Low carbon benchmarks and positive carbon impact benchmarks

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The Committee on Economic and Monetary Affairs adopted the report by Neena GILL (S&D, UK) on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2016/1011 on low carbon benchmarks and positive carbon impact benchmarks.

As a reminder, the proposal is part of a broader initiative to redirect capital flows towards sustainable investments. It lays the foundations for a European framework that places environmental, social and governance (ESG) criteria at the heart of the financial system.

The committee recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should amend the Commission's proposal as follows.

Reference indices

The proposed Regulation shall introduce into Regulation (EU) 2016/1011 on indices used as benchmarks the definitions of the new categories of reference indices, namely the ‘climate transition’ and ‘Paris Agreement’ benchmarks.

(1) Climate transition benchmark shall meet all of the following minimum requirements:

- the asset issuers’ emissions reduction plans must include measurable time-based targets that are robust and evidence-based;

- the companies responsible for the underlying assets must have in place detailed emissions reduction plans that are disaggregated down to the level of individual operating subsidiaries;

- the asset issuers must report annually on the progress made towards these targets;

- the activities of the underlying assets must not significantly harm other ESG objectives.

(2) Paris-aligned benchmark shall be a benchmark that is labelled as a Paris-aligned benchmark where the underlying assets are selected on the basis that the resulting benchmark portfolio’s carbon emissions are aligned with the **1.5°C Paris Climate Agreement commitment** and which is also constructed in accordance with the minimum standards, and in which the underlying asset portfolio is not exposed to companies engaged in any of the following economic activities:

- the exploration, extraction, distribution and processing of fossil fuels;

- the construction and maintenance of power plants that burn fossil fuels. The activities of the underlying assets shall not significantly harm other ESG objectives.

Such benchmarks should not significantly harm other environmental, social and governance (ESG) objectives, in particular when defined by a Union-wide framework to facilitate sustainable investment based on harmonised indicators and criteria.

By **1 January 2022** benchmark providers in the Union shall endeavour to market one or more Paris aligned benchmark and that benchmark will be regulated as a significant benchmark. That benchmark will be regulated as a significant benchmark.

Investor information

To enable market players to make well-informed choices, benchmark administrators shall be required to disclose in the benchmark statement, whether or not their benchmarks or families of benchmarks, pursue ESG objectives, and whether or not the benchmark administrator offers such benchmarks.

For significant equity and bond benchmarks, as well as for climate transition and Paris-aligned benchmarks, the benchmark administrator shall publish **detailed information** on whether or not and to what extent an overall degree of alignment with the target of reducing carbon emissions and/or, attaining the goals of the Paris Climate Agreement, is ensured.

An **impact assessment** shall be carried out by the Commission to determine the feasibility for all benchmarks or families of benchmarks to include a detailed explanation of how the target of the carbon emission and/or attaining the goals of the Paris Climate Agreement is ensured.