



Plenary sitting

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*****I**
REPORT

on the proposal for a regulation of the European Parliament and of the Council on disclosures relating to sustainable investments and sustainability risks and amending Directive (EU) 2016/2341 (COM(2018)0354 – C8-0208/2018 – 2018/0179(COD))

Committee on Economic and Monetary Affairs

Rapporteur: Paul Tang

Symbols for procedures

- * Consultation procedure
- *** Consent procedure
- ***I Ordinary legislative procedure (first reading)
- ***II Ordinary legislative procedure (second reading)
- ***III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

Amendments by Parliament set out in two columns

Deletions are indicated in ***bold italics*** in the left-hand column. Replacements are indicated in ***bold italics*** in both columns. New text is indicated in ***bold italics*** in the right-hand column.

The first and second lines of the header of each amendment identify the relevant part of the draft act under consideration. If an amendment pertains to an existing act that the draft act is seeking to amend, the amendment heading includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend.

Amendments by Parliament in the form of a consolidated text

New text is highlighted in ***bold italics***. Deletions are indicated using either the **■** symbol or ~~strikeout~~. Replacements are indicated by highlighting the new text in ***bold italics*** and by deleting or striking out the text that has been replaced.

By way of exception, purely technical changes made by the drafting departments in preparing the final text are not highlighted.

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a regulation of the European Parliament and of the Council on disclosures relating to sustainable investments and sustainability risks and amending Directive (EU) 2016/2341

(COM(2018)0354 – C8-0208/2018 – 2018/0179(COD))

(Ordinary legislative procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to Parliament and the Council (COM(2018)0354),
 - having regard to Article 294(2) and Article 114 of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C8-0208/2018),
 - having regard to Article 294(3) of the Treaty on the Functioning of the European Union,
 - having regard to the opinion of the European Economic and Social Committee of [date of the opinion]¹,
 - having regard to Rule 59 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs and the opinion of the Committee on the Environment, Public Health and Food Safety (A8-0363/2018),
1. Adopts its position at first reading hereinafter set out;
 2. Calls on the Commission to refer the matter to Parliament again if it replaces, substantially amends or intends to substantially amend its proposal;
 3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

Amendment 1

AMENDMENTS BY THE EUROPEAN PARLIAMENT*

¹ OJ.....

* Amendments: new or amended text is highlighted in bold italics; deletions are indicated by the symbol ■.

to the Commission proposal

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on disclosures relating to **■** sustainability risks and *sustainability performance of investments*, amending Directive (EU) 2016/2341

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 114 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Central Bank¹,

Having regard to the opinion of the European Economic and Social Committee²,

Acting in accordance with the ordinary legislative procedure,

Whereas:

(1) The transition to a low-carbon, more sustainable, resource-efficient and circular economy is key to ensuring long-term competitiveness of the economy of the Union. The Paris Climate Agreement (COP21) as ratified by the Union on 5 October 2016³ and entered into force on 4 November 2016, seeks to strengthen the response to climate change, among other means, by making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

(1a) Incorporating environmental, social and governance factors in the investment decision making process, can realise benefits beyond the financial markets. It is therefore key that financial market participants provide the necessary information to enable comparability of investments and informed investment decisions. Furthermore, to fulfil the obligations of due diligence concerning the sustainability impact and risks and to provide meaningful information to end-investors, financial market participants need reliable, comparable and harmonised disclosure of

¹ OJ C , , p. .

² OJ C , , p. .

³ Council Decision (EU) 2016/1841 of 5 October 2016 on the conclusion, on behalf of the European Union, of the Paris Agreement adopted under the United Nations Framework Convention on Climate Change (OJ L 282, 19.10.2016, p. 1).

information by investee companies. This process can only succeed where legally agreed definitions are put in place.

- (2) A common objective of Directive 2009/65/EC of the European Parliament and of the Council¹, Directive 2009/138/EC of the European Parliament and of the Council², Directive 2011/61/EU of the European Parliament and of the Council³, Directive 2014/65/EU of the European Parliament and of the Council⁴, Directive (EU) 2016/97 of the European Parliament and of the Council⁵, Directive (EU) 2016/2341 of the European Parliament and of the Council⁶, Regulation (EU) No 345/2013 of the European Parliament and of the Council⁷ and Regulation (EU) No 346/2013 of the European Parliament and of the Council⁸ is to facilitate the taking-up and pursuit of the activities of undertakings for collective investment in transferable securities (UCITS), alternative investment fund managers (AIFMs), insurance undertakings, investment firms, insurance intermediaries, institutions for occupational retirement provision (IORPs), managers of qualifying venture capital funds (EuVECA managers), and managers of qualifying social entrepreneurship funds (EuSEF managers). Those Directives and Regulations ensure more uniform protection of end-investors and make it easier for them to benefit from a wide range of financial products and services, and at the same time provide for rules that enable investors to make informed investment decisions. While those objectives have been largely achieved, disclosures to end-investors ***and investors*** on the integration of sustainability risks, ***sustainability performance*** and sustainable investment targets in investment decision-making by UCITS management companies, AIFMs, insurance undertakings, investment firms which provide portfolio management, IORPs, pension providers, ***credit institutions***, EuVECA managers and EuSEF managers (financial market participants) and disclosures to end-investors ***and investors*** on the integration of sustainability risks ***and sustainability performance*** in advisory processes by insurance intermediaries which provide insurance advice with regard to insurance-based investment products (IBIPs) and investment firms which provide investment advice (financial advisors) are insufficiently developed because such disclosures ***and***

¹ Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (OJ L 302, 17.11.2009, p. 32).

² Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (OJ L 335, 17.12.2009, p. 1).

³ Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers (OJ L 174, 1.7.2011, p. 1).

⁴ Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ L 173, 12.6.2014, p. 349).

⁵ Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (OJ L 26, 2.2.2016, p. 19).

⁶ Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORPs) (OJ L 354, 23.12.2016, p. 37).

⁷ Regulation (EU) No 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds (OJ L 115, 25.4.2013, p. 1).

⁸ Regulation (EU) No 346/2013 of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship funds (OJ L 115, 25.4.2013, p. 18).

the integration of sustainability risks in investment decision-making are not yet subject to harmonised *sustainability performance indicators and* requirements. *In order to fulfil their obligations of due diligence to consider material sustainability risks and to incorporate sustainability performance indicators, financial market participants themselves need reliable, comparable and harmonised disclosure of information by investee companies and harmonised accounting standards regarding sustainability indicators.*

- (2a) *The Regulation looks at disclosure rules for financial market participants regarding financial products or services and investment advice. To ensure a level playing field among financial market participants and to enable comparability of financial products, it is important to put in place a harmonised framework for the disclosure of sustainability risks and performance in the due diligence and the investment and credit risk management processes of financial market participants. The disclosure requirement should be proportionate to the size and systemic importance of the entity, and ensure protection of undisclosed know-how and business information (trade secrets).*
- (2b) *The EBA should investigate the feasibility and appropriateness of the introduction of technical criteria for the supervisory review and evaluation process (SREP) of risks related to exposures to activities which are associated substantially with environmental, social and governance objectives (ESG) with a view to assess inter alia the possible sources and effects of such risks on institutions, taking existing sustainability reporting by institutions into account.*
- (3) In the absence of harmonised Union rules on sustainability-related disclosures to *investors and* end-investors, *by investors and investee companies*, it is likely that diverging measures will continue to be adopted at national level and different approaches in different financial services sectors might persist. Such divergent measures and approaches would continue to cause significant distortions of competition resulting from significant differences in disclosure standards. In addition, a parallel development of market-based practices, based on commercially-driven priorities that produce divergent results currently causes further market fragmentation and might even further exacerbate the functioning of the internal market in the future. Divergent disclosure standards and market-based practices, *and a lack of a harmonised set of sustainability performance indicators*, make it very difficult to compare between different financial products and services and create an uneven playing field between these products and services and between distribution channels, and erect additional barriers to the internal market. Such divergences can also be confusing for end-investors and can distort their investment decisions. In ensuring compliance with the Paris Climate Agreement, *there is a risk that* Member States *will* adopt divergent national measures which could create obstacles to the smooth functioning of the internal market and be detrimental to financial market participants and financial advisors. In addition, the lack of harmonised rules *and sustainability performance indicators* relating to transparency makes it difficult for end-investors to effectively compare different financial products and services in different Member States as to their environmental, social and governance risks, *sustainability performance* and sustainable investment targets *of financial products and underlying companies*. It is therefore necessary to *look* to the functioning of the internal market

and *enable comparability of financial products in order to avoid* likely future obstacles.

- (4) To ensure a coherent application of this Regulation and that the disclosure obligations laid down in this Regulation are clearly and consistently applied by financial market participants, it is necessary to lay down a *clear and* harmonised definition of ‘sustainable investments’ *and ‘sustainability risks’, avoiding any overlap in regulation where not in line with the principles of better regulation and proportionality. The definition of sustainable investments ensures a minimum level of consistency among financial products and services and also ensures that such investments have a positive net impact in terms of sustainability performance. Due to the multi-faceted nature of sustainability – in the sense of the three dimensions of environmental, social and governance sustainability – positive impacts in one dimension may not always be accompanied by positive impacts in another, but the net sustainability performance, as measured by harmonised sustainability indicators, must always be significantly positive. The definition of sustainability risks is required to ensure a minimum level of consistency in regulatory outcomes, but is also meant as an evolving and dynamic tool able to integrate emerging risks and to identify potential and actual adverse impacts. The definition comprises the financial and non-financial impact of the non-consideration of environmental, social and governance risks. It should be forward-looking as to encompass material risks and risks likely to be materialised on the short, medium and long term. Financial Market Participants should integrate the identification, avoidance and mitigation of sustainability risks and identify adverse impacts in their due diligence processes, for which they should consider the sustainability risks listed in Annex Ia of this Regulation. Sustainability performance is to be measured based on harmonised sustainability indicators to be established by the European Commission as a matter of urgency and taking use of existing European and international undertakings. A set of harmonised indicators will help incentivise financial market participants to gradual and proportionate steps to sustainable transition through greater transparency, while ensuring coherence between other sustainable finance proposals, including [PO: Please insert reference to Regulation on the establishment of a framework to facilitate sustainable investment] and [PO: Please insert reference to Regulation on low carbon benchmarks and positive carbon impact benchmarks.*
- (5) Remuneration policies of financial market participants and financial advisors should be consistent with the integration of sustainability risks and, where relevant, sustainable investment targets and should be designed to contribute to long-term sustainable growth. Pre-contractual disclosures should therefore include information on how the remuneration policies of those entities are consistent with the integration of sustainability risks, *Directive (EU) 2017/828 and follow the financial market participant’s environmental, social and governmental internal operational performance criteria, whilst delivering long-term relevant growth objectives*, and are in line, where relevant, with the sustainable investment targets of the financial products and services that the financial market participants make available or financial advisors advise on.

- (6) Since sustainability benchmarks serve as standard points of reference against which sustainable investments are measured, end-investors should be informed by means of pre-contractual disclosures about the appropriateness of the designated index, namely the alignment of that index with the sustainable investment target. Financial market participants should also disclose the reasons for different weighting and constituents of the designated index compared to a broad market index, ***while distinguishing between a product that replicates an index and a product that uses an index to measure or compare its performance***. To further foster transparency, financial market participants should also indicate where the methodology used for the calculation of the designated index and the broad market index is to be found, so that end-investors have the necessary information on how the underlying assets of the indexes were selected and weighted, which assets were excluded and for what reason, how sustainability-related impacts of the underlying assets were measured, or which data sources were used. ***Where a financial product is explicitly intended to be in alignment with the Paris Agreement on climate change or aims to reduce carbon emissions, benchmark providers should also disclose the science-based degree of alignment with the Paris Agreement.*** Such disclosures should ***be based on a harmonised set of performance indicators, allowing*** for effective comparison and contribute to develop a correct perception of ***sustainability risks, sustainability performance and*** sustainably-friendly investments. Where no index has been designated as a reference benchmark financial market participants should explain how the sustainable investment target is reached ***or how sustainability risks and sustainability performance indicators have been integrated.***
- (7) Where a financial product or service targets a reduction in carbon emissions, pre-contractual disclosures should include the targeted low carbon emission exposure, ***including information on its alignment with the Paris Agreement and with the relevant EU targets.***
- (8) To enhance transparency and inform ***investors and*** end-investors, access to information on how ***sustainability performance is taken into account and how*** sustainability risks ***that are material or likely to be materialised*** are ***incorporated*** by financial market participants in the investment decision making processes, ***including organisational, risk management and governance aspects*** and by financial advisors in advisory processes ***and by underlying investee companies in their strategy and operations*** should be regulated by requiring ***financial market participants to publish a brief summary of these policies*** on their websites.
- (9) The current disclosure requirements set out by Union legislation do not provide that all the information necessary to properly inform end-investors about the sustainability-related impact of their investments must be disclosed. Therefore, it is appropriate to set out more specific ***standardised*** disclosure requirements, ***to enable comparability,*** with regard to sustainable investments. For instance, the overall sustainability-related ***performance*** of financial products should be ***regularly*** reported ***in a standardised way*** by means of ***a harmonised set of*** indicators relevant for ***measuring and comparing sustainability performance.*** Where an appropriate index has been designated as reference benchmark that information should also be provided for the designated index and to a broad market index to allow for comparison, ***while distinguishing between a product that replicates an index and a product that uses an index to measure or***

compare its performance. Information on the constituents of the designated index and of the broad market index along with their weightings should also be disclosed, to provide further ***comparable*** information on how the sustainable investments targets are achieved. Where EuSEF managers make available information on the positive social impact targeted by a given fund, the overall social outcome achieved and the related methods used in accordance with Regulation (EU) No 346/2013, they may, where appropriate, use this information for the purposes of the disclosures under this Regulation.

- (10) Directive 2013/34/EU of the European Parliament and of the Council¹ impose transparency obligations as regards social, environmental and corporate governance aspects in non-financial reporting. The required form and presentation established by those Directives is not, however, suitable for direct use by financial market participants and financial advisors when dealing with end-investors. The financial market participants and financial advisors should have the option to use information in management reports and non-financial statements in accordance with Directive 2013/34/EU for the purposes of this Regulation, where appropriate. ***To ensure the provision of quality data for investors that is comparable, the transparency obligations of Directive 2013/34/EU should be updated to include material sustainability risks and sustainability performance based on harmonised indicators, and be reported in integrated periodical statements that incorporate both financial and non-financial information.***
- (11) To ensure the reliability of information published on financial market participants' and financial advisors' websites, that information should be kept up-to-date, and any review or change should be clearly explained.
- (12) In order to specify how IORPs make investment decisions and assess risks in order to take into account environmental, social and governance risks, the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission in Directive (EU) 2016/2341. Governance and risk-management rules already apply to the investment decisions and the risks assessments in order to ensure continuity and regularity in the performance of IORPs activities. The investment decisions and the assessment of relevant risks, including environmental, social and governance risks, should be made in such a manner as to ensure compliance with the interests of members and beneficiaries. The activities and underlying processes of IORPs should ensure that the aim of the delegated acts is achieved. The delegated acts should ensure consistency, where relevant, with delegated acts adopted under Directive 2009/65/EC, Directive 2009/138/EC and Directive 2011/61/EU. It is of particular importance that the Commission carry out appropriate ***public*** consultations during its preparatory work, and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement on Better Law-Making of 13 April 2016. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council should receive all documents at the same time as

¹ Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).

Member States' experts, and their experts should systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.

- (13) The European Banking Authority ('EBA'), European Insurance and Occupational Pensions Authority ('EIOPA') and the European Securities and Markets Authority ('ESMA') (collectively known as the 'ESAs') established by Regulation (EU) No 1093/2010 of the European Parliament and of the Council,¹ Regulation (EU) No 1094/2010 of the European Parliament and of the Council² and Regulation (EU) No 1095/2010 of the European Parliament and of the Council³ respectively should, through the Joint Committee, develop regulatory technical standards further specifying the details of the presentation and content of the information on sustainability **performance and risks** to be disclosed in pre-contractual documents, periodical reports **published at least annually**, and websites of financial market participants in accordance with Articles 10 to 14 of Regulation No 1093/2010, Regulation No 1094/2010 and of Regulation (EU) No 1095/2010. The Commission should be empowered to adopt those regulatory technical standards.
- (14) The Commission should be empowered to adopt implementing technical standards developed by the ESAs through the Joint Committee, by means of implementing acts pursuant to Article 291 TFEU and in accordance with Article 15 of Regulation (EU) No 1093/2010, Article 15 of Regulation (EU) No 1094/2010 and Article 15 of Regulation (EU) No 1095/2010, to establish the standard presentation of sustainable investments in marketing communication.
- (15) Since periodical reports in principle summarize business results for complete calendar years, the application of the provisions on transparency requirements in periodical reports should be deferred to ... [*1st January of the year following the date referred to in the second subparagraph of Article 12*].
- (16) The disclosure rules contained in this Regulation should supplement, and should apply in addition to, the provisions of Directive 2009/65/EC, Directive 2009/138/EC, Directive 2011/61/EU, Directive (EU) 2016/2341 of the European Parliament and of the Council,⁴ Regulation (EU) No 345/2013 and Regulation (EU) No 346/2013.

¹ Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).

² Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (OJ L 331, 15.12.2010, p. 48).

³ Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).

⁴ Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORPs) (OJ L 354, 23.12.2016, p. 37).

- (16a) *The disclosure rules set out in this Regulation complement the introduction of a full overarching, mandatory due diligence framework for all financial market participants including a duty of care component, to be fully phased-in within a transitional period and taking into account the proportionality principles, with particular consideration of the proportionality in terms of the size and systemic importance of the entity and ensure protection of undisclosed know-how and business information (trade secrets). Exercise of due diligence means reasonable care and investigation of ESG risks based on ESG indicators By carrying out due diligence investors will not only be able to avoid negative impacts of their investments on society and the environment, but also avoid financial and reputational risks, respond to expectations of their clients and beneficiaries, and contribute to global goals on climate and sustainable development. In doing so, financial market participants will be obliged to move beyond a merely financial understanding of their investor duties. Furthermore, the framework builds forth on the European Parliament's demand for a mandatory due diligence framework in its Own-Initiative Report on Sustainable Finance (2018/2007(INI)), on the OECD Guidance – Responsible Business Conduct for Institutional Investors – Key Considerations for due diligence under the OECD Guidelines for Multinational Investors (2017) and on the French Corporate Duty Of Vigilance Law of 27 March 2017, and in particular Articles 1 and 2 thereof.*
- (17) This Regulation respects fundamental rights and observes the principles recognised in particular by the Charter of the Fundamental Rights of the European Union.
- (18) Since the objectives of this Regulation, namely to strengthen protection *of* end-investors *and information to investors* and improve disclosures *and investment choice* to them, *and to help financial market participants, investment advisers and publically listed companies to incorporate environmental, social and governance risks into the investment decision-making*, cannot be sufficiently achieved by the Member States but can be better achieved at Union level because of the need to lay down uniform disclosure requirements at Union level the Union may adopt measures, *after a transitional period to allow market participants sufficient time to adjust*, in accordance with principle of subsidiarity as set out in Article 5 of the Treaty on the European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives,

HAVE ADOPTED THIS REGULATION:

Article 1
Subject matter

This Regulation lays down harmonised rules on the transparency to be applied by financial market participants, insurance intermediaries which provide insurance advice with regard to IBIPs and investment firms which provide investment advice, *and investee companies* on the integration of sustainability risks *and performance* in investment decision-making process or advisory process and the transparency of financial products *or services, whether or not they are with a targeted sustainable impact.*

Article 2 Definitions

For the purposes of this Regulation the following definitions shall apply:

- (a) ‘financial market participant’ means any of the following:
- (i) an insurance undertaking **■**, an AIFM, an investment firm which provides portfolio management, an IORP or a provider of a pension product;
 - (ii) a manager of a qualifying venture capital fund registered in accordance with Article 14 of Regulation (EU) No 345/2013;
 - (iii) a manager of a qualifying social entrepreneurship fund registered in accordance with Article 15 of Regulation (EU) No 346/2013;
 - (iv) a UCITS management company;
 - (iva) a credit institution as defined in point (1) of Article 4 (1) of Regulation (EU) No 575/2013 which provides investment or credit risk-management processes with the exception of small and non-complex institutions defined under [PO insert reference to relevant Article] of Regulation (EU) No 575/2013];*
- (b) ‘insurance undertaking’ means an insurance undertaking authorised in accordance with Article 18 of Directive 2009/138/EC;
- (ba) ‘investee company’ means listed and non-listed undertakings defined in Article 1 of the Directive 2013/34;*
- (bb) ‘sustainability performance’ means the consistency of the financial product or service with ESG risks and factors reflecting the impact of harmonised sustainability indicators;*
- (c) ‘IBIP’ means either of the following:
- (i) an insurance-based investment product as defined in Article 4(2) of Regulation (EU) No 1286/2014 of the European Parliament and of the Council¹;
 - (ii) an insurance product, made available to a professional investor, which offers a maturity or surrender value and where that maturity or surrender value is wholly or partially exposed, directly or indirectly, to market fluctuations;
- (d) ‘AIFM’ means an AIFM as defined in Article 4(1)(b) of Directive 2011/61/EU;
- (e) ‘investment firm’ means an investment firm as defined in Article 4(1)(1) of Directive 2014/65/EU *with the exception of small and non-interconnected investment firms defined under Article 12 of Regulation [PO : Please insert reference to Regulation on the prudential requirements of investment firms];*

¹ Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) (OJ L 352, 9.12.2014, p. 1).

- (f) ‘portfolio management’ means portfolio management as defined in Article 4(1)(8) of Directive 2014/65/EU;
- (g) ‘IORP’ means an institution for occupational retirement provision authorised or registered in accordance with Article 9 of Directive (EU) 2016/2341;
- (h) ‘pension product’ means either of the following:
 - (i) a pension product referred to in Article 2(2)(e) of Regulation (EU) No 1286/2014;
 - (ii) an individual pension product referred to in Article 2(2)(g) of Regulation (EU) No 1286/2014;
 - (*iii*) ***a "Pan-European Personal Pension Product (PEPP)" as referred to in the Article 2(2) of the [PO: Please insert reference to Regulation of the European Parliament and of the Council on a pan-European Personal Pension Product (PEPP)];***
- (i) ‘UCITS management company’ means a management company as defined in Article 2(1)(b) of Directive 2009/65/EC or an investment company referred to in Article 1(2) thereof;
- (j) ‘financial product *or service*’ means a portfolio management, an AIF, an IBIP, a pension product, a pension scheme or a UCITS;
- (k) ‘AIF’ means an AIF as defined in Article 4(1)(a) of Directive 2011/61/EU;
- (l) ‘pension scheme’ means a pension scheme as defined in Article 6(2) of Directive (EU) 2016/2341;
- (m) ‘UCITS’ means an undertaking for collective investment in transferable securities authorised in accordance with Article 5 of Directive 2009/65/EC;
- (n) ‘investment advice’ means an investment advice as defined in Article 4(1)(4) of Directive 2014/65/EU;
- (*na*) ***‘relevant competent authorities’ means the competent or the designated authorities for the supervision of financial market participants referred to under point a of this Article;***
- (o) ‘sustainable investments’ mean ***products associated with strategies that aim at achieving environmental, social and governance-related performance, comprising any of the following or a combination of any of the following:***
 - (i) investments in an economic activity that ***significantly*** contributes to an environmental objective, including ***key resource efficiency indicators, such as use of energy, use of renewable energy, use of raw materials, production of waste, emissions, CO2 emissions, use of water, use of land, and impact on biodiversity, as laid out in the European Commission monitoring framework***

on the circular economy. These objectives must not significantly harm any of the objectives of investments under point (ii) and (iii);

- (ii) investments in an economic activity that **significantly** contributes to a social objective, and in particular an investment that contributes to tackling inequality, an investment fostering social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities **and does not significantly harm the objectives of investment under points (i) and (iii);**
 - (iii) investments **that promote or support good governance practices** in companies **■**, and in particular companies with sound **and transparent** management structures **and due diligence procedures**, employee relations, **transparent** remuneration **policies** of relevant staff and tax compliance, **and does not significantly harm the objectives of investment under points (i) and (ii);**
- (oa) **‘sustainable investment approach’ means an investment approach or strategy that supports products and services that aim at achieving ESG related performance;**
 - (p) ‘retail investor’ means an investor who is not a professional investor;
 - (pa) **‘Due diligence’ means the continuous process of reasonable care and investigation through which an investor or investment services provider identifies, avoids or mitigates, accounts for and communicates about actual or potential adverse ESG factors and sustainability risks, prior to making an investment and until sale or maturity of the investment;**
 - (pb) **‘ESG preferences’ means a client’s or potential client’s preferences for environmentally sustainable investments, social investments or good governance investments;**
 - (q) ‘professional investor’ means a client who meets the criteria laid down in Annex II to Directive 2014/65/EU;
 - (r) ‘insurance intermediary’ means an insurance intermediary as defined in Article 2(1)(3) of Directive (EU) 2016/97;
 - (s) ‘insurance advice’ means an advice as defined in Article 2(1)(15) of Directive (EU) 2016/97.
 - (sa) **‘sustainability risks’ mean financial or non-financial risks, material or likely to be materialised, linked to environmental, social and governance risks and factors, where material for a particular investment approach;**
- ‘sustainability risks’ comprise:**
- (a) **short-term and/or long-term risks to the return of a financial or pension product that arise from its exposure to economic activities that can have**

adverse environmental or social impact , or from the product's exposure to investee entities that exhibit poor governance;

- (b) *the short-term and/or long-term risk that the economic activities to which a financial or pension product is exposed have negative impacts on the natural environment, on workforces and communities, or on the governance of investee entities, including but not limited to when linked to financial risk referred to in point (a);*

Financial market participants should consider the environmental, social and governance factors and indicators listed in Annex Ia of this Regulation.

The Commission shall be empowered to adopt delegated acts in accordance with Article 9a in order to specify further elements of the definitions laid down in points (bb), (o), (bb) and (sa) of the first paragraph of this Article, to take into account market developments, experience in the application of disclosure rules, and new, or changing, definitions on a European level.

The Commission shall consider, when drawing up the delegated acts referred to in the second paragraph , the principles listed in Annex IIa.

Article 3

Transparency of the sustainability risk policies

1. Financial market participants shall *have in place due diligence* policies for *assessment* of sustainability risks *and report them to the competent authorities on an annual basis, taking into account the proportionality principle. As a minimum, these policies concern the incorporation of material or likely to be materialised sustainability risks and the performance based on sustainability indicators* in the areas of governance, operating conditions, in particular investment strategy and asset allocation, organisational requirements of firms including risk management procedures, the exercise of shareholder voting rights and engagement with companies. A brief summary of these policies shall be made public, while ensuring confidentiality and protection of undisclosed know-how and business information (trade secrets) as defined by Directive EU 2016/943.
2. Insurance intermediaries which provide insurance advice with regard to IBIPs and investment firms which provide investment advice shall *have in place* written *due diligence* policies for *assessment of sustainability risks and report them to the competent authorities on an annual basis, taking into account the proportionality principle. As a minimum, these concern the incorporation of material or likely to be materialised sustainability risks and the performance based on sustainability indicators* in the areas of governance, asset allocation, investment advice, risk management, the exercise of shareholder voting rights and engagement with companies. A brief summary of these policies shall be made public, while ensuring confidentiality and protection of undisclosed know-how and business information (trade secrets) as defined by Directive EU 2016/943.

- 2a. *Credit institutions and insurance undertakings shall have in place policies on the integration of sustainability risks in their investment and credit risk-management processes. A brief summary of these policies shall be made public, while ensuring confidentiality and protection of undisclosed know-how and business information (trade secrets) as defined by Directive EU 2016/943.*
- 2b. *Financial markets participants and insurance intermediaries shall ensure that identification and management of sustainability risks are sufficiently integrated in their due diligence processes and investment decision-making, requiring investors to avoid or mitigate and account for ESG factors and publish them in written form on their websites.*
- 2c. *The Commission shall adopt delegated acts in accordance with Article 9a to specify:*
- (a) *an overarching and mandatory framework with minimum standards for the written policies and the due diligence processes that financial market participants and insurance intermediaries shall implement to ensure that adverse sustainability risks created by the financial market participant are integrated in investment decision-making, including the integration of a full range of ESG indicators;*
 - (b) *guidance on the disclosure requirements referred to in paragraphs 1 and 2 of this Article.*
 - (c) *guidance on how the proportionality principle referred to in paragraphs 1 and 2 of the Article is to be applied, taking particular consideration of the proportionality in terms of the size and systemic importance of the entity.*
- 2d. *The Commission shall consider, when drawing up the delegated acts referred to in paragraph 2c, the principles listed in Annex IIa.*

Article 4

Transparency of the integration of sustainability risks *and sustainability performance*

1. Financial market participants shall include descriptions of the following in pre-contractual disclosures *while ensuring confidentiality and protection of undisclosed know-how and business information (trade secrets) as defined by Directive (EU) 2016/943*:
- (a) the *due diligence* procedures and conditions applied for *incorporating material or likely to be materialised* sustainability risks in *the investment decision-making process for that particular product and how they are applied; and the procedures for measuring sustainability performance*;
 - (b) the extent to which sustainability risks are expected to have a relevant impact on **█** the financial products *or services* made available *and where in the portfolio these sustainability risks have been identified*;

(c) how the remuneration policies of financial market participants are consistent with **Directive (EU) 2017/828**, the integration of sustainability risks and **follow its ESG internal and operational performance criteria, whilst delivering long-term viable growth objectives; and** are in line, where relevant, with the sustainable investment target of the financial product **or service**.

(ca) **in terms of shareholder voting with regards to sustainability performance and the mitigation of sustainability risks, the voting instructions and voting rationales behind votes against management, abstentions and contentious votes.**

The disclosures referred to in point ca shall be consistent with Directive (EU) 2017/828.

2. Insurance intermediaries which provide insurance advice with regard to IBIPs and investment firms which provide investment advice shall include descriptions of the following in pre-contractual disclosures:

(a) the **due diligence** procedures and conditions applied for integrating **material or likely to be materialised** sustainability risks in investment advice or insurance advice **and the procedures for measuring sustainability performance;**

(b) the extent to which sustainability risks are expected to have a relevant impact on the financial products **or services made available and where in the portfolio these sustainability risks have been identified;**

(c) how the remuneration policies of investment firms which provide investment advice and insurance intermediaries which provide insurance advice with regard to IBIPs are consistent with **Directive (EU) 2017/828 and reflect**, the integration of sustainability risks and **follow their ESG internal and operational performance criteria, whilst delivering long-term viable growth objectives** are in line, where relevant, with the sustainable investments target of the financial product **or service** advised on.

(ca) **in terms of shareholder voting with regards to sustainability performance and the mitigation of sustainability risks, the voting instructions and voting rationales behind votes against management, abstentions and contentious votes;**

The disclosures referred to in 2 ca shall be consistent with Directive (EU) 2017/828.

3. **References to** the disclosures referred to in paragraph 1 and paragraph 2 shall be **introduced** in the following manner:

(a) for AIFMs, in the disclosures to investors referred to in Article 23(1) of Directive 2011/61/EU;

(b) for insurance undertakings, in the provision of information referred to in Article 185(2) of Directive 2009/138/EC;

- (c) for IORPs, in the provision of information referred to in Article 41 of Directive (EU) 2016/2341;
- (d) for managers of qualifying venture capital funds, in the provision of information referred to in Article 13(1) of Regulation (EU) No 345/2013;
- (e) for managers of qualifying social entrepreneurship funds, in the provision of information referred to in Article 14(1) of Regulation (EU) No 346/2013;
- (f) for providers of pension products, in writing in good time before a retail investor is bound by a contract relating to a pension product;
- (g) for UCITS management companies, in the prospectus referred to in Article 69 of Directive 2009/65/EC;
- (h) for investment firms which provide portfolio management or provide investment advice, in accordance with Article 24(4) of Directive 2014/65/EU *that disclosures may be provided in a standardised format as set out in Article 24(5) of Directive 2014/65/EU*;
- (i) for insurance intermediaries which provide insurance advice with regard to IBIPs, in accordance with Article 29(1) of Directive (EU) 2016/97.

3a. *The European Banking Authority (EBA), European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA) shall, through the Joint Committee of the European Supervisory Authorities ('Joint Committee') develop draft regulatory technical standards further specifying the alignment of the provisions referred to under paragraph 3 with the requirements of paragraph 1 and 2, relating to the details of the presentation and content of the information to be disclosed pursuant to this Article.*

EBA, EIOPA and ESMA shall submit those draft regulatory technical standards to the Commission by [12 months after the date of entry into force].

Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1093/2010, of Regulation (EU) No 1094/2010 and of Regulation (EU) No 1095/2010.

Article 5

Transparency of *sustainability risks and performance of* investments in pre-contractual disclosures

1. Where a financial product *or service is put on the market*, and a *benchmark* index has been *referenced for this*, the information to be disclosed pursuant to Article 4(1) shall be accompanied by the following:
 - (a) *A description of the sustainable investment target and* information on how the designated index is aligned with that *objective*;

- (aa) ***an explanation as to how the indicators listed in Article 2(1)(sa) are considered in the methodology of the index;***
- (b) an explanation as to why the weighting and constituents of the designated index aligned with that target differ from a broad market index.

The difference should be made between a product that replicates an index and an index that is used to measure or compare the performance of the product.

2. Where a financial product *or service* has **■** no ***referenced benchmark*** index **■**, the information referred to in Article 4(1) shall include ***a description of its sustainability impact using the indicators of sustainability risk listed in Article 2.***
3. Where a financial product *or service is explicitly intended to be in alignment with the Paris Agreement on climate change or aims to reduce* carbon emissions, the ***standardised*** information to be disclosed pursuant to Article 4(1) shall include the targeted ***science-based degree of alignment with the Paris Agreement or*** low carbon emission exposure.

By way of derogation from paragraph 2, where no [EU low carbon benchmark] or [positive carbon impact benchmark] in accordance with Regulation (EU) 2016/1011 is available, the information referred to in Article 4 shall include a detailed explanation of how the **■** target of reducing carbon emissions ***and/or attaining the goals of the Paris Agreement*** is ensured.

4. Financial market participants shall include in the information to be disclosed pursuant to Article 4(1) an indication of where the methodology used for the calculation of the indexes referred to in paragraph 1 of this Article and benchmarks referred to in the second subparagraph of paragraph 3 of this Article are to be found.
5. The European Banking Authority (EBA), European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA) shall, through the Joint Committee of the European Supervisory Authorities ('Joint Committee') develop draft regulatory technical standards further specifying the details of the presentation and content of the information to be disclosed pursuant to this Article.
6. EBA, EIOPA and ESMA shall submit those draft regulatory technical standards to the Commission by [PO: Please insert date 18 months after the date of entry into force].

Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1093/2010, of Regulation (EU) No 1094/2010 and of Regulation (EU) No 1095/2010.

Article 6

Transparency of *sustainability risks and performance of* investments on websites

1. Financial market participants shall publish and maintain on their websites, for each financial product *or service* referred to in paragraphs (1), (2) and (3) of Article 5, the following:
 - (a) a description of the sustainable investment target;
 - (b) information on the methodologies used to assess, measure and monitor the *sustainability performance* of the ■ investments selected for the financial product *or service*, including its data sources, screening criteria for the underlying assets and the relevant sustainability indicators used to measure the overall sustainable impact of the financial product *or service*;
 - (c) the information referred to in Article 5;
 - (d) the information referred to in Article 7.

The information to be disclosed pursuant to the first subparagraph shall be *clear, succinct and understandable for retail investors and the general public. It shall be published in a clear way and in a prominent area of the website, be easily accessible and easy to understand, using clear and plain language. The website shall also provide more detailed information for professional investors and other experts.*

2. EBA, EIOPA and ESMA shall, through the Joint Committee, develop draft regulatory technical standards further specifying the details of the *content and presentation* ■ of information referred to in ■ paragraph 1, *specifying the alignment of the provisions referred to under paragraph 2 with the requirements of paragraph 1 relating to the details of the content and presentation of information referred to in this paragraph.*

EBA, EIOPA and ESMA shall take into account new, or changing, definitions on a European level.

EBA, EIOPA and ESMA shall submit those draft regulatory technical standards to the Commission by [PO: Please insert date 12 months after the date of entry into force].

■ The Commission *shall* adopt *delegated acts* in accordance with Articles 10 to 14 of Regulation (EU) No 1093/2010, of Regulation (EU) No 1094/2010 and of Regulation (EU) No 1095/2010 *concerning the regulatory technical standards referred to in the first subparagraph.*

Article 7

Transparency of *sustainability risks and performance of* investments in periodical reports

1. Where financial market participants make available a financial product *or service* referred to in paragraphs (1), (2) and (3) of Article 5, they shall include a description

of the following in periodical *audited, integrated* reports, *conducted at least annually and containing both financial and non-financial information*:

- (a) the overall sustainability-related impact *and performance* by the financial product *or service* by means of *harmonised and comparable* sustainability *risk* indicators;
 - (b) where an index has been designated as a reference benchmark, a comparison between the overall impact of the financial product *or service* with the designated index and a broad market index in terms of weighting, constituents and sustainability indicators,
 - (b a) *Publicly listed companies shall include a description of how sustainability performance and risks have been incorporated in the management processes and investment strategy in the annual financial statements and consolidated financial statements referred to in Directive 2013/34/EU.***
2. The disclosures referred to in paragraph 1 shall be made in the following manner:
- (a) for AIFMs, in the annual report referred to in Article 22 of Directive 2011/61/EU;
 - (b) for insurance undertakings, annually in writing in accordance with Article 185(6) of Directive 2009/138/EC;
 - (c) for IORPs, in the pension benefit statement referred to in Article 38 of Directive (EU) 2016/2341 and in the provision of information referred to in Article 43 of Directive (EU) 2016/2341;
 - (d) for managers of qualifying venture capital funds, in the annual report referred to in Article 12 of Regulation (EU) No 345/2013;
 - (e) for managers of qualifying social entrepreneurship funds, in the annual report referred to in Article 13 of Regulation (EU) No 346/2013;
 - (f) for providers of pension products, in writing at least in annual reports or in reports in accordance with national law;
 - (g) for UCITS management companies or UCITS investment companies, in the half-yearly and annual reports referred to in Article 69 of Directive 2009/65/EC;
 - (h) for investment firms which provide portfolio management, in the periodical reports referred to in Article 25(6) of Directive 2014/65/EU;
 - (ha) *for listed and non-listed companies, in accordance with the periodical statements referred to in Articles 19a and 29a of Directive 2013/34.***
3. For the purposes of paragraph 1, financial market participants *shall* use the information in management reports in accordance with Article 19 or the information in non-financial statements in accordance with Article 19a of Directive 2013/34/EU where appropriate, *while ensuring the information to end-investors is presented in a clear manner that is easy to understand and access.*

4. EBA, EIOPA and ESMA shall, through the Joint Committee, develop draft regulatory technical standards further specifying the details of the content and presentation of information referred to in paragraph 1, *specifying the alignment of the provisions referred to under paragraph 2 with the requirements of paragraph 1 relating to the details of the content and presentation of information referred to in this paragraph.*

EBA, EIOPA and ESMA shall take into account new, or changing, definitions on a European level.

EBA, EIOPA and ESMA shall submit those draft regulatory technical standards to the Commission by [*PO: Please insert date 12 months after the date of entry into force*].

Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1093/2010, of Regulation (EU) No 1094/2010 and of Regulation (EU) No 1095/2010.

Article 8 Review of disclosures

1. Financial market participants shall ensure that any information published in accordance with Article 3 or Article 6 is kept up-to-date. Where a financial market participant amends such information, a clear explanation of that change shall be published on the same website.
2. Paragraph 1 shall apply *mutatis mutandis* to insurance intermediaries which provide insurance advice with regard to IBIPs and investment firms which provide investment advice with regard to any information published in accordance with Article 3.

Article 9 Marketing communications

1. Without prejudice to stricter sectoral legislation, in particular Directive 2009/65/EC, Directive 2014/65/EU, Directive (EU) 2016/97 of the European Parliament and of the Council and Regulation (EU) No 1286/2014, financial market participants, insurance intermediaries which provide insurance advice with regard to IBIPs and investment firms which provide investment advice shall ensure that their marketing communications do not contradict the information disclosed pursuant to this Regulation.
2. EBA, EIOPA and ESMA may develop, through the Joint Committee, draft implementing technical standards to determine the standard presentation of information on sustainable investments.

Power is conferred on the Commission to adopt the implementing technical standards in accordance with Article 15 of Regulation (EU) No 1093/2010, of Regulation (EU) No 1094/2010 and of Regulation (EU) No 1095/2010.

Article 9a
Exercise of the delegation

1. *The Commission shall adopt delegated acts subject to the conditions laid down in this Article.*
2. *The power to adopt delegated acts referred to in Article 3 shall be conferred on the Commission for a period of 5 years. The Commission shall draw up a report in respect of the delegation of power not later than nine months before the end of the 5 year period. The delegation of power shall be tacitly extended for periods of an identical duration, unless the European Parliament or the Council opposes such extension not later than three months before the end of each period.*
3. *The delegation of power referred to in Article 3 may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.*
4. *As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.*
5. *A delegated act adopted pursuant to Articles 2 (..), 3(2b) shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of two months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.*

Article 10a
Amendments to Directive (EU) 2013/34

Directive (EU) 2013/34 is amended as follows:

- (1) *In Article 19a(1) and Article 29a(1), the following points are added:*

‘(f) the sustainability risks relevant to the particular business as defined in Article 2(a) of [PO: Please insert reference to Regulation on disclosures relating to sustainable investments and sustainability risks and amending Directive (EU) 2016/2341 and Directive 2013/34/EU], enabling financial market participants as defined in Article 2(s a) of that Regulation to meet their sustainability risk

disclosure and mitigation obligations as defined in Article 4 and 5 of that Regulation;

(g) the performance measured against sustainability indicators relevant to the particular business and industry, based on a list of harmonised sustainability indicators to be developed and updated by the European Commission, in coherence with [PO: Please insert reference to Regulation on the establishments of a framework to facilitate sustainable investment];’.

Article 10

Amendments to Directive (EU) 2016/2341

Directive (EU) 2016/2341 is amended as follows:

(1) In Article 19, the following paragraph 9 is added:

‘9. The Commission is empowered to adopt, by means of delegated acts in accordance with Article 60a, measures ensuring that:

- (a) the ‘prudent person’ rule with respect to the consideration of environmental, social and governance risks is taken into account;
- (b) environmental, social and governance factors in internal investment decisions and risk management processes are included.

Those delegated acts shall take into account the size, nature, scale and complexity of the activities of the IORPs and of the risks inherent to these activities and ensure consistency with Article 14 of Directive 2009/65/EC, Article 132 of Directive 2009/138/EC and Article 12 of Directive 2011/61/EU.’;

(2) the following Article 60a is inserted:

‘Article 60a

Exercise of the delegation

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.
2. The power to adopt delegated acts referred to in Article 19(9) shall be conferred on the Commission for an indeterminate period of time from the date of entry into force of this Regulation.
3. The delegation of powers referred to in Article 19(9) may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.

4. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.

5. A delegated act adopted pursuant to Article 19(9) shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of three months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by three months at the initiative of the European Parliament or the Council.’

Article 11 Evaluation

By [PO: Please insert date **36 months after the date of entry into force**], the Commission shall conduct an evaluation of the application of this Regulation ***in particular as regards social and governance factors and indicators, their integration in investment decisions and pre-contractual disclosures. This evaluation shall include an assessment of the impact of the availability and quality of issuer's data on the ability for financial market participants to integrate sustainability risk in product disclosures and in investment decisions.***

The Commission shall consider revising Directive 2013/34/EU to improve corporate sustainability risk reporting.

Article 12 Entry into force and application

This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

It shall apply from [PO: Please insert **12 months following the date of publication in the Official Journal of the European Union**]. ***Any future review or update of this Regulation shall be preceded by an impact assessment establishing its feasibility.***

However, Article 5(5), Article 6(2), Article 7(4), Article 9(2) and Article 10 shall apply from [PO: Please insert **the date of entry into force**] and Article 7(1) to (3) shall apply from [PO: Please insert **January 1 of the year following the date referred to in the second subparagraph**].

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament

For the Council

The President The President

ANNEX Ia

Based on the United Nations-supported Principles for Responsible Investment's Reporting Framework Main definitions for 2018 (November 2017) and the European Commission monitoring framework on the circular economy, sustainability risks may include the following environmental, social and governance factors and indicators:

- (i) issues relating to the quality and functioning of the natural environment and natural systems. These include: biodiversity loss; greenhouse gas (GHG) emissions, climate change, renewable energy, energy efficiency, air, water or resource depletion or pollution, waste management, stratospheric ozone depletion, changes in land;*
- (ii) issues relating to the rights, well-being and interests of people and communities. These include: human rights, labour standards in the supply chain, child, slave and bonded labour, workplace health and safety, freedom of association and freedom of expression, a free and independent civil society, the ability of human rights defenders to carry out their activities, human capital management and employee relations; diversity; relations with local communities including free, prior and informed consent, activities in conflict zones, health and access to medicine, HIV/AIDS, consumer protection; and controversial weapons; and*
- (iii) issues relating to the governance of companies and other investee entities. In the listed equity context these include: board structure, size, diversity, skills and independence, executive pay, shareholder rights, stakeholder interaction, disclosure of information, business ethics, bribery and corruption, tax compliance, privacy and data protection, internal controls and risk management, and, in general, issues dealing with the relationship between a company's management, its board, its shareholders and its other stakeholders. This category may also include matters of business strategy, encompassing both the implications of business strategy for environmental and social issues, and how the strategy is to be implemented. In the unlisted asset classes governance issues also include matters of fund governance, such as the powers of Advisory Committees, valuation issues, fee structures, etc.;*

ANNEX IIa

International principles

<i>1.</i>	<i>UN</i>	<i>Principles for Responsible Investment - Reporting Framework - https://www.unpri.org/</i>
<i>2.</i>	<i>OECD</i>	<i>OECD Guidance – Responsible Business Conduct for Institutional Investors – Key Considerations for due diligence under the OECD Guidelines for Multinational Investors (2017) - https://mneguidelines.oecd.org/RBC-for-Institutional-Investors.pdf</i>

11.10.2018

OPINION OF THE COMMITTEE ON THE ENVIRONMENT, PUBLIC HEALTH AND FOOD SAFETY

for the Committee on Economic and Monetary Affairs

on the proposal for a regulation of the European Parliament and of the Council on disclosures relating to sustainable investments and sustainability risks and amending Directive (EU) 2016/2341
(COM(2018)0354 – C8-0208/2018 – 2018/0179(COD))

Rapporteur for opinion: Adina-Ioana Vălean

AMENDMENTS

The Committee on the Environment, Public Health and Food Safety calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to take into account the following amendments:

Amendment 1

Proposal for a regulation

Title 1

Text proposed by the Commission

Proposal for a
REGULATION OF THE EUROPEAN
PARLIAMENT AND OF THE COUNCIL
on disclosures relating to **sustainable
investments and** sustainability risks and
amending Directive (EU) 2016/2341
(Text with EEA relevance)

Amendment

Proposal for a
REGULATION OF THE EUROPEAN
PARLIAMENT AND OF THE COUNCIL
on disclosures relating to **the** sustainability
impact and risks **of investments** and
amending Directive (EU) 2016/2341
(Text with EEA relevance)

Amendment 2

Proposal for a regulation

Recital 2

Text proposed by the Commission

(2) A common objective of Directive 2009/65/EC of the European Parliament and of the Council³², Directive 2009/138/EC of the European Parliament and of the Council³³, Directive 2011/61/EU of the European Parliament and of the Council³⁴, Directive 2014/65/EU of the European Parliament and of the Council³⁵, Directive (EU) 2016/97 of the European Parliament and of the Council³⁶, Directive (EU) 2016/2341 of the European Parliament and of the Council³⁷, Regulation (EU) No 345/2013 of the European Parliament and of the Council³⁸ and Regulation (EU) No 346/2013 of the European Parliament and of the Council³⁹ is to facilitate the taking-up and pursuit of the activities of undertakings for collective investment in transferable securities (UCITS), alternative investment fund managers (AIFMs), insurance undertakings, investment firms, insurance intermediaries, institutions for occupational retirement provision (IORPs), managers of qualifying venture capital funds (EuVECA managers), and managers of qualifying social entrepreneurship funds (EuSEF managers). Those Directives and Regulations ensure more uniform protection of end-investors and make it easier for them to benefit from a wide range of financial products and services, and at the same time provide for rules that enable investors to make informed investment decisions. While those objectives have been largely achieved, disclosures *to end-investors* on the integration of sustainability risks and sustainable investment targets in investment decision-making by UCITS management companies, AIFMs, insurance undertakings, investment firms which

Amendment

(2) A common objective of Directive 2009/65/EC of the European Parliament and of the Council³², Directive 2009/138/EC of the European Parliament and of the Council³³, Directive 2011/61/EU of the European Parliament and of the Council³⁴, Directive 2014/65/EU of the European Parliament and of the Council³⁵, Directive (EU) 2016/97 of the European Parliament and of the Council³⁶, Directive (EU) 2016/2341 of the European Parliament and of the Council³⁷, Regulation (EU) No 345/2013 of the European Parliament and of the Council³⁸ and Regulation (EU) No 346/2013 of the European Parliament and of the Council³⁹ is to facilitate the taking-up and pursuit of the activities of undertakings for collective investment in transferable securities (UCITS), alternative investment fund managers (AIFMs), insurance undertakings, investment firms, insurance intermediaries, institutions for occupational retirement provision (IORPs), managers of qualifying venture capital funds (EuVECA managers), and managers of qualifying social entrepreneurship funds (EuSEF managers). Those Directives and Regulations ensure more uniform protection of end-investors and make it easier for them to benefit from a wide range of financial products and services, and at the same time provide for rules that enable investors to make informed investment decisions. While those objectives have been largely achieved, disclosures on *the sustainability impact and* the integration of sustainability risks and sustainable investment targets in investment decision-making by UCITS management companies, AIFMs, insurance undertakings, investment firms which

provide portfolio management, IORPs, pension providers, EuVECA managers and EuSEF managers (financial market participants) and disclosures to end-investors on the integration of sustainability risks in advisory processes by insurance intermediaries which provide insurance advice with regard to insurance-based investment products (IBIPs) and investment firms which provide investment advice (financial advisors) are insufficiently developed because such disclosures are not yet subject to harmonised requirements.

provide portfolio management, IORPs, pension providers, EuVECA managers and EuSEF managers (financial market participants) and disclosures to end-investors on the integration of sustainability risks in advisory processes by insurance intermediaries which provide insurance advice with regard to insurance-based investment products (IBIPs) and investment firms which provide investment advice (financial advisors) are insufficiently developed because such disclosures are not yet subject to harmonised *indicators and* requirements. ***In order to fulfil their obligations of due diligence concerning the sustainability impact and risks, financial market participants themselves need reliable, comparable and harmonised disclosure of information by investee companies. Directive 2013/34/EU of the European Parliament and of the Council^{39a} lays down obligations relating to accounting and reporting requirements of companies. Therefore, that Directive should be updated to include integrated, audited reporting of sustainability risks and impact in order to respond to the increasing need to integrate sustainability considerations in strategy and risk management of companies.***

³² Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (OJ L 302, 17.11.2009, p. 32).

³³ Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (OJ L 335, 17.12.2009, p. 1).

³⁴ Directive 2011/61/EU of the European Parliament and of the Council of 8 June

³² Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (OJ L 302, 17.11.2009, p. 32).

³³ Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (OJ L 335, 17.12.2009, p. 1).

³⁴ Directive 2011/61/EU of the European Parliament and of the Council of 8 June

2011 on Alternative Investment Fund Managers (OJ L 174, 1.7.2011, p. 1).

³⁵ Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ L 173, 12.6.2014, p. 349).

³⁶ Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (OJ L 26, 2.2.2016, p. 19).

³⁷ Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORPs) (OJ L 354, 23.12.2016, p. 37).

³⁸ Regulation (EU) No 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds (OJ L 115, 25.4.2013, p. 1).

³⁹ Regulation (EU) No 346/2013 of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship funds (OJ L 115, 25.4.2013, p. 18).

2011 on Alternative Investment Fund Managers (OJ L 174, 1.7.2011, p. 1).

³⁵ Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ L 173, 12.6.2014, p. 349).

³⁶ Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (OJ L 26, 2.2.2016, p. 19).

³⁷ Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORPs) (OJ L 354, 23.12.2016, p. 37).

³⁸ Regulation (EU) No 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds (OJ L 115, 25.4.2013, p. 1).

³⁹ Regulation (EU) No 346/2013 of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship funds (OJ L 115, 25.4.2013, p. 18).

^{39a} *Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).*

Amendment 3

Proposal for a regulation

Recital 3

(3) In the absence of harmonised Union rules on sustainability-related disclosures **to end-investors**, it is likely that diverging measures will continue to be adopted at national level and different approaches in different financial services sectors might persist. Such divergent measures and approaches would continue to cause significant distortions of competition resulting from significant differences in disclosure standards. In addition, a parallel development of market-based practices, based on commercially-driven priorities that produce divergent results currently causes further market fragmentation and might even further exacerbate the functioning of the internal market in the future. Divergent disclosure standards and market-based practices make it very difficult to compare between different financial products and services and create an uneven playing field between these products and services and between distribution channels, and erect additional barriers to the internal market. Such divergences can also be confusing for end-investors and can distort their investment decisions. In ensuring compliance with the Paris Climate Agreement, Member States are likely to adopt divergent national measures which could create obstacles to the smooth functioning of the internal market and be detrimental to financial market participants and financial advisors. In addition, the lack of harmonised rules relating to transparency makes it difficult for **end-investors** to effectively compare different financial products and services in different Member States as to their environmental, social and governance risks and sustainable investment targets. It is therefore necessary to address existing to the functioning of the internal market and to prevent likely future obstacles.

(3) In the absence of harmonised Union rules on sustainability-related disclosures **by issuers and investors**, it is likely that diverging measures will continue to be adopted at national level and different approaches in different financial services sectors might persist. Such divergent measures and approaches would continue to cause significant distortions of competition resulting from significant differences in disclosure standards. In addition, a parallel development of market-based practices, based on commercially-driven priorities that produce divergent results currently causes further market fragmentation and might even further exacerbate the functioning of the internal market in the future. Divergent disclosure standards and market-based practices **and the lack of a harmonised set of indicators** make it very difficult to compare between different financial products and services and create an uneven playing field between these products and services and between distribution channels, and erect additional barriers to the internal market. Such divergences can also be confusing for end-investors and can distort their investment decisions. In ensuring compliance with the Paris Climate Agreement, Member States are likely to adopt divergent national measures which could create obstacles to the smooth functioning of the internal market and be detrimental to financial market participants and financial advisors. In addition, the lack of harmonised rules **and indicators** relating to transparency makes it difficult for **investors** to effectively compare **underlying investee companies and** different financial products and services in different Member States as to their environmental, social and governance **impact and** risks and sustainable investment targets. It is therefore necessary to address existing to the functioning of the internal market and

to prevent likely future obstacles.

Amendment 4

Proposal for a regulation

Recital 4

Text proposed by the Commission

(4) To ensure a coherent application of this Regulation and that the disclosure obligations laid down in this Regulation are clearly and consistently applied by financial market participants, it is necessary to lay down a harmonised definition of ‘sustainable investments’.

Amendment

(4) To ensure a coherent application of this Regulation and that the disclosure obligations laid down in this Regulation are clearly and consistently applied by financial market participants, it is necessary to lay down a harmonised definition of ‘sustainable investments’, ***and ‘sustainability risks’, based on a harmonised set of indicators. Whilst focusing on material risks, that definition should be forward-looking as to take due consideration of emerging risks.***

Justification

Clear definitions and harmonized indicators are needed to ensure legal certainty, a minimum level of consistency among national authorities and market participants, and to avoid fragmentation of the market.

Amendment 5

Proposal for a regulation

Recital 6

Text proposed by the Commission

(6) Since sustainability benchmarks serve as standard points of reference against which sustainable investments are measured, end-investors should be informed by means of pre-contractual disclosures about the appropriateness of the designated index, namely the alignment of that index with the sustainable investment target. Financial market participants should also disclose the reasons for different weighting and constituents of the

Amendment

(6) Since sustainability benchmarks serve as standard points of reference against which sustainable investments are measured, end-investors should be informed by means of pre-contractual disclosures about the appropriateness of the designated index, namely the alignment of that index with the sustainable investment target. Financial market participants should also disclose the reasons for different weighting and constituents of the

designated index compared to a broad market index. To further foster transparency, financial market participants should also indicate where the methodology used for the calculation of the designated index and the broad market index is to be found, so that end-investors have the necessary information on how the underlying assets of the indexes were selected and weighted, which assets were excluded and for what reason, how sustainability-related impacts of the underlying assets were measured, or which data sources were used. Such disclosures should allow for effective comparison and contribute to develop a correct perception of sustainably-friendly investments. Where no index has been designated as a reference benchmark financial market participants should explain how the sustainable investment target is reached.

designated index compared to a broad market index. To further foster transparency, financial market participants should also indicate where the methodology used for the calculation of the designated index and the broad market index is to be found, so that end-investors have the necessary information on how the underlying assets of the indexes were selected and weighted, which assets were excluded and for what reason, how sustainability-related impacts of the underlying assets were measured, or which data sources were used. Such disclosures, ***based on a harmonised set of indicators***, should allow for effective comparison and contribute to develop a correct perception of sustainably-friendly investments. Where no index has been designated as a reference benchmark financial market participants should explain how the sustainable investment target is reached.

Amendment 6

Proposal for a regulation

Recital 7 a (new)

Text proposed by the Commission

Amendment

(7a) Where a financial product or service is made up of bonds, contracts for differences, derivatives or other instruments based on the value of underlying assets, the disclosures should specify clearly the link between achieving the sustainability goals and the value of the assets.

Amendment 7

Proposal for a regulation

Recital 8

Text proposed by the Commission

Amendment

(8) To enhance transparency and

(8) To enhance transparency and

inform *end-investors*, access to information on how sustainability risks are integrated by financial market participants in the investment decision making processes and by financial advisors in advisory processes should be regulated by requiring those entities to maintain that information on their websites.

comparability and inform *investors*, access to information on *how the sustainability impact is taken into account and* how sustainability risks are integrated by financial market participants in the investment decision making processes and by financial advisors in advisory processes should be regulated by requiring those entities to maintain that information on their websites.

Amendment 8

Proposal for a regulation

Recital 9

Text proposed by the Commission

(9) The current disclosure requirements set out by Union legislation do not provide that all the information necessary to properly inform end-investors about the sustainability-related impact of their investments must be disclosed. Therefore, it is appropriate to set out more specific disclosure requirements with regard to sustainable investments. For instance, the overall sustainability-related impact of financial products should be reported regularly by means of indicators relevant for the chosen sustainable investment target. Where an appropriate index has been designated as reference benchmark that information should also be provided for the designated index and to a broad market index to allow for comparison. Information on the constituents of the designated index and of the broad market index along with their weightings should also be disclosed, to provide further information on how the sustainable investments targets are achieved. Where EuSEF managers make available information on the positive social impact targeted by a given fund, the overall social outcome achieved and the related methods used in accordance with Regulation (EU) No 346/2013, they may, where appropriate,

Amendment

(9) The current disclosure requirements set out by Union legislation do not provide that all the information necessary to properly inform end-investors about the sustainability-related impact of their investments must be disclosed. Therefore, it is appropriate to set out more specific disclosure requirements with regard to sustainable investments. For instance, the overall sustainability-related impact of financial products should be reported regularly by means of *a harmonised set of* indicators relevant for the chosen sustainable investment target. Where an appropriate index has been designated as reference benchmark that information should also be provided for the designated index and to a broad market index to allow for comparison. Information on the constituents of the designated index and of the broad market index along with their weightings should also be disclosed, to provide further information on how the sustainable investments targets are achieved. Where EuSEF managers make available information on the positive social impact targeted by a given fund, the overall social outcome achieved and the related methods used in accordance with Regulation (EU) No 346/2013, they may,

use this information for the purposes of the disclosures under this Regulation.

where appropriate, use this information for the purposes of the disclosures under this Regulation.

Amendment 9

Proposal for a regulation

Recital 10

Text proposed by the Commission

(10) Directive 2013/34/EU of the European Parliament and of the Council⁴⁰ impose transparency obligations as regards social, environmental and corporate governance aspects in non-financial reporting. The required form and presentation established by those Directives is not, however, suitable for direct use by financial market participants and financial advisors when dealing with end-investors. The financial market participants *and* financial advisors should ***have the option to use*** information *in* management reports and non-financial statements in accordance with Directive 2013/34/EU for the purposes of this Regulation, ***where appropriate***.

⁴⁰ Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).

Amendment 10

Proposal for a regulation

Recital 13

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Amendment

(10) Directive 2013/34/EU of the European Parliament and of the Council⁴⁰ impose transparency obligations as regards social, environmental and corporate governance aspects in non-financial reporting. The required form and presentation established by those Directives is not, however, suitable for direct use by financial market participants and financial advisors when dealing with end-investors. The financial market participants, financial advisors *and* ***publicly listed companies*** should ***disclose*** information ***on the environmental, social and corporate governance impact and risks in annual*** management reports and non-financial statements in accordance with Directive 2013/34/EU, for the purposes of this Regulation.

⁴⁰ Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).

(13) The European Banking Authority ('EBA'), European Insurance and Occupational Pensions Authority ('EIOPA') and the European Securities and Markets Authority ('ESMA') (collectively known as the 'ESAs') established by Regulation (EU) No 1093/2010 of the European Parliament and of the Council,⁴¹ Regulation (EU) No 1094/2010 of the European Parliament and of the Council⁴² and Regulation (EU) No 1095/2010 of the European Parliament and of the Council⁴³ respectively should, through the Joint Committee, develop regulatory technical standards further specifying the details of the presentation and content of the information on sustainability investment **targets** to be disclosed in pre-contractual documents, periodical reports and websites of financial market participants in accordance with Articles 10 to 14 of Regulation No 1093/2010, Regulation No 1094/2010 and of Regulation (EU) No 1095/2010. The Commission should be empowered to adopt those regulatory technical standards.

(13) The European Banking Authority ('EBA'), European Insurance and Occupational Pensions Authority ('EIOPA') and the European Securities and Markets Authority ('ESMA') (collectively known as the 'ESAs') established by Regulation (EU) No 1093/2010 of the European Parliament and of the Council,⁴¹ Regulation (EU) No 1094/2010 of the European Parliament and of the Council⁴² and Regulation (EU) No 1095/2010 of the European Parliament and of the Council⁴³ respectively should, through the Joint Committee, develop regulatory technical standards further specifying the details of the presentation and content of the information on ***the sustainability impact and risks of*** investment to be disclosed in pre-contractual documents, periodical ***and annual integrated*** reports and websites of financial market participants in accordance with Articles 10 to 14 of Regulation No 1093/2010, Regulation No 1094/2010 and of Regulation (EU) No 1095/2010. The Commission should be empowered to adopt those regulatory technical standards.

⁴¹ Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).

⁴² Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (OJ L 331, 15.12.2010, p. 48).

⁴¹ Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).

⁴² Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (OJ L 331, 15.12.2010, p. 48).

⁴³ Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).

⁴³ Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).

Amendment 11

Proposal for a regulation

Recital 16 a (new)

Text proposed by the Commission

Amendment

(16a) The disclosure rules set out in this Regulation complement the introduction of a full overarching, mandatory due diligence framework for all market participants, both investor and investee companies, including a duty of care component, to be fully phased-in within a transitional period and taking into account the principle of proportionality, in line with the OECD Guidelines on due diligence, and building on the European Parliament resolution of 29 May 2018 on sustainable finance which calls for a mandatory due diligence framework.

Justification

Strengthening the due diligence framework for financial market participants helps investors to avoid possible negative impacts of their investments on society and the environment, avoid financial and reputational risks, respond to expectations of their clients and beneficiaries, and considering risks beyond a financial understanding of their investor duties.

Amendment 12

Proposal for a regulation

Recital 18

Text proposed by the Commission

Amendment

(18) Since the objectives of this

(18) Since the objectives of this

Regulation, namely to strengthen ***protection for end-*** investors and improve disclosures to them, ***including in cases of cross-border purchases for end-investors,*** cannot be sufficiently achieved by the Member States but can be better achieved at Union level because of the need to lay down uniform disclosure requirements at Union level the Union may adopt measures, in accordance with principle of subsidiarity as set out in Article 5 of the Treaty on the European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives,

Regulation, namely to strengthen ***information to*** investors and improve disclosures to them, ***and to help financial market participants, investment advisers and publicly listed companies integrate environmental, social and governance risks into their investment strategies and company board decisions,*** cannot be sufficiently achieved by the Member States but can be better achieved at Union level because of the need to lay down uniform disclosure requirements at Union level the Union may adopt measures, in accordance with principle of subsidiarity as set out in Article 5 of the Treaty on the European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives,

Amendment 13

Proposal for a regulation

Recital 18 a (new)

Text proposed by the Commission

Amendment

(18a) To fulfil the obligations of due diligence concerning the sustainability impact and risks, financial market participants need reliable, comparable and harmonised disclosure of information by investee companies. Therefore, the disclosure requirements laid down in this Regulation should apply to publicly listed companies after a transitional period of 18 months following the entry into force of this Regulation. Accordingly, the Commission should examine if it would be appropriate to propose corresponding amendments to Directive 2013/34/EU.

Amendment 14

Proposal for a regulation

Article 1 – paragraph 1

Text proposed by the Commission

This Regulation lays down harmonised rules on the transparency to be applied by financial market participants, insurance intermediaries which provide insurance advice with regard to IBIPs and investment firms which provide investment advice ***on the integration of*** sustainability risks in investment decision-making process or advisory process and the transparency of ***financial*** products ***that have as their targets sustainable investments, including the reduction in carbon emissions.***

Amendment

This Regulation lays down harmonised rules on the transparency to be applied by financial market participants, insurance intermediaries which provide insurance advice with regard to IBIPs and investment firms which provide investment advice, ***and publicly listed companies, on how sustainability risks and impact are incorporated*** in investment decision-making process or advisory process, and ***on*** the transparency of ***the sustainability impact and risks of investment*** products, ***including financial products, where material and appropriate.***

Justification

It should be clear in the legal text that the transparency requirements in the Regulation apply to all financial products.

Amendment 15

Proposal for a regulation

Article 2 – paragraph 1 – point b a (new)

Text proposed by the Commission

Amendment

(ba) 'publicly listed company' means an undertaking within the scope of Directive 2013/34/EU;

Amendment 16

Proposal for a regulation

Article 2 – paragraph 1 – point h – point ii a (new)

Text proposed by the Commission

Amendment

(iia) a pan-European pension product as proposed in Regulation 201X/XXX^{1a} of the European Parliament and of the Council;

Amendment 17

Proposal for a regulation

Article 2 – paragraph 1 – point o – introductory part

Text proposed by the Commission

(o) ‘sustainable investments’ mean any ***of the following or a combination of any*** of the following:

Amendment

(o) ‘sustainable investments’ mean ***products associated with strategies that aim at achieving environmental, social and governance-related impact, including any combination of the following, to the extent that the objectives of any one category are in accordance with, and do not significantly harm, any of the objectives of the other categories below:***

Amendment 18

Proposal for a regulation

Article 2 – paragraph 1 – point o – point i

Text proposed by the Commission

(i) investments in an economic activity that contributes to an environmental objective, including an environmentally sustainable investment as defined in Article 2 of [PO: Please insert reference to Regulation on the establishment of a framework to facilitate sustainable investment];

Amendment

(i) investments in an economic activity that contributes to an environmental objective, including an environmentally sustainable investment as defined in Article 2 of [PO: Please insert reference to Regulation on the establishment of a framework to facilitate sustainable investment] ***and based on key resource efficiency indicators, such as the use of energy, use of renewable energy, use of raw materials, production of waste, emissions, CO₂ emissions, use of water, use of land, and impact on biodiversity;***

Amendment 19

Proposal for a regulation

Article 2 – paragraph 1 – point o – point iii

Text proposed by the Commission

(iii) investments in companies following good governance practices, and in particular companies with sound management structures, employee relations, remuneration of relevant staff and tax compliance;

Amendment

(iii) investments in companies following good governance practices, and in particular companies with sound management **and due diligence** structures, employee relations, remuneration of relevant staff and tax compliance;

Amendment 20

Proposal for a regulation

Article 2 – paragraph 1 – point s a (new)

Text proposed by the Commission

Amendment

(sa) 'sustainability risks' means financial or non-financial risks, material or likely to be materialised in the long term, linked to environmental, social and governance factors, where relevant for a particular investment approach;

Amendment 21

Proposal for a regulation

Article 3 – title

Text proposed by the Commission

Transparency of the sustainability risk policies

Amendment

Transparency of the sustainability risk policies **and the sustainability impact**

Amendment 22

Proposal for a regulation

Article 3 – paragraph 1

Text proposed by the Commission

1. Financial market participants shall

Amendment

1. Financial market participants shall

publish written policies on the integration of sustainability risks in the investment decision-making process on their websites.

have in place written policies on the integration of sustainability risks **and impact** in the investment decision-making process, **such as in the areas of governance, asset allocation, investment strategy, risk management, the exercise of shareholder voting and company engagement, and shall publish a summary of such policies in written form** on their websites.

Amendment 23

Proposal for a regulation

Article 3 – paragraph 2

Text proposed by the Commission

2. Insurance intermediaries which provide insurance advice with regard to IBIPs and investment firms which provide investment advice shall **publish** written policies on the integration of sustainability risks in investment advice or insurance advice on their websites.

Amendment

2. Insurance intermediaries which provide insurance advice with regard to IBIPs and investment firms which provide investment advice shall **have in place** written policies on the integration of sustainability risks **and impact** in investment advice or insurance advice, **such as in the areas of governance, asset allocation, investment strategy, risk management, the exercise of shareholder voting and company engagement, and shall publish a summary of such policies in written form** on their websites.

Amendment 24

Proposal for a regulation

Article 3 – paragraph 2 a (new)

Text proposed by the Commission

Amendment

2a. Financial markets participants and insurance intermediaries shall have in place due diligence processes that ensure that the identification and management of sustainability risks are sufficiently integrated in investment decision-making, requiring investors to identify, prevent, mitigate and account for

ESG factors, taking into account the 2017 OECD Guidelines entitled “Responsible business conduct for institutional investors: Key considerations for due diligence under the OECD Guidelines for Multinational Enterprises”, and shall publish such processes in written form on their websites.

Amendment 25

Proposal for a regulation

Article 3 – paragraph 2 b (new)

Text proposed by the Commission

Amendment

2b. *The written policies referred to in paragraphs 1 and 2 shall include, among others:*

(a) *an integration of risks related to the impacts of climate change, including both acute and chronic risks for investments;*

(b) *an integration of risks and opportunities related to the transition to a low-carbon economy, including regulatory limits on greenhouse gas emissions, carbon pricing, litigation risks, reputational risks, technology and market risks.*

Justification

The European Systemic Risk Board, the Dutch Central Bank, the Bank of England and many other financial institutions and advisory bodies recognise the systemic risk of climate change for the financial system and the economy. The sustainability risks integrated must therefore also clearly cover the risks posed by climate change.

Amendment 26

Proposal for a regulation

Article 3 – paragraph 2 c (new)

Text proposed by the Commission

Amendment

2c. *The written policies referred to in paragraphs 1 and 2 shall include among others information on the process of identifying sustainability risks, the methodology and metrics used to assess sustainability risks, the board's oversight on identifying and managing sustainability risks and an overview of the sustainability risks the organisation has identified.*

Amendment 27

Proposal for a regulation

Article 3 – paragraph 2 d (new)

Text proposed by the Commission

Amendment

2d. *The Commission shall adopt, by 30 June 2019, delegated acts in accordance with Article [...] to supplement this Regulation by specifying in further detail the requirements for the written policies and the due diligence processes to evaluate their implementation.*

Amendment 28

Proposal for a regulation

Article 4 – title

Text proposed by the Commission

Amendment

Transparency of the integration of sustainability risks

Transparency of the integration of sustainability risks **and impact**

Amendment 29

Proposal for a regulation

Article 4 – paragraph 1 – point a

Text proposed by the Commission

Amendment

(a) the procedures and conditions applied for integrating sustainability risks in investment decisions;

(a) the ***due diligence*** procedures and conditions applied for integrating sustainability risks, ***including amongst others the risks related to the impacts of climate change and the risks and opportunities related to the transition to a low-carbon economy***, in investment decisions;

Amendment 30

Proposal for a regulation

Article 4 – paragraph 1 – point b

Text proposed by the Commission

Amendment

(b) the extent to which sustainability risks are expected to have a relevant impact on the returns of the financial products made available;

(b) the extent to which sustainability risks, ***including amongst others the risks related to the impacts of climate change and the risks and opportunities related to the transition to a low-carbon economy***, are expected to have a relevant impact on ***environmental, social and governance issues and on*** the returns of the financial products made available;

Justification

The European Systemic Risk Board, the Dutch Central Bank, the Bank of England and many other financial institutions and advisory bodies recognise the systemic risk of climate change for the financial system and the economy. The sustainability risks integrated must therefore also clearly cover the risks posed by climate change.

Amendment 31

Proposal for a regulation

Article 4 – paragraph 1 – point b a (new)

Text proposed by the Commission

Amendment

(ba) scenarios and projected costs related to carbon pricing, from emissions trading, taxation or other relevant

regulatory requirements, that have been taken into account in the assessments of the sustainability risks;

Justification

Carbon pricing, e.g. through the EU emissions trading system or China's national emission trading system is a clearly established cost. However, investors, lenders, insurance underwriters, and other stakeholders often lack clear information on the possible carbon costs related to investments. As the extent and level of carbon pricing may significantly change due to the transition to a low-carbon economy, additional transparency on carbon costs would help to reduce systemic risks.

Amendment 32

Proposal for a regulation

Article 4 – paragraph 1 – point b b (new)

Text proposed by the Commission

Amendment

(bb) the results of a Climate Stress Test using scenario analysis for assessing a number of possible future developments, including the following scenarios:

(i) a "rapid decarbonisation" scenario with a 15-years global transition in all economic sectors towards net-zero greenhouse gas emissions;

(ii) an "uncontrolled warming" scenario with the effects of 4 degrees Celsius global temperature increase above pre-industrial levels;

Amendment 33

Proposal for a regulation

Article 4 – paragraph 1 – point c a (new)

Text proposed by the Commission

Amendment

(ca) in terms of shareholder voting with regards to sustainable investments and the mitigation of sustainability risks, the voting instructions and voting rationales behind votes against management,

Amendment 34

Proposal for a regulation

Article 4 – paragraph 2 – point a

Text proposed by the Commission

(a) the procedures and conditions applied for integrating sustainability risks in investment advice or insurance advice;

Amendment

(a) the procedures and conditions applied for integrating sustainability risks, ***including amongst others the risks related to the impacts of climate change and the risks and opportunities related to the transition to a low-carbon economy***, in investment advice or insurance advice;

Amendment 35

Proposal for a regulation

Article 4 – paragraph 2 – point b

Text proposed by the Commission

(b) the extent to which sustainability risks are expected to have a relevant impact on the returns of the financial products advised on;

Amendment

(b) the extent to which sustainability risks, ***including amongst others the risks related to the impacts of climate change and the risks and opportunities related to the transition to a low-carbon economy***, are expected to have a relevant impact on ***environmental, social and governance issues and on*** the returns of the financial products advised on;

Amendment 36

Proposal for a regulation

Article 4 – paragraph 2 – point b a (new)

Text proposed by the Commission

Amendment

(ba) scenarios and projected costs related to carbon pricing, from emissions trading, taxation or other relevant regulatory requirements, that have been taken into account in quantitative

assessments of the sustainability risks;

Amendment 37

Proposal for a regulation

Article 4 – paragraph 2 – point b b (new)

Text proposed by the Commission

Amendment

(bb) the results of a Climate Stress Test using scenario analysis for assessing a number of possible future developments, including the following scenarios:

(i) a "rapid decarbonisation" scenario with a 15-years global transition in all economic sectors towards net-zero greenhouse gas emissions;

(ii) an "uncontrolled warming" scenario with the effects of 4 degrees Celsius global temperature increase above pre-industrial levels;

Amendment 38

Proposal for a regulation

Article 4 – paragraph 3 – point i a (new)

Text proposed by the Commission

Amendment

(ia) for publicly listed companies, in accordance with Directive 2013/34/EU.

Amendment 39

Proposal for a regulation

Article 4 – paragraph 3 a (new)

Text proposed by the Commission

Amendment

3a. The disclosures referred to in paragraphs 1 and 2 shall contain all information that would be material to an investor's investment decision. That information shall be fairly presented, shall not be misleading or deceptive and

shall contain no material omission of information.

Amendment 40

Proposal for a regulation

Article 5 – title

Text proposed by the Commission

Transparency of *sustainable* investments in pre-contractual disclosures

Amendment

Transparency of *the sustainability impact and risks of* investments in pre-contractual disclosures

Amendment 41

Proposal for a regulation

Article 6 – paragraph 1 – subparagraph 1 – point b

Text proposed by the Commission

(b) information on the methodologies used to assess, measure and monitor the impact of the *sustainable* investments selected for the financial product, including its data sources, screening criteria for the underlying assets and the relevant sustainability indicators used to measure the overall sustainable impact of the financial product;

Amendment

(b) information on the methodologies used to assess, measure and monitor the *sustainability* impact of the investments selected for the financial product, including its data sources, screening criteria for the underlying assets and the relevant sustainability indicators used to measure the overall sustainable impact of the financial product;

Amendment 42

Proposal for a regulation

Article 6 – paragraph 1 – subparagraph 2

Text proposed by the Commission

The information to be disclosed pursuant to the first subparagraph shall be published in a clear way and in a prominent area of the website.

Amendment

The information to be disclosed pursuant to the first subparagraph shall be published in a clear way and in a prominent area of the website, *in a manner that is understandable to different stakeholders, including a non-specialised audience with different levels of financial literacy.*

Amendment 43

Proposal for a regulation

Article 7 – paragraph 1 – introductory part

Text proposed by the Commission

1. Where financial market participants make available a financial product referred to in paragraphs (1), (2) and (3) of Article 5, they shall include a description of the following in periodical reports:

Amendment

1. Where financial market participants make available a financial product referred to in paragraphs (1), (2) and (3) of Article 5, they shall include a description of the following in periodical, ***audited, integrated*** reports, ***conducted at least annually***:

Amendment 44

Proposal for a regulation

Article 7 – paragraph 1 – point a

Text proposed by the Commission

(a) the overall sustainability-related impact by the financial product by means of ***relevant*** sustainability indicators;

Amendment

(a) the overall sustainability-related impact by the financial product by means of ***harmonised and comparable*** sustainability indicators;

Amendment 45

Proposal for a regulation

Article 7 – paragraph 1 – point b a (new)

Text proposed by the Commission

Amendment

(ba) publicly listed companies shall include a description of how the sustainability impact and risks have been incorporated in the management processes and investment strategy in the annual financial statements and consolidated financial statements referred to in Directive 2013/34/EU.

Amendment 46

Proposal for a regulation

Article 7 – paragraph 2 – point h a (new)

Text proposed by the Commission

Amendment

(ha) for publicly listed companies, in accordance with the periodical statements referred to in Directive 2013/34/EU.

Amendment 47

Proposal for a regulation

Article 11 – paragraph 1

Text proposed by the Commission

Amendment

By [PO: Please insert date **60** months after the date of entry into force], the Commission shall conduct an evaluation of the application of this Regulation.

By [PO: Please insert date **24** months after the date of entry into force], the Commission shall conduct an evaluation of the application of this Regulation.

Justification

Considering the novelty of this policy and the rapid developments in the field of sustainable finance, an evaluation after 24 months is more appropriate.

PROCEDURE – COMMITTEE ASKED FOR OPINION

Title	Disclosures relating to sustainable investments and sustainability risks
References	COM(2018)0354 – C8-0208/2018 – 2018/0179(COD)
Committee responsible Date announced in plenary	ECON 5.7.2018
Opinion by Date announced in plenary	ENVI 5.7.2018
Rapporteur Date appointed	Adina-Ioana Vălean 21.6.2018
Date adopted	10.10.2018
Result of final vote	+: 58 –: 4 0: 1
Members present for the final vote	Marco Affronte, Margrete Auken, Pilar Ayuso, Catherine Bearder, Ivo Belet, Biljana Borzan, Lynn Boylan, Paul Brannen, Soledad Cabezón Ruiz, Miriam Dalli, Seb Dance, Angélique Delahaye, Mark Demesmaeker, José Inácio Faria, Karl-Heinz Florenz, Francesc Gambús, Elisabetta Gardini, Arne Gericke, Jens Gieseke, Julie Girling, Sylvie Goddyn, Françoise Grossetête, Andrzej Grzyb, Jytte Guteland, György Hölvényi, Anneli Jäätteenmäki, Karin Kadenbach, Kateřina Konečná, Urszula Krupa, Giovanni La Via, Jo Leinen, Peter Liese, Jiří Maštálka, Valentinas Mazuronis, Joëlle Mélin, Susanne Melior, Miroslav Mikolášik, Rory Palmer, Piernicola Pedicini, Bolesław G. Piecha, Pavel Poc, Julia Reid, Frédérique Ries, Michèle Rivasi, Annie Schreijer-Pierik, Renate Sommer, Claudiu Ciprian Tănăsescu, Nils Torvalds, Adina-Ioana Vălean
Substitutes present for the final vote	Cristian-Silviu Bușoi, Nicola Caputo, Jørn Dohrmann, Christofer Fjellner, Christophe Hansen, Danilo Oscar Lancini, Tilly Metz, Younous Omarjee, Aldo Patriciello, Carolina Punset, Christel Schaldemose, Bart Staes, Carlos Zorrinho
Substitutes under Rule 200(2) present for the final vote	Kati Piri

FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION

58	+
ALDE	Catherine Bearder, Anneli Jäätteenmäki, Valentinas Mazuronis, Carolina Punset, Frédérique Ries, Nils Torvalds
ECR	Mark Demesmaeker
EFDD	Piernicola Pedicini
ENF	Sylvie Goddyn, Danilo Oscar Lancini Joëlle Mélin
GUE/NGL	Lynn Boylan, Kateřina Konečná, Jiří Maštálka, Younous Omarjee
PPE	Pilar Ayuso, Ivo Belet, Cristian-Silviu Buşoi, Angélique Delahaye, José Inácio Faria, Christofer Fjellner, Karl-Heinz Florenz, Francesc Gambús, Elisabetta Gardini, Jens Gieseke, Julie Girling, Françoise Grossetête, Andrzej Grzyb, Christophe Hansen, György Hölvényi, Giovanni La Via, Peter Liese, Miroslav Mikolášik, Aldo Patriciello, Annie Schreijer-Pierik, Renate Sommer Adina-Ioana Vălean
S&D	Biljana Borzan, Paul Brannen, Soledad Cabezón Ruiz, Nicola Caputo, Miriam Dalli, Seb Dance, Jytte Guteland, Karin Kadenbach, Jo Leinen, Susanne Melior, Rory Palmer, Kati Piri, Pavel Poc, Christel Schaldemose, Claudiu Ciprian Tănăsescu, Carlos Zorrinho
VERTS/ALE	Marco Affronte, Margrete Auken, Tilly Metz, Michèle Rivasi, Bart Staes

4	-
ECR	Jørn Dohrmann, Arne Gericke, Urszula Krupa, Bolesław G. Piecha

1	0
EFDD	Julia Reid

Key to symbols:

+ : in favour

- : against

0 : abstention

PROCEDURE – COMMITTEE RESPONSIBLE

Title	Disclosures relating to sustainable investments and sustainability risks		
References	COM(2018)0354 – C8-0208/2018 – 2018/0179(COD)		
Date submitted to Parliament	24.5.2018		
Committee responsible Date announced in plenary	ECON 5.7.2018		
Committees asked for opinions Date announced in plenary	EMPL 5.7.2018	ENVI 5.7.2018	FEMM 5.7.2018
Not delivering opinions Date of decision	EMPL 31.5.2018	FEMM 20.6.2018	
Rapporteurs Date appointed	Paul Tang 31.5.2018		
Discussed in committee	3.9.2018	18.10.2018	
Date adopted	5.11.2018		
Result of final vote	+: –: 0:	41 2 0	
Members present for the final vote	Pervenche Berès, David Coburn, Esther de Lange, Markus Ferber, Jonás Fernández, Stefan Gehrold, Roberto Gualtieri, Gunnar Hökmark, Danuta Maria Hübner, Petr Ježek, Philippe Lamberts, Bernd Lucke, Ivana Maletić, Marisa Matias, Gabriel Mato, Caroline Nagtegaal, Luděk Niedermayer, Sirpa Pietikäinen, Anne Sander, Martin Schirdewan, Kay Swinburne, Paul Tang, Ramon Tremosa i Balcells, Marco Valli, Tom Vandenkendelaere, Jakob von Weizsäcker, Steven Woolfe		
Substitutes present for the final vote	Richard Corbett, Mady Delvaux, Bas Eickhout, Ashley Fox, Eva Joly, Syed Kamall, Thomas Mann, Eva Maydell, Luigi Morgano, Lieve Wierinck, Roberts Ziļe		
Substitutes under Rule 200(2) present for the final vote	John Flack, Aleksander Gabelic, Anna Hedh, Agnes Jongerius, Ricardo Serrão Santos		
Date tabled	9.11.2018		

FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE

41	+
ALDE	Petr Ježek, Ramon Tremosa i Balcells, Lieve Wierinck
ECR	John Flack, Ashley Fox, Syed Kamall, Bernd Lucke, Kay Swinburne, Roberts Zīle
EFDD	Marco Valli
GUE/NGL	Marisa Matias, Martin Schirdewan
NI	Steven Woolfe
PPE	Markus Ferber, Stefan Gehroid, Gunnar Hökmark, Danuta Maria Hübner, Esther de Lange, Ivana Maletić, Thomas Mann, Gabriel Mato, Eva Maydell, Luděk Niedermayer, Sirpa Pietikäinen, Anne Sander, Tom Vandenkendelaere
S&D	Pervenche Berès, Richard Corbett, Mady Delvaux, Jonás Fernández, Aleksander Gabelic, Roberto Gualtieri, Anna Hedh, Agnes Jongerius, Luigi Morgano, Ricardo Serrão Santos, Paul Tang, Jakob von Weizsäcker
VERTS/ALE	Bas Eickhout, Eva Joly, Philippe Lamberts

2	-
ALDE	Caroline Nagtegaal
EFDD	David Coburn

0	0

Key to symbols:

+ : in favour

- : against

0 : abstention