrying out their tasks. In addition, it is consistent with the Commission proposal on a pan-European personal pension product envisaging inter alia disclosures relating to ESG factors.

## Quality of data, research and analysis

The legislative package builds on a report produced by the high-level expert group on sustainable finance, on a study prepared by COWI (Denmark), Adelphi, and Eunomia (2017), and on other studies, information and data sources from the United Nations Environment Programme, the OECD, Eurosif, academia, think-tanks, the European Fund and Asset Management Association, market reports and studies by private companies. The sources are referenced in the IA, and many of them are very recent. Together with the qualitative and quantitative feedback received from the consultations that 'have informed/supported' the IA (IA, p. 121), they provide ample and detailed insights into the issues considered in it. As regards the robustness of the analysis performed in the IA, in its methodological Annex 9 (IA, pp. 184-195) the IA mentions a data reliability bias concerning proposal COM(2018) 355 on low-carbon and positive carbon impact benchmarks. As regards the measurement of the carbon footprint of a portfolio, which the IA considers a complex issue, there is 'lack of harmonisation of the methodologies and [a] confusing range of choices of method and initiatives to measure [the] carbon footprint' (IA, p. 186). Finally, the IA mentions issues regarding the way indices are constructed and weighted (IA, pp. 193-195). As regards the methodologies adopted by the Commission for calculating the carbon footprint, the IA deals with them briefly (Box 10, pp. 189-190).

## Stakeholder consultation

The Commission gathered stakeholders' views on long-term and sustainable investment through a 12-week open public consultation (OPC) conducted between 18 December 2015 and 31 March 2016. The 91 replies to the OPC, published in a stand-alone document available on the DG JUST website, have been satisfactorily summarised in the IA (pp. 123-124). According to the IA, the consultation appears to have shown that markets do not sufficiently internalise ESG risks or respond to ESG opportunities, with many contributors underlining that the transition to 'mainstream' sustainable investments needs to be supported appropriately, and calling for actions to solve the highlighted problems. According to the IA, 'input from this consultation has been included in the relevant sections of this impact assessment' (IA, p. 124), and this appears to be largely the case.

It is worth noting that option 3, which addresses driver 2, was favoured by the stakeholders but was not pursued by the Commission, as mentioned above in the section on 'Range of options considered'. Another 11-week OPC was conducted between 13 November 2017 and 28 January 2018. A broad variety of stakeholders submitted 191 responses to the consultation document, which were analysed in a feedback statement released by the Commission on 24 May 2018, but not in the IA. The fact that the feedback statement provided little background information is likely due to time constraints, as it was released on the same day as the Commission adopted its legislative package. The input received via the two OPCs was complemented by a number of activities: targeted interviews with stakeholders, consultations of Member States through Council meetings, a public hearing on sustainable finance (programme, video recording), and a high-level conference on sustainable finance (programme, video recording). Their outcome has been satisfactorily described in Annex 2 to the IA (pp. 123-139). Judging from all the above, it is apparent that the Commission consulted extensively a broad range of stakeholders.

## Monitoring and evaluation

The section on monitoring and evaluation in the IA is quite succinct, with the IA stating that the Commission services will develop a programme for monitoring the outputs, results and impacts of this initiative one year after the legal instrument establishing the means for collecting data and other necessary evidence has become effective (IA, p. 111). In addition, the IA states that an evaluation would be carried out five years after the implementation of the envisaged measures. The IA describes the indicators to be used, although some of them – for instance, in relation for the Commission proposal on disclosures, for which the IA says that 'the Commission services will consider ... mystery shopping to assess compliance / timing of disclosure of sustainability factors' – appear to be quite generic or unclear (IA, p. 113). The IA would have benefited from better clarifying some of the envisaged indicators, which in any case do not seem to be based on any target.

## Commission Regulatory Scrutiny Board

On 20 April 2018, the Commission's Regulatory Scrutiny Board (RSB) adopted a negative opinion on a draft version of the IA report dated 16 March, because the report contained 'important' shortcomings. On 4 May 2018, the RSB adopted a second negative opinion on a resubmitted version of the IA report dated 26 April. According to the Better Regulation Guidelines, a second negative opinion by the RSB 'will, in principle, be final' (Tool #3, p. 16). Surprisingly, on 14 May 2018, the RSB adopted a third opinion – a positive opinion with reservations on a resubmitted version of the IA report dated 8 May – in which, while acknowledging that the revised report addressed its main concerns, it stated that the report still contained 'significant' shortcomings that needed to be addressed.

The final version of the IA summarises, in a rather extensive way, how it has addressed the RSB's recommendations with regard to its first two (negative) opinions, while the explanations regarding its third opinion appear to be more concise (IA, Annex 1, pp. 118-121). In the case regarding the RSB's comments on the taxonomy, the revised text appears to be unclear as to whether the specific safeguards proposed to mitigate possible risks regarding, for instance, competition aspects or consistency of incentives, would be analysed and integrated in the monitoring framework. The IA only states that 'future evaluations would also analyse to what extent the specific safeguards proposed to mitigate possible risks ... have worked in practice' (IA, p. 121). The IA is also unclear as to which tables illustrating the cost-benefit analysis carried out when comparing the options retained for further assessment 'were improved to make the cost-benefit trade-off more transparent' (IA, p. 121). As regards the RSB's request to explain 'why asset managers in banks and credit institutions are included in the scope of ESG reporting requirements, but excluded from the scope of the secondary disclosure requirement', the IA states that 'disclosure requirements on sustainable products also cover asset managers that are part of banking and insurance groups' (IA, p. 121), without providing additional explanations.

## Coherence between the Commission's legislative proposal and IA

The proposals appear to be aligned with the analysis carried out in the IA.

## Conclusions

The legislative package on sustainable finance deals with technical and inherently complex issues; it is therefore not surprising that the IA accompanying it reflects this complexity, yet does not always deal with it in a clear and immediately understandable way. This might also explain the RSB's double negative opinions, exceptionally followed in this case by a positive opinion with reservations. The consequences of the two identified problems (lack of incentives to consider ESG factors and high search costs faced by end-investors), and how they would evolve without EU action, have been described in a satisfactory way, as have their underlying drivers.

As required by the Better Regulation Guidelines, the IA has identified general and specific objectives; however, it has not identified any operational objectives that would have given an idea as to how the preferred options are expected to operate in practice. This is very likely due to the fact that the operational aspects of the proposals are envisaged to be defined and analytically developed by means of subsequent delegated acts.

The IA's preferred options have been selected after considering both a non-legislative and a regulatory approach, although two of them contain some aspects that are not entirely clear. As regards its scope, the IA has only partially succeeded in explaining the impacts considered in an entirely satisfactory way. The IA does not include an analysis of competitiveness or an analysis of impacts, if any, on SMEs. Through the evidence included in it, the IA provides ample and detailed insights into the issues considered. Furthermore, the IA acknowledges some methodological limitations regarding the proposal on low-carbon and positive carbon impact benchmarks. The Commission has consulted extensively a broad range of stakeholders, whose views have been satisfactorily reported in the IA or in a separate document containing the results of the second open public consultation. Overall, the IA appears to have addressed the majority of the improvements requested by the RSB. Finally, the legislative proposals seem to be consistent with the analysis carried out in the IA.

## ENDNOTES

[1] What proposal COM(2018) 353 really does is to define the (level of) 'granularity' of a forthcoming EU taxonomy of *environmentally* sustainable economic activities, and to identify the environmental objectives to which economic activities should contribute in order to be considered for inclusion in the EU taxonomy. In addition, the proposal outlines the process aimed at developing uniform (technical screening) criteria required to identify the economic activities contributing to the identified environmental objectives. The IA states that the exact timeline of the process, the technical screening criteria, the actors involved in defining them, and the EU taxonomy of environmentally sustainable economic activities would be specified in a series of delegated acts following the adoption of this proposal. See also: S. Spinaci, A framework to facilitate sustainable investment, EPRS, European Parliament, 2019.

[2] With regard to the Commission proposal on disclosures, COM(2018) 354, see: S. Spinaci, Sustainable finance and disclosures. Bringing clarity to investors, EPRS, European Parliament, 2019.

[3] The action plan on financing sustainable growth seeks to integrate economic, social, and environmental (ESG) factors into the investment decision-making and advisory process of financial market participants and financial advisors in a consistent manner. It represents, in turn, the follow-up to the final report of the high-level expert group on sustainable finance (HLEG) created with Commission Decision C(2016) 6912 final to develop an EU strategy on sustainable finance. The HLEG issued eight key recommendations, calling, among others, for the establishment of a classification system at EU level to provide clarity on what is a 'green' or 'sustainable' activity for investment purposes, to clarify how asset managers and institutional investors should integrate ESG factors in their investment decision process and enhance disclosure to their end-clients in that regard, and how the investment preferences of end-investors on sustainability objectives should be taken into account along the investment chain and in the advisory process (IA, pp. 11-12).

[4] According to the IA (p. 11), 'sustainable finance generally refers to the process of taking due account of environmental social and governance considerations in investment decision-making'. According to the Commission's website on sustainable finance, it means 'the provision of finance to investments taking into account environmental, social and governance considerations'.

[5] Ernst & Young, Resource efficiency and fiduciary duties of investors, final report prepared for the European Commission's DG ENV, Luxembourg, Publications Office of the European Union, 2015; a 2017 survey carried out by the CFA Institute, and another survey carried out by Mercer in 2017.

[6] According to the IA (p. 38), 'ESG integration as commonly interpreted by market participants in the context of duties towards investors/ beneficiaries refers to the environmental/social/governance risks that could affect the financial returns of the product/services offered/provided by the relevant entities'.

[7] Options 2, 3.a, 3.b and options 2, 3 and 4 of the IA addressing drivers 2 and 3, respectively, included in Table 1 of this briefing, correspond to options 3, 4A, 4B, and options 3, 4 and 2, respectively.

This briefing, prepared for the ECON and ENVI committees, analyses whether the principal criteria laid down in the Commission's own Better Regulation Guidelines, as well as additional factors identified by the Parliament in its Impact Assessment Handbook, appear to be met by the IA. It does not attempt to deal with the substance of the proposal.



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