

Disclosures relating to sustainable investments and sustainability risks

2018/0179(COD) - 09/12/2019 - Final act

PURPOSE: to introduce transparency requirements on how financial companies integrate environmental, social and governance factors into their investment decisions.

LEGISLATIVE ACT: Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainabilityrelated disclosures in the financial services sector.

CONTENT: in the absence of harmonised rules on transparency, it is difficult for end-investors to effectively compare different financial products in different Member States in terms of their environmental, social and governance risks and the sustainable investment objectives they pursue. It is therefore necessary to establish a transparency framework to ensure that investors are well informed about the environmental and social impact of their investments.

Subject matter

This Regulation lays down harmonised rules for financial market participants and financial advisers on transparency as regards the integration of sustainability risks and the consideration of adverse sustainability impacts in their processes and the provision of sustainability information in relation to financial products. It requires financial market participants and financial advisers to act in the best interests of investors by exercising due diligence before making the investment.

Transparency obligations

The Regulation provides for the obligation for financial market participants and financial advisers who provide investment advice or insurance advice to make known:

- their policies on the integration of sustainability risks into their investment decision-making process or investment advice;
- the procedures in place to integrate environmental and social risks into their investment and advisory processes and the extent to which these risks could affect the profitability of the investment;
- the reasons why they do not take into account the adverse impacts of investment decisions on sustainability factors, including, where appropriate, information on whether and when they intend to take such adverse impacts into account ;
- where a financial product promotes environmental or social features, information on how those features are met;
- where a financial product has the objective of reducing carbon emissions, information including the low carbon exposure in view of achieving the longterm global warming objectives of the Paris Agreement;
- the methodologies used to assess, measure and monitor the environmental or social characteristics or 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 environmental or social characteristics or the overall sustainable impact of the financial product.

Financial market participants and financial advisers shall include in their remuneration policies information on how these policies are adapted to the integration of sustainability risks and publish this information on their websites.

Derogations

This Regulation shall neither apply to insurance intermediaries which provide insurance advice with regard to insurance-based investment products nor to investment firms which provide investment advice that are enterprises irrespective of their legal form, including natural persons and selfemployed persons, provided that they employ fewer than three persons.

By 10 September 2022, and annually thereafter, the European Supervisory Authorities shall report to the Commission on best practices and make recommendations towards voluntary reporting standards. The Commission shall evaluate the application of the Regulation by 30 December 2022 at the latest.

ENTRY INTO FORCE: 29.12.2019.

APPLICATION: from 10.3.2021.