

OVERVIEW – ESG REGULATION IN THE EU

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FIASI - SUSTAINABLE FINANCE IN FIXED INCOME-RISKS AND
OPPORTUNITIES IN 2023

EU SUSTAINABILITY AGENDA

EU Action Plan on Financing Sustainable Growth

EU Action Plan March 2018:

- 
- 1 Establishing a classification system for sustainable activities (**EU Taxonomy**)
 - 2 **Standards** und **Labels** for green financial product
 - 3 **Fostering investment** in sustainable projects
 - 4 Incorporating sustainability in **financial advice**
 - 5 Developing sustainability **benchmarks**
 - 6 Better integrating sustainability in **ratings** and **market research**
 - 7 Clarifying **asset managers'** and institutional investors' **duties** regarding sustainability
 - 8 Integrate sustainability into **regulatory requirements**
 - 9 Strengthening sustainability **disclosure** and **accounting** rule-making
 - 10 Fostering sustainable **corporate governance** and attenuating short-termism in capital markets

SFDR

ESG-related disclosures for financial products

Cross-sectoral rules for financial products (funds, insurance products, pensions, managed accounts)

Art. 6

Minimum disclosure standard:

How sustainability risks are integrated into investment decisions
Likely impacts of sustainability risks on the returns

Art. 8

Promotion of environmental or social characteristics

Low entry bar, no minimum requirements

Typically traditional ESG strategies (exclusion-based, best-in-class, normative screening etc.)

Art. 9

Sustainable investments as investment objective

Legal definition of sustainable investments with many open questions

Typically impact-aligned strategies

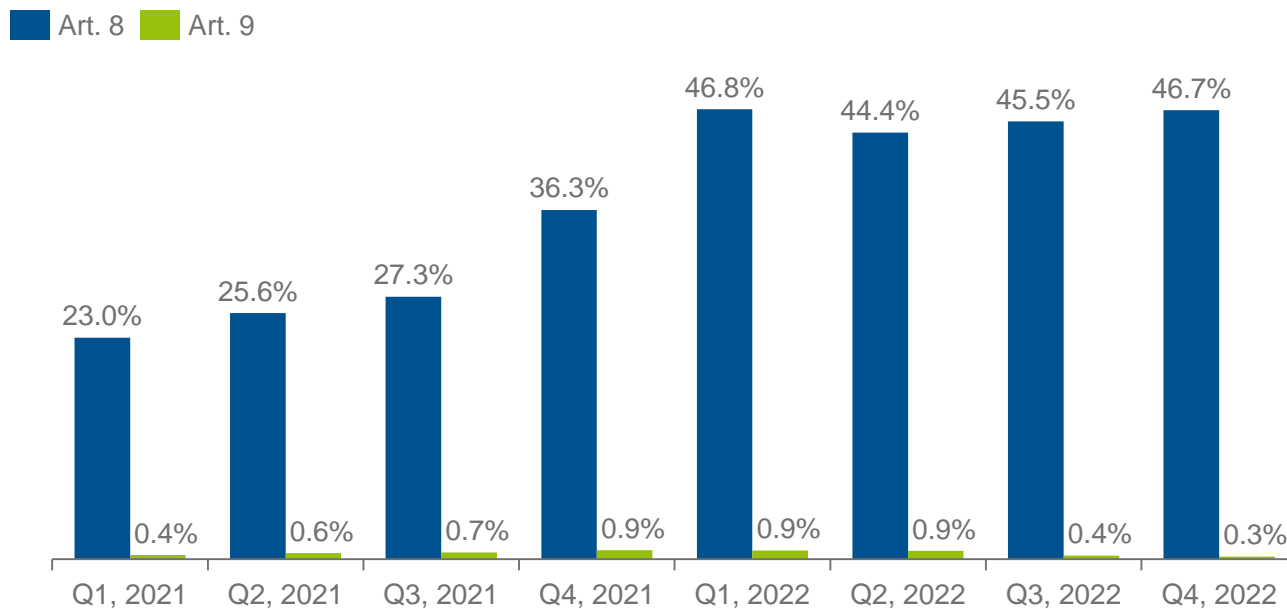
Pre-contractual information

Website disclosures

Annual reports

Mandatory transparency rules, no product labels!

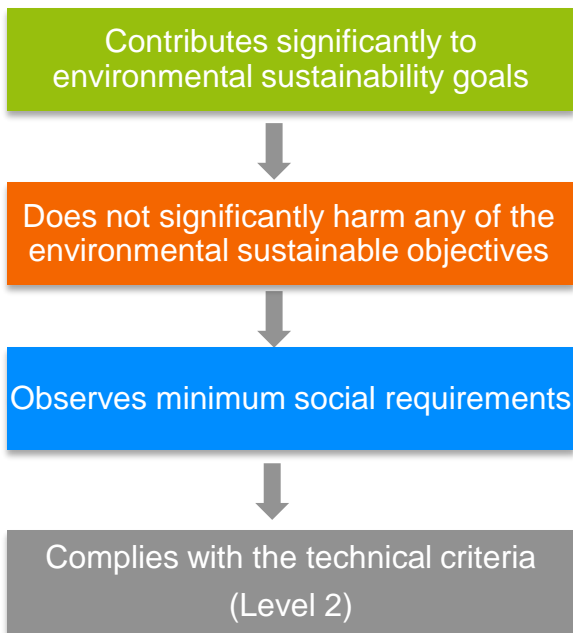
Share of Art. 8/9 funds according to SFDR in all German retail funds



EU TAXONOMY

Criteria for sustainable economic activities

Evaluation of sustainability at the level of economic activity that..



Taxonomy = gold standard for green investments

- to foster the EU's environmental goals (climate neutrality by 2050)
- not a mandatory concept of sustainability



EU TAXONOMY

We are just at the beginning

BVI

Sustainability

Environment (E), Social (S), Corporate Governance (G)

EU Taxonomy: limited focus

Only environmental objectives

Technical criteria: not all environmental objectives

2 of 6

1. Climate change mitigation
2. Adaptation to climate change
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystem



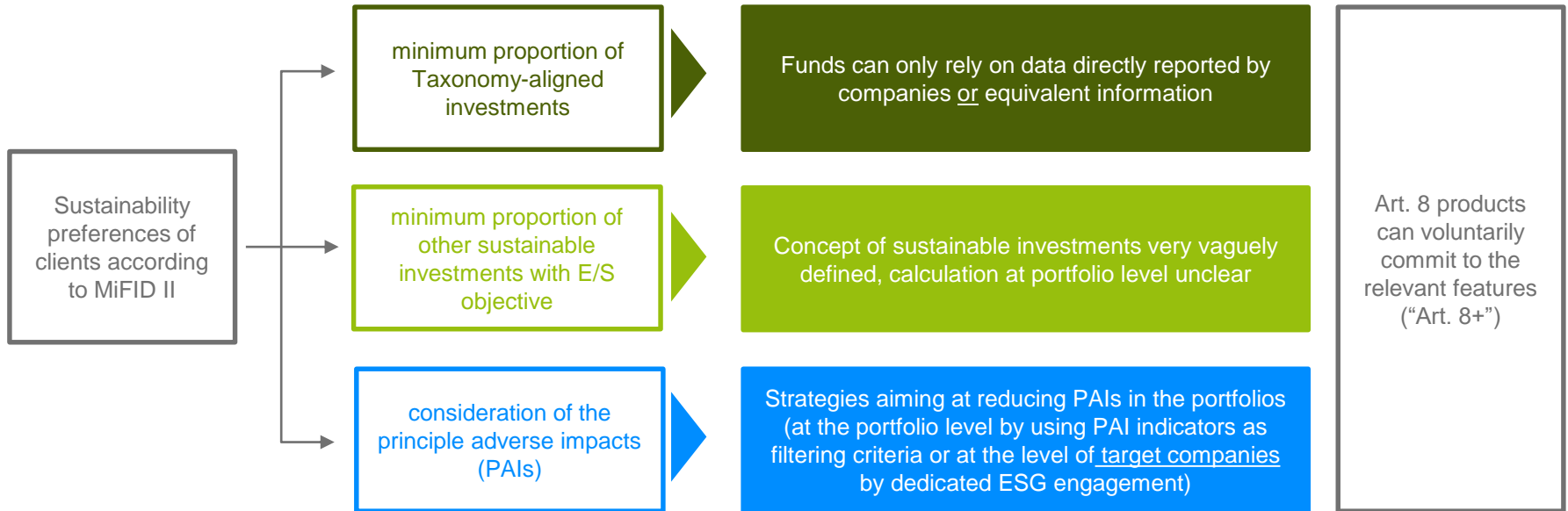
New EU proposal for

- Assessment of further sectors (aviation, shipping, automotive components) for relevant contribution to the climate-related environmental objectives
- first technical criteria to the remaining environmental objectives

ESG-RELATED DISTRIBUTION

New concept of sustainability preferences

Classification under Art. 8 SFDR is not sufficient for distribution!



Client-centric approach with no minimum criteria for products!

DRAFT ESMA GUIDELINES

Criteria for ESG-related fund naming

Only for investment funds (other SFDR products not affected)

Conditions for use of ESG-related terms in fund names (e.g. green, climate, social)



Portfolio composition

Condition for use of terms „sustainability“ or „sustainable“

WHAT COMES NEXT?

