APPENDIX 4.1:
STREAM A1 ASSESSMENT REPORT

EU NON-FINANCIAL INFORMATION REQUIREMENTS MOMENTUM AND COHERENCE

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European Reporting Lab
@EFRAG

DISCLAIMER

This appendix forms part of a series of seven documents, comprising the report and its appendices prepared by the European Lab Project Task Force on preparatory work for the elaboration of possible EU non-financial reporting standards (PTF-NFRS), for submission to the European Commission in response to a mandate including a request for technical advice dated 25 June 2020.

The contents of the PTF-NFRS report and its appendices are the sole responsibility of the PTF-NFRS. The European Lab Steering Group Chair has assessed that appropriate quality control and due process had been observed to the extent possible within the context of the relevant mandate and the timeframe allowed, and has approved the publication of the PTF-NFRS report and its appendices. The PTF-NFRS report and its appendices do not represent the official views of EFRAG and are not subject to approval by the EFRAG governance bodies: EFRAG General Assembly and the EFRAG Board; or the European Lab Steering Group.

As regards the views expressed in the PTF-NFRS report and its appendices the following observations and clarifications should be noted:

- the PTF-NFRS report taken as a whole reflects a very large consensus;
- it is understood that members of the PTF-NFRS are not expected to endorse each and every one of the 54 detailed proposals in the PTF-NFRS report and may have different views on some of them;
- in addition the views expressed may not reflect the views of the organisations or entities to which individual PTF-NFRS members may belong;
- the assessment work for the different project focus areas, presented in Appendices 4.1 to 4.6 to the PTF-NFRS report, was the result of separate sub-groups of the PTF-NFRS, for which only peer review within the PTF-NFRS was performed.

Links are included in the PTF-NFRS report and its appendices to facilitate readers accessing the reference or source material mentioned. All such links were active and functioning at the time of publication.

Questions about the European Lab and its projects can be submitted to EuropeanLab@efrag.org.

EXECUTIVE SUMMARY

1 This assessment report gives a snapshot of EU initiatives – both regulatory and at project level – already in place or in development at the end of 2020 in the field of sustainability reporting. The aim is to identify both consistencies and inconsistencies in the EU sustainability information landscape that a potential EU sustainability reporting standard could rectify in order to make the reporting process and the flow of sustainability information more efficient and coherent. In particular, there are several forthcoming initiatives that will run in parallel and will affect corporates, including the Sustainable Corporate Governance legislative initiative that will include a proposal for mandatory human rights and environment due diligence, the EU Taxonomy and the Disclosure Regulation (SFDR). The PTF shows in this analysis the urgency of ensuring communication and coordination during the development of these initiatives.

2 The analysis distinguishes between horizontal and vertical alignment issues in the EU sustainable information space. Horizontal alignment issues derive from a lack of harmonization in reporting obligations for companies within the scope of the NFRD. For example, a bank will have sustainable reporting requirements deriving from the NFRD, the Taxonomy Regulation and the Capital Requirement Regulation that could overlap. Vertical alignment issues are inconsistencies in the reporting obligations of data users versus the reporting obligations of data preparers. For example, the information required of financial market participants under the SFDR might not be consistent with NFRD requirements or with disclosure requirements under the Benchmarks Regulation – both give rise to input data for data users/preparers under the SFDR.

3 Not all horizontal and vertical inconsistencies can be addressed and solved by the potential EU SR standard, which is a level 2 regulation. But awareness of the complexity of the sustainable information value chain in the EU should underpin the ESS standard setting process to ensure its relevance, reduce the reporting burden for data preparers, and maximise the reliability of the input data that preparers use for their reporting and decision-making needs.

TABLE OF CONTENTS

OBJECTIVES

4 Based on the work plan that was presented and adopted by the PTF during its kick-off meeting on September 11, 2020 Stream A1 focused on the following assessment objectives:

a) Identify and investigate the direct or underlying non-financial information requirements of all relevant EU initiatives (existing, underway and considered),

b) establish a comprehensive list of SI requirements identifying commonalities, discrepancies and gaps (including intangibles if considered relevant) as well as the nature of requirements (topic, principle, standard),

c) assess implementation challenges and preparers' perceptions, as well as users' needs.

INTRODUCTION

5 Since the approval of the pioneering Non-financial Reporting Directive (NFRD) in 2014, the landscape of disclosure requirements in the European Union has significantly evolved. The ratification of the Paris Agreement on Climate and the adoption of the United Nations 2030 Sustainable Development Agenda in 2015 created new reference frameworks – both based on the achievement of sustainable impact – that are aimed at coordinating the efforts of government on a global scale, and are also used by governments to steer the efforts of the private sector in the same direction. In the same year, the Financial Stability Board appointed the Task Force on Climate Related Financial Disclosures (TCFD) to develop recommendations – finalised in 2017 – for reporting that could ensure that climate-related risks and opportunities for financial decisions can be correctly priced in.

6 In 2018, following the publication of the final report from the High-level Expert Group on Sustainable Finance (HLEG)[1], the European Commission launched its Action Plan on Financing Sustainable Growth[2], which encompasses a series of initiatives and legislative proposals aimed at scaling up sustainable finance. Many of these initiatives have been finalised or are about to be completed at the time of writing this report and are expected to transform the ecosystem of sustainability disclosures in the EU, by introducing new disclosures and new use-cases for corporate sustainability reporting.

7 This assessment is based on the identified existing initiatives and their relative developments as of 31 October 2020, knowing that the European commission is currently working on the revision of the NFRD following the consultation process implemented in the first half of 2020.

1 https://ec.europa.eu/knowledge4policy/publication/sustainable-finance-teg-final-report-eu-taxonomy_en

2 https://ec.europa.eu/info/sites/info/files/180308-action-plan-sustainable-growth-factsheet_en.pdf

CHAPTER 1: DETAILED ANALYSIS OF THE CURRENT STATE OF PLAY

8 The assessment phase covered the analysis made by the stream members of all existing and forecasted EU regulations / initiatives through:

a) reading of the available EU documentation: regulations, reports, consultations, impact assessment (see Appendix 2 for a literature review) and

b) specific interviews of representatives of the DG FISMA, ENV, CLIMA, GROW, JUST, EMPL. (see Appendix 1 for the list of meetings and persons interviewed and Appendix 3 for a standard summary of the initiatives discussed during the meetings).

9 The current state of play below gathers:

a) the main characteristics of each identified existing EU initiative[3] in relation to NFRD requirements and their coherence (PART A);

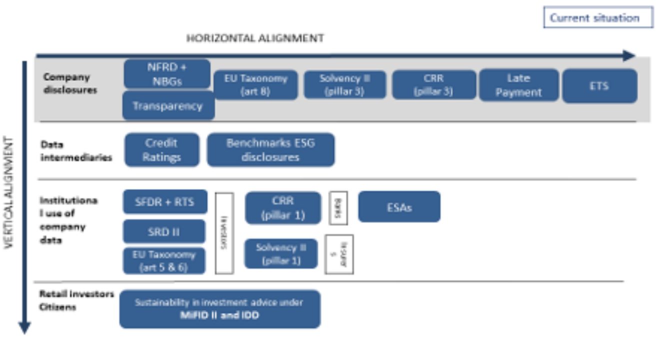
b) the analyses of the current indicators requirements (PART B) and;

c) the initiatives in-progress (PART C).

PART A – The current initiatives regarding ESG and other non-financial information

10 The scope of our analysis takes into account the full life cycle of sustainability information, from its first emergence in corporate reporting to its use by civil society and retail investors to inform responsible investment decisions, consumer choice and citizen action.

11 Based on the sustainability information life cycle, all of the 29 already existing initiatives (as listed in the following paragraph) may be first grouped into 16 main categories and can be mapped through a horizontal alignment axis (initiatives required for one group of stakeholders) and through a vertical alignment axis (categorisation of information required). This mapping covers financial and decision users only[4] and can be illustrated as follows:



12 Various initiatives have been developed over the past few years and above all in the area of the environment. The analysis will follow the initiatives issued by chronological date of first implementation after an initial analysis of the main characteristics of the NFRD issued in 2014 and its related guidelines issued in 2017.

3 List of all issued initiatives even not yet effective due to transposition delay

4 Users and civil society is not covered in this chart

Table of the current analysed initiatives (by chronological date of implementation)
29 initiatives

NAME OF THE INITIATIVE	REF (MOST RECENT)	AS OF	CURRENT DIRECT SCOPE
Eco-Management and Audit Scheme (EMAS)	Reg. 1221/2009 Amended in 2017/2018	July 1993	Voluntary for Companies and other organisation
EU Sustainable Development Strategy (SDS)		2001, revised in 2006 and 2009	Country level
Environmental liability directive	2004/35 Amended in 2019	21 April 2004	
Regulations related to sites and project:			Related sites and projects
• Environmental Impact assessment directive	85/337		
• Industrial Emissions directive	2010/75		
• Seveso III	2012/18		
• European Pollutant Release and Transfer Registrer (E-PRTR)	Since 2017		
Regulations related to products:			Related products
• Basel convention on the control of transboundary movements of hazardous wastes and their disposal			
• Regulation on shipments of waste	2006/1013		
• Directive on waste	2008/98		
• Regulation on export and import of hazardous chemicals	2012/649		
• Regulation on persistent organic pollutants (POPs)	2019/1021		
• EU Timber Regulation	2013		
• EU Ecolabel	2010/66		
Equal pay directive	2006/54	15 August 2011	Member State level but impacts companies through transposition
Late Payment directive	2011/7	Integrated in national laws by 16 March 2013	Member State level but impacts companies through transposition
EU Emissions Trading System directive (ETS)	2003/87	In 3 phases: 2005- 2007 2008-2012 2013-2020	For identified plants
Transparency directive	2013/50	Revised 22 October 2013	Listed companies
Capital Requirement Regulation (CRR)	2013/575	1 January 2014	Credit institutions and investments firms
Shareholders Rights Directive (SRD)	2017/828	Integrated in national laws by 10 June 2019	Institutional investors, asset managers and proxy advisors
Solvency 2 directive + delegated regulations	2014/51 2015/35 2018/1221	1 January 2016	Insurance companies

Table continued...

NAME OF THE INITIATIVE	REF (MOST RECENT)	AS OF	CURRENT DIRECT SCOPE
Markets in Financial Instruments (MIFID 2)	2014/65	1 January 2018	Investment firms, market operators data providers
Insurance Distribution Directive (IDD)	2016/97	23 February 2018	Insurance companies
Institutions for Occupational Retirement provisions (IORP II) directive	2016/2341	13 January 2019	Pension funds
Sustainable Finance Disclosure Regulation (SFDR)	2019/2088	10 March 2021	Financial market participants
Climate Benchmark regulation	2019/2089	20 April 2020	Benchmark administrators
European Supervisory Authorities (ESAs) regulation	2019/2175	27 December 2019	Financial market participants
Taxonomy (articles 8 – 5&6)	2020/852	1 January 2022	Companies within the scope of the NFRD (including financial market participants)

13 More specific descriptions of each initiative are available in Appendix 3, which have been the basis of the interviews with the DGs.

NFRD AND RELATED NON-BINDING GUIDELINES: MAIN CHARACTERISTICS AND REQUIREMENTS

14 The NFRD is currently under revision and a proposal should come early 2021 (launch of Commission's proposal). Following legislative negotiations, the changes agreed in the legislative process would need to be transposed by Member States (in case the Directive is retained) or authorities would need time to prepare for application of the new rules (in case the legislation is transformed in a Regulation). The new rules would therefore start to apply in 2024 earliest[5] (assuming legislative agreement in 2022). The current NFRD (Directive 2014/95/EU), is applicable as from 2017 in the Member States.

15 The first main characteristic is the concept of materiality[6]: "materiality is a concept already commonly used by preparers, auditors and users of financial information. A company's thorough understanding of the key components of its value chain helps identify key issues, and assess what makes information material". In the process of preparation of the non-financial statement, preparers should apply a double materiality process where the following two dimensions of materiality have to be taken into account:

a) Impacts on people and planet: '(…) containing information to the extent necessary for an understanding of the group's development, performance, position and impact of its activity, relating to, as a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters (…)'

b) Sustainability risks to the company: 'the principal risks related to those matters linked to the group's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the group manages those risks;

5 This is an assumption based on the regular legislative processes at EU level

6 As defined in the non-binding guidelines, Article 3.1

16 The NFRD mandatorily applies only to large public-interest companies with more than 500 employees. This threshold may be adapted by Member States in its transposition. This covers approximately 6,000 large companies and groups across the EU (or the EU-subsidiaries of non-EU entities), including:

a) EU companies listed on an EU regulated market

b) credit institutions

c) insurance companies

d) other companies (10,000+[7]) designated by national authorities as public-interest entities (e.g. pension funds, investment companies, and electronic money institutions)

17 In NFRD large companies have to publish reports or statements on the policies they implement in relation to the:

a) environment

b) social and employees matters

c) human rights

d) anti-corruption and bribery

e) diversity on company boards (in terms of age, gender, educational and professional background)

18 This list may differ from one Member State to another according to the transposition exercise (with potential additions of topics).

19 Usual topics covered in the non-financial statements under NFRD regulation are in line with Sustainable Development Goals and covers the following topics:

ENVIRONMENT	SOCIAL/SOCIETAL	GOVERNANCE
Energy & Climate ; Water ; Materials & Waste ; Air emissions ; Biodiversity	Labour relations ; Health & Safety ; Retention ; Training ; Diversity ; Human Rights ; Local communities	Ethics ; Anti-corruption ; Tax policy ; Compliance ; Public policy ; Anti competitive behavior ; Data privacy

20 Principle-based disclosure: information on business model, policies (including due diligence processes), outcomes, risks and Key Performance Indicators (not defined but some examples are proposed in the non-binding guidelines). Companies are free to use any referential or framework available (see A2 stream analysis).

21 This information is disclosed either in the management report (according to the Article 1 of the NFRD) or in a separate report in most Member States but it has to be referred to in the management report.

22 Verification of the information is optional, subject to transposition by Members State.

DESCRIPTION OF THE EXISTING ENVIRONMENTAL REGULATIONS RELATED TO ORGANISATIONS

23 The EU **Eco-Management and Audit Scheme (EMAS)** is a management instrument developed by the European Commission for companies and other organisations to evaluate, report, and improve their environmental performance.

7 https://www.accountancyeurope.eu/publications/definition-public-interest-entities-europe/

EMAS is open to every type of organisation and is applicable worldwide. Currently, 3 652 organisations mainly in Germany 1134, Italy 991, Spain 809 and Austria 264 with 12 515 sites are registered as of April 2020. In relation to the NFRD, EMAS includes:

a) an environmental review of the organisation (analysis of the environmental impacts caused by an organisation's activities which spots the most significant direct and indirect environmental aspects),

b) the definition of an environmental policy, objectives and targets and an environmental program

c) the implementation of an Environmental Management System (EMS) detailing the existing organisational infrastructure, management practices and procedures, and

d) an environmental report ("environmental statement")

24 The organisation then goes through the verification, validation and registration process to officially become EMAS registered. The verification of the environmental management system and the validation of the environmental statement is carried out by licensed and supervised environment verifiers.

25 Sectoral Reference Documents (SRD) are being developed for different priority sectors including best environmental management practices, environmental performance indicators and benchmarks of excellence. An EMAS organisation should consider the SRDs when choosing specific indicators for its environmental reporting.

26 Organisations shall report on their governance structures, significant environmental aspects and impacts, environmental objectives and targets, environmental programmes and 6 core indicators relating to the environmental aspects of the organisation: Energy, Material; Water; Waste; Biodiversity; Emissions (Input / Output on an annual basis).

27 The **EU Sustainable Development Strategy (SDS)** was launched in 2001 and revised twice, both in 2006 and 2009. It aims at identifying and developing actions in order to achieve a continuous long-term improvement of quality of life and ensure prosperity, environmental protection and social cohesion

28 When the EU committed, in 2016, to support the implementation of the UN 2030 Agenda for Sustainable Development and its 17 SDGs (Sustainable Development Goals), the SDS was identified as in important element to achieve these SDGs.

29 In order to monitor the SDS' performance, Eurostat is called upon to develop constantly and improve an EU SDG indicator set measuring progress towards the SDGs in the EU and reporting on sustainable development.

30 The indicator set comprises around 100 indicators and is structured along the 17 SDGs with a focus on the aspects relevant to the EU. 36 of these 100 indicators are multi-purpose indicators and monitor more than one goal.

31 For indicators for which quantitative EU targets exist, the progress is analysed in relation to those targets. This applies to 16 out of the 100 indicators, mainly in the areas of climate, energy consumption, education, poverty and employment.

32 The EU SDG indicator set is aligned, as far as appropriate, with the UN list of global indicators, noting that the UN indicators are selected for global level reporting and are therefore not always relevant for the EU.

33 EU SDG indicators have to:

a) be part of a high-level scoreboard of EU policies

b) be designed to monitor an EU policy or initiative supporting the 2030 Agenda and the Sustainable Development

c) be expected to be adopted as specific targets for new policies such as the European Green Deal or the Zero Pollution Strategy.

34 The EU SDG indicator set is open to annual reviews to incorporate indicators from new data sources as well as to take into account new targets.

35 Most of the data used to compile the indicators stem from the standard Eurostat collection of statistics through the European Statistical System (ESS), but a number of other data sources have also been used, including other European Commission services, the EEA, the European Institute for Gender Equality (EIGE), the OECD and the World Bank.

36 Thus, the EU SDG indicator set mainly includes indicators evaluated, computed and monitored at country-level (e.g: People at risk of poverty or social exclusion / Severely materially deprived people / People living in households without basic sanitary facilities / Obesity rate / Government support to agricultural R&D / Life expectancy at birth, long-term unemployment rate, etc.).

37 However, there are some indicators that can be directly applied to companies (GHG emissions / energy consumption / Generation of waste excluding major mineral wastes / gender employment gap / positions held by women in senior management, etc.).

38 The complete list of EU SDG indicators can be found in the Annex II of this document https://ec.europa.eu/eurostat/documents/3217494/11011074/KS-02-20-202-EN-N.pdf/334a8cfe-636a-bb8a-294a-73a052882f7f

39 The **Organisation Environmental Footprint (OEF)** is a Life Cycle Assessment (LCA) based method to quantify the environmental impacts of organisations: this includes companies, public administrative entities and other bodies and is developed under the recommendation 2013/179[8]. OEF information is produced for the overarching purpose of seeking to reduce the environmental impacts of organisations taking into account supply and value chain activities (from extraction of raw materials, through production and use, to final waste management). This purpose is achieved through the provision of detailed requirements for modelling the environmental impacts of the flows of materials and energy, and the emissions and waste streams associated with the product portfolio of an organisation, throughout its life cycle. As a consequence, there is no specific reporting requirement: the report is based on the relevant analysis made by the organisation. The OEF is complementary to other assessments and instruments, such as site-specific environmental impact assessments or chemical risk assessments and can be integrated in an environmental management system, such as EMAS (see above). The rules provided in the OEF method enable us to conduct OEF studies that are more reproducible, comparable and verifiable, compared to existing alternative approaches. However, comparability is an option only if the results are based on the same Organisation Environmental Footprint Sector Rules (OEFSR) and if the performance is normalized against a reference system (e.g. yearly turnover with reference to the product portfolio). The development of OEFSRs complements and further specifies the requirements for OEF studies.

40 **Directive 2004/35/EC on environmental liability** with regard to the prevention and remedying of environmental damage lays down rules based on the polluter-pays principle. This means that a company causing environmental damage is liable for it and must take the necessary preventive or remedial action and bear all the related costs. The directive defines environmental damage as damage that significantly affects the environmental (ecological, chemical or quantitative) status of water resources, damage to land creating a significant risk to human health, damage to protected species and natural habitats that adversely affects conservation of wild birds and the Natural Habitats Directive. The definition includes the discharge of pollutants into the air (as this affects ground or water conditions), inland surface water and groundwater, and any deliberate release into the environment of genetically modified organisms.

41 There are 2 scenarios where liability occurs:

a) Environmental damage caused by polluting activities such as: energy industries, production and processing of metals, mineral industries, chemical industries, waste management, large-scale pulp, paper and board production, textile dyeing and tanneries, large-scale meat, dairy and food production.

b) Environmental damage to protected species and natural habitats (or its imminent threat) caused by occupational activities other than those listed in Annex III, and if the company is at fault or negligent. Exceptions include armed conflict, natural disaster, liability for types of environmental damage covered by certain international conventions (e.g. maritime pollution), and nuclear risks, which are covered by the Euratom Treaty. Preventive and remedial actions are required as well as information of the authorities to prevent further environmental damage and threats to human

8 Commission Recommendation of 9 April 2013 on the use of common methods to measure and communicate the life cycle environmental performance of products and organisations

health; The company must pay for preventive actions and remedial actions, except in certain situations, e.g. if the damage was caused by a third party despite the appropriate safety measures, or resulted from compliance with an official instruction.

42 The directive was amended in 2019 by Regulation (EU) 2019/1010 which aligns and streamlines reporting obligations for the EU countries in the field of environmental legislation (on format, dates of reporting, repository). There is no alignment in term of requested indicators. By 31 December 2020, the Commission must develop guidelines providing a common understanding of the term 'environmental damage' as defined in this directive.

43 The Directive 2008/99/EC on the protection of the environment through criminal law lays down a list of environmental offences that must be considered criminal offences by all Member States, if committed intentionally or with serious negligence. The directive does not create a list of new illegal acts. The existing law already provides for these prohibitions. The Member States are required by the directive to attach criminal sanctions to these existing prohibitions.

DESCRIPTION OF THE EXISTING REGULATIONS RELATED TO SITES AND PROJECTS

44 The **Environmental Impact Assessment Directive (initial 85/337/EEC)** came into force in 1985 and has been amended three times since[9]. It applies to a wide range of defined public and private projects. All projects considered as having significant effects on the environment require an Environmental Impact Assessment (EIA) (e.g. long-distance railway lines, motorways and express roads, airports, installations for the disposal of hazardous waste, wastewater treatment plants, etc.) and have to go through the EIA procedure. For the other projects, the national authorities have to decide whether an EIA is needed. The "screening procedure" determines the effects of projects on the basis of thresholds/criteria or a case by case examination. The EIA procedure can be summarized as follows: the developer may request the competent authority to say what should be covered by the EIA report to be provided by the developer (scoping stage); the developer must provide information on the environmental impact (EIA report); the environmental authorities and the public must be informed and consulted; the competent authority assesses the environmental impacts and then decides, taken into consideration the results of consultations and the EIA. The public is informed of the decision afterwards and can challenge the decision before the courts.

45 The **Industrial Emissions Directive (2010/75/EU)** regulates pollutant emissions from industrial installations in order to prevent, reduce and as far as possible eliminate pollution arising from industrial activities in compliance with the 'polluter pays' principle and the principle of pollution prevention. Installations can operate only if they hold a permit. The permit should include all the measures necessary for the operators to achieve a high level of protection of the environment. It also includes emission limit values for polluting substances set based on best available techniques or technologies (BAT). The cost of the updates to comply with the permit are assigned to the plant. In order to ensure the effective implementation and enforcement of this directive, operators should regularly report to the competent authority on compliance with permit conditions. Additionally there should be routine and non-routine environmental inspection by the competent authority, including site visits, monitoring of emissions and checks of internal reports and follow-up documents, verification of self-monitoring, checking of the techniques used and adequacy of the environment management of the installation. The period between two site visits shall not exceed 1 year for installations posing the highest risks and 3 years for installations posing the lowest risks.

46 **Seveso III:** Major accidents involving dangerous chemicals pose a significant threat to humans and the environment and cause huge economic losses. However, the use of large amounts of dangerous chemicals is unavoidable in some industry sectors which are vital for a modern industrialised society. To minimise the associated risks, measures are necessary to prevent major accidents and to ensure appropriate readiness and response, should such accidents nevertheless happen.

47 In Europe, the catastrophic accident in the Italian town of Seveso in 1976 prompted the adoption of legislation on the prevention and control of such accidents. The so-called Seveso-Directive (Directive 82/501/EEC) was amended in view

9 The initial Directive of 1985 and its three amendments have been codified by Directive 2011/92/EU of 13 December 2011. Directive 2011/92/EU has been amended in 2014 by Directive 2014/52/EU.

of the lessons learned from later accidents such as Bhopal, Toulouse or Enschede. In 2012 Seveso-III (Directive 2012/18/EU) was adopted taking into account, amongst others, the changes in the Union legislation on the classification of chemicals and increased rights for citizens to access information and justice. The directive applies to more than 12 000 industrial establishments in the European Union where dangerous substances are used or stored in large quantities, mainly in the chemical and petrochemical industry, as well as in fuel wholesale and storage (incl. LPG and LNG) sectors. As soon as a site is classified as Seveso, a declaration to the environmental authorities has to be done every four years in order to identify the maximum quantities of hazardous substances, wastes or mixtures that may be present in the facility. This declaration should mention the following obligations: major accident prevention policy (Art. 8); safety report (Art. 10); emergency plan (Art. 12) and information to the public (Art. 14).

48 The **European Pollutant Release and Transfer Register (E-PRTR)** provides easily accessible key environmental data from industrial facilities in European Union Member States. The E-PRTR also covers Iceland, Liechtenstein, Norway, Switzerland, Serbia and the UK. Starting with 2007 data, the register has been updated every year with annual data reported by some 34,000 industrial facilities covering 65 economic activities across Europe. Subject to reporting thresholds, each industrial facility provides information to their competent authority on the quantities of pollutants released to air, water and land. This data covers 91 key pollutants including heavy metals, pesticides, greenhouse gases and dioxins. There is also data on off-site transfers of waste and wastewater and information on releases from diffuse sources. The E-PRTR is an important contribution to transparency and public participation in environmental decision-making.

49 All these regulations require reporting of quantitative information preventing potential pollution from an industrial activity to environment authorities.

DESCRIPTION OF THE EXISTING REGULATIONS RELATED TO WASTE AND PRODUCTS

50 **Basel Convention on the control of transboundary movements of hazardous wastes and their disposal** was adopted in 1989 and entered into force in 1992. The EU is a party to the convention. The Basel Convention is the most comprehensive global environmental agreement on hazardous wastes and other wastes. It regulates the trans-border movements of hazardous wastes and other wastes and requires its parties to ensure that they manage and dispose of such wastes in an environmentally sound manner. Parties agree on:

a) not moving hazardous wastes or other wastes to (or from) a non-signatory state, not to export waste unless the state of import has given its prior consent in writing to the specific import;

b) communicating information about proposed international movements to the states concerned by means of a notification form;

c) allowing international movements of wastes only where there is no danger with regard to their movement and disposal;

d) packaging, labelling and transporting the wastes that are moved in line with international rules.

51 The parties are also required to minimise the quantities that are transported, treat and dispose of the wastes as close as possible to their place of generation and prevent or minimise the generation of waste at source.

52 The **regulation on shipments of waste** (Regulation (EC) No 1013/2006 of 14 June 2006) establishes procedures and control regimes for the shipment of waste based on the origin, destination and route of the shipment as well as on the type of waste shipped and the type of treatment to be applied to the waste at its destination.

53 It implements into EU law the provisions of the “Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal” (see 2.1) as well as the OECD Decision. The Regulation includes a ban on the export of hazardous wastes to non-OECD countries as well as a ban on the export of waste for disposal. Member States are required to lay down the rules on penalties applicable for the infringement of the provisions of this Regulation and take all measures necessary to ensure that they are implemented. Each Member State shall also report to the Commission for the previous calendar year.

54 However, despite this Regulation, illegal shipments of waste remain significant (estimates of a non-compliance rate of around 25%). The Regulation was thus amended in 2014 through Regulation (EU) No 660/2014 of 15 May 2014 applied in 2016-17 to strengthen Member States' inspection systems.

55 The **Directive on Waste** (Directive 2008/98/EC) lays down measures to protect the environment and human health by preventing or reducing waste generation and its adverse impacts as well as waste management impacts. It also aims to reduce overall impacts of resource use and improve the efficiency of such use, since these elements are crucial for the transition to a circular economy.

56 It establishes the legislative framework for the handling of waste and defines key concepts such as waste, recovery and disposal. It puts in place the essential requirements for the management of waste, notably the obligation for an establishment carrying out waste management operations to have a permit or to be registered and the obligation for the Member States to draw up waste management plans.

57 It also establishes major principles such as extended producer's responsibility, the obligation to handle waste in a way that does not have a negative impact on the environment or human health. It encourages the application of the waste hierarchy and, in accordance with the polluter-pays principle, requires that the costs of disposing of waste be borne by the holder of waste, by previous holders or by the producers of the product from which the waste came.

58 Member State's reporting to Commission is required based on their own indicators.

59 **Rotterdam Convention**: text adopted in 1998 and entered into force in February 2004. It is a multilateral treaty promoting i) shared responsibility in relation to international trade of hazardous chemicals and ii) facilitating information exchange about hazardous chemicals 'characteristics. It covers pesticides and industrial chemicals that have been banned or severely restricted for health or environmental reasons.

60 The Convention creates legally binding obligations for the implementation of the Prior Informed Consent (PIC) procedure. The PIC procedure is a mechanism for formally obtaining and disseminating the decisions of importing Parties as to whether they wish to receive future shipments of chemicals listed in Annex III of the Convention and for ensuring compliance with these decisions by exporting Parties.

61 The **regulation on export and import of hazardous chemicals** (Regulation (EU) No 649/2012[10]), is one of the series of measures taken over the years to address international trade with hazardous chemicals. It reaffirms the Union's commitment towards ensuring proper control in the trade and use of hazardous chemicals at the global level. It aims to:

a) implement the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade;

b) promote shared responsibility and cooperative efforts in the international movement of hazardous chemicals in order to protect human health and the environment from potential harm;

c) and contribute to the environmentally sound use of hazardous chemicals.

62 Exporters and importers should be obliged to provide information about the quantities of chemicals in international trade covered by this Regulation so that the impact and effectiveness of the arrangements laid down therein can be monitored and assessed.

63 The EU has ratified in 2004 i) "The protocol on **POPs (Persistent Organic Pollutants)** to the regional UNECE convention on Long-Range Transboundary Air Pollution" and ii) "The Stockholm Convention on POPs".

64 These instruments establish strict international regimes for initial lists of POPs and lay down controlling measures. The EU is strongly committed to the effective implementation of these two environmental agreements and has thus transposed them into Union law by **Regulation (EU) 2019/1021 on persistent organic pollutants (POPs)**.

10 A consolidated text dated 01/09/2020 is available

65 The Regulation is applicable to all Member States, including those that are not yet a party to the Convention. Its objectives are to :

a) prohibit or severely restrict the production, placing on the market and use of POPs;

b) minimize the environmental release of POPs that are formed as industrial by-products;

c) make sure that stockpiles of restricted POPs are safely managed; and

d) ensure the environmentally sound disposal of waste consisting of or contaminated by POPs.

66 In some areas, the Regulation goes further than the international agreements emphasizing the aim to eliminate the production and use of the internationally recognized POPs. Furthermore, Member States must set up emission inventories for unintentionally produced POPs, national implementation plans (NIPs) and monitoring and information exchange mechanisms. The Stockholm Convention requires Parties to report on the measures taken to implement the Convention's provisions and on their effectiveness in meeting the Convention's objectives. This requirement is reflected in the POPs Regulation, which obliges Member States to report on the actual production and use of POPs, and on the implementation of other provisions of the Regulation.

67 The **EU Timber Regulation** (Regulation (EU) No 995/2010) came into force in March 2013, as part of the EU fight against illegally wood harvesting and logging. It lays down the obligations of operators who place timber and timber products on the market (excluding recycled products) for the first time:

a) Placing of illegally harvested timber or timber products derived from such timber shall be prohibited

b) Operators shall exercise due diligence when placing timber or timber products on the market through a framework of procedures and measures referred to as a 'due diligence system'. This system is to provide transparent information concerning the operator's supply of timber or timber products, risk assessment procedures enabling the operator to analyse and evaluate the risk of illegally harvested timber (certifications may be used) and associated risk mitigation procedures.

c) Each operator shall maintain and regularly evaluate the due diligence system which it uses

68 Competent authorities should monitor that operators effectively fulfil the Regulation's obligations through official checks (e.g.: field audits) and infringements should be sanctioned by effective, proportionate and dissuasive penalties.

69 **EU Ecolabel for Businesses**: Since 1992, the aim of this Regulation (REGULATION (EEC) No 880/92[11]) has been to establish a voluntary ecolabel award scheme intended to promote products with a reduced environmental impact during their entire life cycle and to provide consumers with accurate, non-deceptive, science-based information on the environmental impact of products. The EU Ecolabel criteria provide exigent guidelines for companies looking to lower their environmental impact and guarantee the efficiency of their environmental actions through third party controls. Furthermore, many companies turn to the EU Ecolabel criteria for guidance on eco-friendly best practices when developing their product lines. 70.692 products (goods and services) were awarded with the EU Ecolabel in 24 different product categories. These products are widely spread in main EU countries.

70 EU Ecolabel criteria shall:

a) Be based on the environmental performance of products, taking into account the latest strategic objectives of the EU in the field of the environment; and they should correspond to the best 10-20% of the products available on the EU market in terms of environmental performance at the moment of their adoption;

b) Set out the environmental requirements that a product must fulfil in order to bear the EU Ecolabel;

c) Be determined on a scientific basis considering the whole life cycle of products;

11 The system was introduced by Regulation (EEC) No 880/92 and amended by Regulation (EC) No 1980/2000 and by Regulation (EC) 66/2010. The latter aims to improve the rules on the award, use and operation of the label.

d) Include requirements intended to ensure that the products bearing the EU Ecolabel function adequately in accordance with their intended use.

71 Any false or misleading advertising or use of any label or logo which leads to confusion with the EU Ecolabel shall be prohibited. The competent body shall, in respect of products to which it has awarded the EU Ecolabel, verify that the product complies with the EU Ecolabel criteria and assessment requirements on a regular basis and upon complaint. The user of the EU Ecolabel shall i) allow the competent body which has awarded the EU Ecolabel to the product to undertake all necessary investigations to monitor its on-going compliance with the product group criteria and ii) grant it access to the premises on which the product concerned is produced.

72 The Commission is currently developing the EU Ecolabel for Retail Financial Products within the framework of the Sustainable Finance Action Plan (detailed in part C).

Analysis of the environmental regulations- Summary of identified gaps and overlaps with NFRD

73 The environmental initiatives were the first implemented in the European Union and have been in most cases limited either to specific location or to specific products. Only few environmental reporting requirements exist at company level. Based on the above analysis, links with NFRD are summarised:

a) Environmental liability: Even if the directive amended in 2019 (EU 2019/1010 on the alignment of reporting obligations in the field of legislation related to environment) streamlines reporting obligations only for the EU countries in the field of environmental legislation, any company causing environmental damage must pay for preventive actions and remedial actions. The question is raised as to whether the liabilities related to environmental damage and their related costs have to be disclosed by companies on top of the accounting obligations, bearing in mind that costs have to be accounted for in the financial statements if material. This may be an interconnection point between FI and NFI.

b) EMAS: EMAS registered organisations have defined an environmental policy, objectives and targets and an environmental program which could fit with the “policies pursued by the undertaking, including due diligence processes implemented” requested by the NFRD. On top of the environmental policy and program, EMAS registered organisations should report on the core indicators (9 KPIs related to the 6 environmental objectives expressed as intensity ratios on energy, material, water, waste, emissions, biodiversity insofar as these relate to the direct environmental aspects of the organisation and other relevant existing environmental performance indicators as set out in the relevant sectoral reference documents (SRD). Core indicators are probably relevant at Corporate level when SRD are more adapted to plant performance monitoring. Given its conceptual maturity and, compared to other standards and frameworks, relatively high adoption, EMAS reporting elements can be a valuable consideration for the development of a future EU non-financial reporting standard. In addition, the EMAS-system for verification and validation of environmental information – which is comparable with reasonable assurance – can be used for NF-report assurance.

c) OEF: OEF is a method for assessing environmental impacts of organisations taking into account the whole value chain activities which is similar to the NFRD approach. NFRD requests companies to disclose their “principal risks related to sustainability matters linked to the undertaking’s operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas”. However, the OEF is probably too complex and requires a study to achieve results and its sectoral developments are still in progress.

d) SDGs: the EU SDG indicator set mainly includes indicators evaluated, computed and monitored at country-level. However, some indicators can be directly applied to companies (GHG emissions / energy consumption / generation of waste / gender employment gap / positions held by women in senior management, etc.).

74 Based on the above description, a potential standard would have to address the questions as to what extend site or project levels environmental information requirements should be disclosed through the NFRD:

a) Examples of environmental information requested at site level by different regulations: 91 key pollutants are reported by some 34,000 industrial facilities covering 65 economic activities within the European Pollutant Release and Transfer Register (E-PRTR), safety report for upper-tier establishments under SEVESO III

b) The difference between private shared information (for instance information for the local or national authorities or funders) versus publicly available information should also be considered as well as the purpose of the information and the intended audience.

75 Environmental regulations are often based on environmental aspects and impacts of facilities; for instance, EIA are requested for a list of projects categories having significant effects on the environment, Seveso III is based on a classification of chemicals and sectors, OEF sectoral developments are under progress, etc. Altogether, it is generally accepted that most environmental impacts are sector specific.

EQUAL PAY DIRECTIVE

Description of the regulation: main points

76 The equal pay principle is enshrined in the European Treaties since 1957 (today Article 157 TFEU) and covered by EU law. In 2006, a number of existing directives on gender equality in matters of employment and occupation were 'recast' and consolidated into a single Directive 2006/54/EC (the Recast Directive) implementing the principle of an 'equal pay for equal work or work of equal value' (equal opportunities and equal treatment of men and women in matters of employment and occupation). In 2014, the directive was complemented by Commission Recommendation 2014/124/EU on pay transparency.

77 All the provisions related to this directive and the above recommendation are at Member States level, which should implement local rules for an equal treatment at work for men and women. As example, recommendation requires that at company level specific reporting may allow that there is a:

a) Right of employees to obtain information on pay levels (Article 3). Member States should put in place appropriate and proportionate measures to ensure that employees can request information on pay levels, broken down by gender, for categories of employees doing the same work or work of equal value. This information should include complementary or variable components beyond the fixed basic salary, such as payments in kind and bonuses. This reporting is set-up for internal use in companies.

b) Reporting on pay: (Article 4). Member States should put in place measures that ensure that employers in undertakings and organisations with at least 50 employees regularly inform employees, workers' representatives and social partners of the average remuneration by category of employee or position, broken down by gender. This reporting is set-up for internal use in companies.

c) Statistics and administrative data: (Article 7). Member States should further improve the availability of up-to-date gender pay gap data by providing Eurostat with statistics annually and in a timely manner. These statistics should be broken down by gender, economic sector, working time (full-time/part-time), economic control (public/private ownership) and age and be calculated on an annual basis.

78 The forthcoming Pay Transparency initiative will follow the Commission's 2020 evaluation, as well as other work by the Commission that highlighted problems with enforcing this principle across the EU. This initiative aims to tackle the persisting inadequate enforcement of the fundamental right to equal pay and ensure the respect of this right in a uniform way across the EU. It will complement other Commission initiatives focused on tackling the root causes of the gender pay gap, such as the implementation of the Work-Life Balance Directive 2019/1158, sectoral initiatives fighting stereotypes and ensuring better gender balance, and the proposed directive on improving gender balance on company boards of large EU listed companies. In addition, the initiative will be aligned to the initiative aimed at increasing reporting by companies of relevant non-financial information and is consistent with the forthcoming EU Minimum Wage initiative and the sustainable corporate governance initiative.

79 Specific disclosure requirements of this initiative are still being discussed and outcomes are expected by end of 2020.

Analysis – Summary of identified gaps or overlaps with NFRD

80 Due to the transposition exercise, current reporting may vary from a Member State to another as the guidelines stay general.

81 As NFRD and its non-binding guidelines[12] require also information on social employee matters, gender and pay, redundant and potential various indicators may circulate for a given company. Inconsistencies and incoherence may result from these reportings.

LATE PAYMENT DIRECTIVE

Description of the directive: main points

82 To protect European businesses, in particular SMEs, against late payment and to improve their competitiveness, the EU has adopted on 16 February 2011 the Directive 2011/7/EU on combating late payment in commercial transactions. This directive was due to be integrated into national law by EU countries by 16 March 2013 (prior to NFRD) at the latest and may impact all companies (larger scope compared to NFRD).

83 Main provisions of the directive relate to:

a) public authorities have to pay for the goods and services that they procure within 30 days or, in very exceptional circumstances, within 60 days,

b) enterprises have to pay their invoices within 60 days, unless they expressly agree otherwise and provided it is not grossly unfair,

c) automatic entitlement to interest for late payment and €40 minimum as compensation for recovery costs,

d) statutory interest of at least 8% above the European Central Bank's reference rate,

e) EU countries may continue maintaining or bringing into force laws and regulations which are more favourable to the creditor than the provisions of the directive

84 All reporting requirement from companies and monitoring actions are kept at national level. There is no indicative KPI mentioned in the directive.

85 As this directive tends to regulate contractual relations between companies, it falls under suppliers/ customers relationships which are a topic addressed by the NFRD Article 29 d) as the non-financial statement shall include: 'the principal risks related to those matters linked to the undertaking's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks'.

Analysis – Summary of identified gaps and overlaps with NFRD

86 Late payment is a topic which falls under NFRD (in the area of relations with suppliers) but today there is no indication on how to report this information and to harmonise the indicator with the requirement of the late-payment directive.

87 In addition, it is also a key information for the financial statements and can contribute to the interconnection of the corporate information.

12 NFRD requests that "large undertakings which are public-interest entities exceeding on their balance sheet dates the criterion of the average number of 500 employees [...] shall include information relating to, as a minimum, [...] social and employee matters, respect for human rights, [...]. The non-binding guidelines precise in its Article 4.6 b) the related Social and employee matters and propose examples of relevant KPIs: (gender diversity and other aspects of diversity / employees entitled to parental leave, by gender / workers who participate in activities with a high risk of specific accidents or diseases /the number of occupational accidents, types of injury or occupational diseases / employee turnover /the ratio of employees working under temporary contracts, by gender /average hours of training per year per employee, by gender; / employee consultation processes /number of persons with disabilities employed

EU EMISSIONS TRADING SYSTEM DIRECTIVE (ETS)

Description of the regulation: main points

88 Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading within the EU and amending Council Directive 96/61/EC establish the EU Emissions Trading System (ETS). The EU ETS is the world's first international emissions trading system and carbon market. Set up in 2005, it is a tool for reducing greenhouse gas emissions cost-effectively. The directive was amended several times, the latest amendment dates back to 2018:

a) Decision (EU) 2018/853 of the European Parliament and of the Council of 30 May 2018 amending Regulation (EU) No 1257/2013 and Directives 94/63/EC and 2009/31/EC of the European Parliament and of the Council and Council Directives 86/278/EEC and 87/217/EEC as regards procedural rules in the field of environmental reporting and repealing Council Directive 91/692/EEC

b) Decision (EU) 2015/1814 of the European Parliament and of the Council of 6 October 2015 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and amending Directive 2003/87/EC

89 ETS is based on a "Cap and Trade" principle: EU sets a cap on the total amount of direct greenhouse gases (see 'Scope') that can be emitted by fixed installations covered by the system (see 'Scope'). In order to reduce total emissions, the cap is being lowered year by year to achieve the reduction target. Within the cap, companies can receive or buy emission allowances, which they can trade with one another as needed. At the end of each year companies must be in a position to cover their emissions through allowances. Otherwise, they will be heavily fined. This principle enables EU to ensure emissions are cut where it costs least to do so.

90 ETS was structured in several phases. Phase 1 lasted from the launching of the EU ETS in 2005 until the end of 2007, Phase 2 began in 2008 and ended in 2012. Currently, we are in phase 3 (2013-2020).

91 Phase 3 started in 2013; it limits emissions from more than 11,000 heavy energy-using installations (power stations & industrial plants) and airlines operating flights between the EEA countries and covers around 45% of the EU's greenhouse gas emissions.

92 The cap for 2013 from fixed installations was set at 2,084,301,856 allowances. During phase 3, this cap decreases each year by a linear reduction factor of 1.74% of the average total quantity of allowances issued annually in 2008-2012. This amounts to a reduction of 38,264,246 allowances each year. The linear reduction factor was set in line with the EU-wide climate action targets for 2020 (20% emissions reduction target relative to 2005).

93 Phase 3 is considerably different from 1 and 2:

a) It introduced a single EU-wide cap (before there were several national caps)

b) Instead of free allocation, auctioning became default method for allocating and harmonized allocation rules were applied to the allowances still given away for free

c) Widening of the scope (gases and sectors)

d) 300 million allowances set aside in the New Entrants Reserve to fund the deployment of innovative, renewable energy technologies and carbon capture and storage through the NER 300 program

94 The EU ETS operates in all EU countries plus Iceland, Liechtenstein and Norway. The scope of ETS is restricted to emissions from some gases heavily polluting: Carbon dioxide (CO_2), Nitrous oxide (N_2O), Perfluorocarbons (PCFs), Methane (CH_4), Hydrofluorocarbons and Sulphur hexafluoride.

95 The EU ETS is of mandatory application for fixed installations from some sectors heavily polluting and for aviation:

a) Power and heat generation

b) Carbon-intensive industry sectors including oil refineries, steel works and production of iron, aluminium, metals, cement, lime, glass, ceramics, pulp, paper, cardboard, acids and bulk organic chemicals, nitric, adipic and glyoxylic acids and glyoxal

c) Commercial aviation (until 31 December 2023, flights between airports located in the European Economic Area)

96 Phase 4 will begin in 2021 and will end in 2030. The legislative framework of the EU ETS for its next trading period (phase 4) was revised in early 2018 to enable it to achieve the EU's 2030 emission reduction targets (40%). It will be reviewed in June 2021 to take into account the new 2030 targets (European Parliament proposed a reduction target of 55% by 2030 compared to 2005) and also to extend the application to new sectors (as maritime sector, buildings or road transportation before 2030).

Analysis – Summary of identified gaps and overlaps with NFRD

97 EU ETS regulation requires carbon-intensive European fixed installations of companies to monitor, report and verify (MRV) their GHG emissions scope 1; MRV is an annual compliance cycle supervised by public authorities. Reporting of scope 1 GHG emissions at company level under the NFRD includes the emissions under EU ETS plus European other smaller source of emissions and other companies' emissions from sources outside Europe;

98 Should the NF reporting detail the GHG emissions scope 1 under EU ETS or only the companies' full scope 1 of GHG emissions? The non-binding guidelines (NBG) does not recommend reporting on the GHG emissions under EU ETS; on the other hand, the financial statements have to account for the cost of allowances. This is one of the interconnection topics between FI and NFI.

99 As the EU ETS aims at achieving European reduction targets (40% or 55% for 2030), should the NFRD require companies to report on their pathways towards these EU objectives? The current practice is rather to report on GHG absolute emissions target on the full companies' scope 1, 2 and 3 as recommended by the NBG. The Science Base Target initiative (SBTi)[13] being global, allowing alignment with the Paris Agreement and well promoted by CDP, UNGC, WRI and WWF is the most common tool used by companies to set targets.

100 As regards verification procedures, the EU ETS has developed strong rules related to the compliance cycle that are set out in two regulations: Monitoring and Reporting Regulation (MRR) and Accreditation and Verification Regulation (AVR). A reasonable level of assurance is required. On the contrary, mandatory assurance over NFI is not aligned by country for NFRD.

101 Allowances are allocated or auctioned by sector within the EU ETS demonstrating the relevance of sector specific approach for GHG emissions monitoring. While the GRI 305 explicitly states that GHG emissions intensity indicators must be published, the TCFD only considers that 'as appropriate, organisations should consider providing related, generally accepted industry-specific GHG efficiency ratios'. The usefulness of intensity indicators is to allow comparability between firms' performance in the same sector. Intensity indicators also enable the comparison from a year to another, eliminating perimeter effect (potential acquisitions/divestments in assets for instance that could increase/reduce absolute GHG emissions). Both sources of information recognized that the denominator used to calculate the ratio must be adapted depending on the sector and the specificities of the company to provide a relevant GHG emissions intensity ratio. Even if the NBG do not specifically recommend a sector specific reporting on GHG emissions, the question remains as to whether the revised NFRD should include sector specific requirements.

13 Science-Based Target Initiative promotes best practice in emissions reductions and net-zero targets in line with climate science is a global.

TRANSPARENCY DIRECTIVE

Description of the regulation: main points

102 The Transparency Directive (TD) was introduced to harmonise information requirements applying to entities whose securities have been admitted to trading on a regulated market situated, or operating, within the EU ('issuers'). Accordingly, the EU Transparency Directive applies to issuers of shares, debt securities, derivative securities and closed-ended investment funds admitted to listing and trading on a regulated market. It was issued in 2004 and revised in 2013 and it aims to ensure transparency of information for investors through a regular flow of disclosure of periodic and on-going regulated information and the dissemination of such information to the public.

103 The 2013 amendments to the TD include:

a) Issuers are no longer obliged to publish interim reports (unless a Member State chooses to still impose it as an obligation)

b) Issuers who have activities in the extractive or logging of primary forest industries should disclose in a separate report, on an annual basis, payments made to governments in the countries in which they operate

c) Issuers should prepare their annual financial reports in the European single electronic reporting format (ESEF) (from 1 January 2020 on)

d) ESMA should develop and operate a web portal serving as a European electronic access point (EEAP) for regulated information

104 Regulated information consists of financial reports, information on major holdings of voting rights and information disclosed pursuant to the Market Abuse Directive (2003/6/EC).

105 The TD sets specific requirements in relation to annual and half yearly financial reports. Additional requirements might be required at a national level.

106 The information to be published includes:

a) yearly and half-yearly financial reports

b) major changes in the holding of voting rights

c) ad hoc inside information which could affect the price of securities

107 This information must be released in a manner that benefits all investors equally across Europe.

108 The Transparency Directive requires each EU country to establish a storage mechanism (officially appointed mechanism, OAM) to ensure the public can access the information disclosed by listed companies. However, access to such information on a pan-European basis is currently complicated and involves using different national databases that are not sufficiently interconnected.

Analysis – Summary of identified gaps and overlaps with NFRD

109 The TD does not require specifically dissemination of the Non-financial Statement, but only of the financial statement. The use of the same dissemination channels and procedures for financial and non-financial information could help streamline the use of NFI by providers of capital.

110 There is currently no regulated notion of on-going non-financial information – this notion only applies to financial information. The potential for the identification of on-going non-financial information that could require dissemination to investors could be explored (see for example the use-case of Sustainability-linked loans, where updates on the borrower ESG ratings can be required on an infra-annual basis).

111 There is no alignment between the European Electronic Access Point for financial information and the project for the non-financial information one.

CAPITAL REQUIREMENT REGULATION (CRR)

Description of the regulation: main points

112 There are internationally agreed bank capital adequacy standards (Basel III agreement) which have been implemented in EU legislation through the capital requirements for banks and investment firms part of the banking union´s single rulebook. The basic rules: Capital Requirements Regulation (CRR) (Regulation (EU) N° 575/2013) and Capital Requirements Directive, apply in all EU member states since 1 January 2014.

113 Banks and investment firms are in the spotlight of transparency after the recent crisis and the current one caused by Covid-19 and has an additional obligation with society to try to balance the unequal distribution of information (Azofra and López, 1996). The development of this sector is linked to economic growth (Asteriou and Spanos, 2018). Banks and, by extension, financial services companies are expected to approach climate risks and other risks related to sustainability in the same way that they approach any other financial risks (Feridun and Güngor, 2020). Consequently, banking prudential rules have been amended and completed until now, with new requirements of nonfinancial information. However, no specific issues regarding ESG disclosures are concerned (Amendments to CRR included in Table 1).

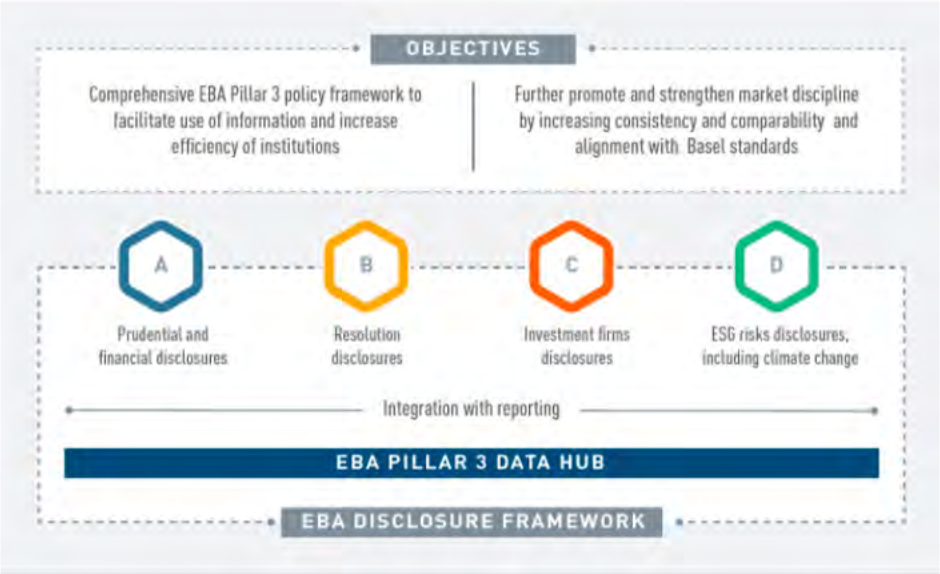
Table 1. Amendments to CRR[14]

AMENDMENTS TO CRR
Commission Delegated Regulation (EU) 2015/62 of 10 October 2014
Regulation (EU) 2016/1014 of the European Parliament and of the Council of 8 June 2016
Commission Delegated Regulation (EU) 2017/2188 of 11 August 2017
Regulation (EU) 2017/2395 of the European Parliament and of the Council of 12 December 2017
Regulation (EU) 2017/2401 of the European Parliament and of the Council of 12 December 2017
Commission Delegated Regulation (EU) 2018/405 of 21 November 2017
Regulation (EU) 2019/630 of the European Parliament and of the Council of 17 April 2019
Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019
Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019
Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020

114 The European Banking Authority (EBA) undertakes policy work to promote transparency and enhanced public disclosures by financial institutions in order to reinforce market discipline. Following the recent updates to the regulatory frameworks for credit institutions and investment firms, and the publication in 2018 of the European Commission's Action Plan on sustainable finance, the EBA is implementing a new policy strategy on institutions' Pillar 3 disclosures that seeks to increase efficiency of institutions' disclosures and reinforce market discipline by developing a comprehensive framework with consistent and comparable disclosures. In addition, the EBA aims to promote transparency on Environmental, Social or Governance (ESG) risks, encouraging institutions to strengthen their management of these risks and promoting awareness of their key role in the transition to a green economy (Figure 1).

14 Source: Consolidated text: Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Text with EEA relevance). http://data.europa.eu/eli/reg/2013/575/2020-06-27

Figure 1. ESG risks disclosures in the EBA disclosure framework (EBA Pillar 3 Data Hub)[15]



115 European Banking Authority (EBA) jointly with the other European Supervisory Authorities (collectively, the "ESAs") has launched a survey on environmental, social and governance (ESG) disclosures. This consultation paper is launched to develop draft regulatory technical standards with regard to the content, methodologies and presentation of disclosures in relation to adverse impacts on the climate and other environment-related adverse impacts (Article 4, Regulation (UE) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR)). Next step, by 30 December 2021, will be the development by the ESAs of draft regulatory standards on the content, methodologies and presentation of information in respect of sustainability indicators in relation to adverse impacts in the field of social and employee matters, respect for human rights, anti-corruption and anti-bribery matters (Article 4, SFDR).

PILLAR 1	PILLAR 2	PILLAR 3
Article 501c CRR Differentiated prudential treatment	Article 98 CRD ESG in risk management	Article 434a CRR ESG Disclosure
June 2025	28 June 2021	28 June 2020
EBA shall assess: (a) methodologies for the assessment of the effective riskiness of exposures related to assets and activities associated substantially with environmental and/or social objectives compared to the riskiness of other exposure; (b) the development of appropriate criteria for the assessment of physical risks and transition risks, including the risks related to the depreciation of assets due to regulatory changes; (c) the potential effects of a dedicated prudential treatment of exposures related to assets and activities which are associated substantially with environmental and/or social objectives on financial stability and bank lending in the Union.	The EBA will assess the potential inclusion in the review and evaluation process performed by competent authorities of ESG risks. On the basis of the outcome of its report, the EBA may, if appropriate, issue guidelines regarding the uniform inclusion of ESG risks in the supervisory review and evaluation process performed by competent authorities.	Large institutions that have issued securities admitted to trading on a regulated market of any Member State must disclose information on ESG risks as part of their Pillar 3 reports, including physical risks and transition risks. Following the mandate in Article 434a of CRR2, the EBA is developing implementing technical standards applying all the disclosure requirements in Titles II and III of Part 8 of the CRR2, including the ESG-related disclosure requirements.

15 Source: https://eba.europa.eu/regulation-and-policy/transparency-and-pillar-3

116 The General guidelines according to disclosure, financial and non-financial, in the CRR (CRR Recitals) are summarised as follows:

a) Good governance structures, transparency and disclosure are essential for sound remuneration policies.

b) Ensure adequate transparency to the market of remuneration structures and associated risk: detailed information on remuneration policies, practices and, for reasons of confidentiality, aggregated amounts for those members of staff whose professional activities have a material impact on the risk profile of the institution.

c) Information available to all stakeholders.

d) Publicly disclose their corporate governance arrangements and assurance.

e) Harmonisation, uniform conditions and adequate protection of depositors, investors and consumers across the Union through technical standards

f) Reporting proportionate to the nature, scale and complexity of the activities of the institutions.

117 CRR PART EIGHT: DISCLOSURE BY INSTITUTIONS. Included below are all the requirements about disclosure, although only a few specifically refer to nonfinancial information based on ESG disclosures.

a) General principles (Title I)

(i) There may be a formal policy to comply with the disclosure requirements (Article 431).

(ii) Disclosure only of necessary information: information which is financially material and not proprietary or confidential (Article 432).

(iii) Frequency: at least annual basis in conjunction with the date of publication of financial statements (Article 433).

(iv) Format: EBA shall develop draft implementing technical standards specifying uniform disclosure formats (Article 434, Article 434a). These shall be submitted to the Commission by 28 June 2020.

b) Technical criteria of transparency and disclosure (Title II).

(i) Disclosure is based on risk management and objectives and policies (Article 435).

(ii) Concise risk statement including key ratios and figures: comprehensive view to stakeholders (Article 435).

(iii) Regular publication, at least annual updates, regarding governance arrangements: about the management body (number of directorships, recruitment policy, knowledge, skills and expertise, policy on diversity in the selection, the existence of a separate risk committee, meetings of the risk committee, and description of the information flow on risk to the management body) (Article 435).

(iv) Scope of application (Article 436). As included in Directive 2013/36/EU (Article 2): In general credit institutions.

(v) Related to risk is the required financial information concerning: own funds (Article 437), capital requirements (Article 438), exposure to counterparty credit risk (Article 439), capital buffers (Article 440), indicators of global systemic importance (Article 441), credit risk adjustments (Article 442), unencumbered assets (Article 443), use of ECAIs (Article 444), exposure to market risk (Article 445), operational risk (Article 446), exposures in equities not included in the trading book (Article 447), exposure to interest rate risk on positions not included in the trading book (Article 448), exposure to securitization positions (Article 449) and leverage (Article 451).

(vi) Information regarding the remuneration policy (Article 450) and practices of the institution for those categories of staff whose professional activities have material impact on its risk profile. Although the NFRD requires information about staff (wages, salaries…) the CRR includes requirements for specific indicators and are wider than in NFRD (see Table 2).

(vii) Both narrative and quantitative information (ratios, aggregate quantitative information broken down by business area, by senior management…).

(viii) There is information that is required "if applicable".

(ix) Required quantitative information shall also be made available to the public at the level of members of the management body, when institutions are significant in terms of their size, internal organisation and nature, scope and complexity of their activities (Article 450).

(x) Institutions shall comply with the requirements in a manner that is appropriate to their size, internal organisation and the nature, scope and complexity of their activities (Article 450).

Table 2. Indicators about remuneration policy required in CRR (Article 450)[16]

	TYPE OF INFORMATION
a) Information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, if applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders.	Narrative
b) Information on link between pay and performance	Narrative
c) The most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria.	Narrative
d) The ratios between fixed and variable remuneration set in accordance with Article 94(1)(g) of Directive 2013/36/EU.	Quantitative
e) Information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based.	Narrative
f) The main parameters and rationale for any variable component scheme and any other non-cash benefits.	Narrative
g) Aggregate quantitative information on remuneration, broken down by business area.	Narrative
h) Aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile on the institution, indicating the following: i) the amounts of remuneration for the financial year, split into fixed and variable remuneration, and the number of beneficiaries; j) the amounts and forms of variable remuneration, split into cash, shares, share-linked instrument and other types; k) the amounts of outstanding deferred remuneration, split into vested and unvested portions; l) the amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments; m) new sign-on and severance payments made during the financial year, and the number of beneficiaries of such payments; n) the amounts of severance payments awarded during the financial year, number of beneficiaries and highest such award to a single person.	Quantitative
o) The number of individuals being remunerated EUR 1 million or more per financial year, for remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500000 and for remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million.	Quantitative
p) Upon demand from the Member State or competent authority, the total remuneration for each member of the management body or senior management.	Quantitative
For institutions that are significant in terms of their size, internal organisation and the nature, scope and the complexity of their activities, the quantitative information referred to in this Article shall also be made available to the public at the level of members of the management body of the institution. Institutions shall comply with the requirement set out in this Article in a manner that is appropriate to their size, internal organisation and the nature, scope and complexity of their activities and without prejudice to Directive 95/46/EC.	

16 Source: Consolidated text: Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Text with EEA relevance). http://data.europa.eu/eli/reg/2013/575/2020-06-27.

118 As specified above, the EBA has a mandate under Article 501c CRR to assess by June 2025 assess: (a) methodologies for the assessment of the effective riskiness of exposures related to assets and activities associated substantially with environmental and/or social objectives compared to the riskiness of other exposure; (b) the development of appropriate criteria for the assessment of physical risks and transition risks, including the risks related to the depreciation of assets due to regulatory changes; (c) the potential effects of a dedicated prudential treatment of exposures related to assets and activities which are associated substantially with environmental and/or social objectives on financial stability and bank lending in the Union. The CRR applies in all EU member states since 1 January 2014. Financial services sector has been regulated in a wide scope through different regulations recently published (Regulation (EU) 2019/2088, Regulation (EU) 2020/852).

119 Materiality approach is included as follows: "Information in disclosures shall be regarded as material where its omission or misstatement could change or influence the assessment or decision of a user of that information relying on it for the purpose of making economic decisions". This results in financial materiality.

120 Definition of non-material information is also included (Article 432): "…institutions may omit one or more of the disclosures listed in Titles II and III where the information provided by those disclosures is not regarded as material" (Article 432).

121 Materiality concept is included as a single materiality approach, only from the side of sustainability impact on the risks of the entities. This is the objective of disclosure in CRR "Institutions shall disclose their risk management objectives and policies for each separate category of risk…" (Article 435) "assessment of the effective riskiness of exposures related to assets and activities associated substantially with environmental and/or social objectives compared to the riskiness of other exposure"…"the potential effects of a dedicated prudential treatment of exposures related to assets and activities which are associated substantially with environmental and/or social objectives or financial stability and bank lending in the Union" (Article 501c).

122 CRR scope is as "broad as possible, covering all institutions whose business is to receive repayable funds from the public, whether in the form of deposits or in other forms such as the continuing issue of bonds and other comparable securities and to grant credits for their own account" There are exceptions. (Directive 2013/36/EU Recitals (14)).

123 Institutions shall disclose their risk management objectives and policies, and so information regarding remuneration policy (Article 450), and prudential treatment of exposures related to environmental and/or social objectives (Article 501c). It means riskiness or prudential treatment to assets and activities related to ESG objectives.

124 CRR states that "If disclosures are not included in the financial statements, institutions shall unambiguously indicate in the financial statements where they can be found" (Article 434).

125 CRR assurance requirements is not compulsory as "Institutions may determine the appropriate medium, location and means of verification to comply effectively with the disclosure requirements" included in CRR (Article 434).

126 It should also be noted that the EBA has launched, in the framework of its mandate under Article 98 of the CRD, a consultation (open until February 3, 2021[17]) on the strengthening of the integration of ESG risks in the business strategies and processes of banking institutions and the integration in their internal governance arrangements. Within this framework, the EBA proposes a systematic assessment of the long-term resilience of institutions – in particular through the integration of ESG risks as drivers of prudential risks within risk management tools (pillar 2 of the Basel framework). The consultation paper attaches importance to the definition of ESG risk factors, while highlighting the disclosure challenge ("that tend to be incomplete (selection bias in firm reporting), inconsistent (lack of accepted methodology for defining sustainability-oriented assets) and insufficient (virtually absent reporting on downstream emission intensity of products of portfolios)". Lessons learned from this consultation will be taken into account for the EBA's ongoing work related to the fulfilment of its mandates to develop a technical standard implementing the ESG risks Pillar 3 disclosure requirements included in Part Eight of CRR2.

17 Available here: 2020-10-15 BoS – ESG report MASTER FILEcl.docx (europa.eu)

Analysis – Summary of identified gap and overlaps with NFRD

127 CRR is mainly focused on prudential and other risks related to a specific sector: credit institutions. CRR provides sectorial regulation for banks and considers only financial materiality.

128 Terminology used in the CRR only refers to different aspects of NFI and so does not explicitly refer to sustainability or non-financial information.

129 Regulation in the financial services sector continues to evolve and every regulatory initiative interrelates with previous ones. The CRR is amended by all the main last regulations on the subject.

130 Materiality in CRR is defined as necessary information not proprietary of confidential. The inside out materiality aspect covered by the NFRD is missing.

131 CRR is directly applied in each Member State (when comparing a CRR with a NFRD it must be born in mind because a Directive has to be transposed. This can mean flexibility and different options in its implementation).In this case it should be added the specificities of this sector, specially regulated and with own supervisory bodies.

132 CRR requires specific aspects related to risk and prudential management that are to be communicated privately by the bank to the regulator. This information is not supposed to be public.

SHAREHOLDER RIGHTS DIRECTIVE (SRD II)

Description of the regulation: main points

133 The Shareholder Rights Directive II (SRD II) was agreed on 17 May 2017 amending the Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement. The Directive 2007/36/EC has applied since 3 August 2007. SRD II applies since 9 June 2017 and had to become law in the EU countries (transposition) by 10 June 2019.

134 In SRD II, the Double materiality concept is less clear than in NFRD as it includes a disclosure requirement (as part of the Engagement Policy) of:

a) financial and non-financial performance and risk;

b) social and environmental impact

135 The scope of application extends to companies which have their registered office in a Member State and whose shares are traded on a regulated market situated or operated within a Member State. Chapter Ib applies to:

a) institutional investors, to the extent that they invest directly or through an asset manager in shares traded on a regulated market;

b) asset managers, to the extent that they invest in such shares on behalf of investors; and

c) proxy advisors, to the extent that they provide services to shareholders with respect to shares of companies which have their registered office in a Member State and the shares of which are admitted to trading on a regulated market situated or operating within a Member State.

136 The 2017 revision (Directive (EU) 2017/828) aimed to encourage long-term shareholder engagement to ensure that decisions were made for the long-term stability of a company and take into account environmental and social issues. The revised directive:

a) facilitates shareholder identification and information flows between the shareholders and the company;

b) improves the oversight of directors' remuneration;

c) regulates related party transactions; and

d) introduces greater transparency.

137 Institutional investors (IORPS and life (re)insurers) and asset managers (investment firms, credit institutions and fund managers (UCITS and AIF)) acting for institutional investors, investing in shares of listed companies are required to draft and publicly disclose their shareholder engagement policy which includes how they monitor their investments on matters such as (i) strategy, (ii) (non-financial and financial) performance, (iii) risk, (iv) capital structure, (v) social and environmental impact, (vi) corporate governance, (vii) communication with the company, (viii) exercise of voting rights, (ix) cooperation with other shareholders and stakeholders of the company (x) and conflicts of interest.

138 Requirements for proxy advisors include a public disclosure of the code of conduct which they apply and disclosure of a report on the application of that code of conduct, or explain why they don't use a code of conduct;

Analysis – Summary of identified gaps and overlaps with NFRD

139 The double materiality concept is not explicit compared to the definition in NFRD. However, the SRD II disclosure requirements as part of the 'Engagement Policy' cover both materiality concepts. A gap regarding compliance with the information required exists from companies as it is reflected in the 2019 report[18] of the Alliance for Corporate Transparency *"The main conclusion of this research is that while there is a minority of companies providing comprehensive and reliable sustainability-related information, by and large, quality and comparability of companies' sustainability reporting is not sufficient to understand their impacts, risks, or even their plans."*

140 If shareholders themselves are short-term oriented, it will also put pressure on companies. Tackling short termism along the whole investment supply chain is also a prerequisite.

141 Information disclosed should be available free of charge on the institutional investor's, asset manager's or proxy advisors' website.

SOLVENCY 2 DIRECTIVE AND DELEGATED REGULATIONS

Description of the regulation: main points

142 Solvency 2 introduces a robust framework for insurance firms in the EU, based on the risk profile of each individual insurance company with the objective of promoting comparability, transparency and competitiveness. Solvency 2 amended under Omnibus II Directive 2014/51/EU replaces the existing directives known as Solvency I.

143 Regulation (EU) 2015/35 (known as the Solvency 2 delegated regulation), sets out detailed requirements for applying the Solvency 2 framework. Further technical regulations have followed: delegated Regulation (EC) 2016/467, delegated Regulation (EC) 2018/1221 and Implementing Technical Standards adopted by the European Commission. EIOPA published a documentation tool (rulebook) in order to promote consistent application of the regulatory framework.

144 The Solvency 2 framework is divided into three 'pillars':

a) Pillar 1 sets out quantitative requirements, including the rules to value assets and liabilities (in particular, technical provisions), to calculate capital requirements and to identify eligible own funds to cover those requirements; (only financial data);

b) Pillar 2 sets out requirements for risk management, governance, implementing an Own Risk and Solvency Assessment (ORSA);

c) Pillar 3 addresses transparency, reporting to supervisory authorities and disclosure to the public.

145 As such, there is no ESG disclosure requirement in the Directive. Nevertheless, Insurance companies should also comply with the regulation 2019/2088 on sustainability-related disclosures (SFRD) in the financial services sector (applicable as from 2021). For Insurance companies which are under the scope of the NFRD, the NFRD apply on top of the above

18 Alliance for Corporate Transparency 2019 report "An analysis of the sustainability reports of 1000 companies pursuant to the EU Non-Financial Reporting Directive".

regulation. This Solvency 2 regulation has been applied to Insurance and reinsurance companies only since 1 January 2016.

146 Current revisions are in progress:

a) Revision to pillar 2

(i) In order to integrate climate change risk scenarios in the Own Risk and Solvency Assessment (ORSA) in the form of a draft supervisory Opinion. This consultation is a follow-up to last year's Opinion on Sustainability within Solvency II, which recommended that (re)insurers consider climate risks beyond the one-year time horizon through the system of governance, risk-management system and the Own Risk and Solvency Assessment (ORSA).

(ii) Reporting requirements are not explicit as kept to the local competent authorities (CAs): CAs should collect qualitative and quantitative data enabling them to perform supervisory review of the analysis of short and long-term climate change risks in ORSA in accordance with this Opinion. Instruments for data collection should be the regular supervisory reporting, most notably the ORSA supervisory report.

To our understanding the information would be dedicated to supervision needs only. A feedback statement is expected from EIOPA by mid-2021. No time frame indicated for further regulation.

b) Amendment to delegated regulation 2015/35

(i) Propose to use the definition of "sustainability risk" present in Regulation 2019/2088 (article 1)

(ii) Propose to modify Article 275a as follows: insurance and reinsurance undertakings shall take into account the potential long-term impact of their investment strategy and decisions on sustainability factors and, [...].

c) Integration of ESG risks in Pillar 3 disclosure: survey from EBA

The online survey is part of the EBA's work to develop draft implementing technical standards (ITS) on Pillar 3 disclosure of prudential information on ESG risks by institutions. It will also be used to monitor the short-term expectations specified in the EBA Action Plan on Sustainable Finance, including the request for institutions to identify metrics, covering a green assets ratio, that provide transparency on how they are embedding climate change related risks into the organisation. Date line for answers to this survey was October 16.

Analysis – Summary of identified gaps and overlaps with NFRD

147 There is no set-up of principles for the implementation of scenario analysis exercises.

148 Indicators to be used by the insurance companies from their corporate reporting are not a priori aligned with those indicators used for their insurance activities. However this information is interrelated notably when doing their risk analysis and stress tests under the ORSA requirement.

149 Pillar 3 will cover all financial market participants and not only Insurance companies. There is a risk of information misalignment.

MARKET IN FINANCIAL INSTRUMENTS DIRECTIVE 2 (MIFID 2) AND DELEGATED ACTS

Description of the regulation: main points

150 Upon request from the Commission, in 2019 EIOPA and ESMA provided technical advice in order to ensure that products and, where relevant, the related services are offered in the interest of clients with sustainability factors being taken into account in the so called "target market assessment" under MiFID II and particular Commission Delegated Regulation 2017/2358, in particular Articles 5 to 11, and Commission Delegated Directive 2017/593, in particular Articles 9(9), 9(11), 10(2) and 10(5).

151 ESMA built on the existing ESMA Guidelines on MiFID II product governance requirements that already provide a good indication on how sustainability factors should be taken into account when identifying the target market.

152 As a result of this mandate, ESMA advised as follows:

a) Article 9(9) of the MiFID II Delegated Directive to be amended as follows:

Member States shall require investment firms to identify at a sufficiently granular level the potential target market for each financial instrument and specify the type(s) of client for whose needs, characteristics and objectives, and ESG preferences (where relevant), the financial instrument is compatible. As part of this process, the firm shall identify any group(s) of clients for whose needs, characteristics and objectives the financial instrument is not compatible. Where investment firms collaborate to manufacture a financial instrument, only one target market needs to be identified.

b) Article 9(11) of the MiFID II Delegated Directive to be amended as follows:

Member States shall require investment firms to determine whether a financial instrument meets the identified needs, characteristics and objectives of the target market, including by examining the following elements:

(i) the financial instrument's risk/reward profile is consistent with the target market; and

(ii) the financial instrument's ESG characteristics (where relevant) are consistent with the target market; and

(iii) financial instrument design is driven by features that benefit the client and not by a business model that relies on poor client outcomes to be profitable.

c) Article 9(14) of the MiFID II Delegated Directive to be amended as follows:

Member States shall require investment firms to review the financial instruments they manufacture on a regular basis, taking into account any event that could materially affect the potential risk to the identified target market. Investment firms shall consider if the financial instrument remains consistent with the needs, characteristics and objectives, and ESG preferences (where relevant), of the target market and if it is being distributed to the target market, or is reaching clients for whose needs, characteristics and objectives the financial instrument is not compatible.

d) Article 10(2) of the MiFID II Delegated Directive to be amended as follows:

Member States shall require investment firms to have in place adequate product governance arrangements to ensure that products and services they intend to offer or recommend are compatible with the needs, characteristics, and objectives, and ESG preferences (where relevant), of an identified target market and that the intended distribution strategy is consistent with the identified target market. Investment firms shall appropriately identify and assess the circumstances and needs of the clients they intend to focus on, so as to ensure that clients' interests are not compromised as a result of commercial or funding pressures. As part of this process, firms shall identify any groups of clients for whose needs, characteristics and objectives the product or service is not compatible.

e) Article 10(5) of the MiFID II Delegated Directive to be amended as follows:

Member States shall require investment firms to review the investment products they offer or recommend and the services they provide on a regular basis, taking into account any event that could materially affect the potential risk to the identified target market. Firms shall assess at least whether the product or service remains consistent with the needs, characteristics and objectives, and ESG preferences (where relevant), of the identified target market and whether the intended distribution strategy remains appropriate. Firms shall reconsider the target market and/or update the product governance arrangements if they become aware that they have wrongly identified the target market for a specific product or service or that the product or service no longer meets the circumstances of the identified target market, such as where the product becomes illiquid or very volatile due to market changes.

153 The above changes are expected to come into force in 2021.

Analysis – Summary of identified gaps and overlaps with NFRD

154 The above forthcoming changes will vertically align with the requirements related to the integration of ESG consideration into investment advice, and in particular, in the suitability test under MiFID II and the Insurance Distribution Directive.

155 As such, they create an important use case for sustainability information provided by issuers of equity and bonds.

156 The fact that financial instruments as shares and bonds are in scope is an important integration to the disclosures on funds under the SFDR The three requests a), b) and c) below will create a new use case in the analysis of financial instruments:

a) the financial instrument's risk/reward profile is consistent with the target market; and

b) the financial instrument's ESG characteristics (where relevant) are consistent with the target market; and

c) financial instrument design is driven by features that benefit the client and not by a business model that relies on poor client outcomes to be profitable.

ESG CONSIDERATIONS IN THE SUITABILITY TEST UNDER MIFID II AND THE DELEGATED ACTS

Description of the regulation: main points

157 On January 4, 2019 the European Commission published the following draft Delegated Regulations which are designed to ensure insurance distributors and investment firms take environmental, social and governance (ESG) issues into account when advising customers:

a) a Delegated Regulation amending Delegated Regulation (EU) 2017/565 as regards the integration of ESG considerations and preferences into investment advice and portfolio management under the MiFID II Directive (2014/65/EU); and

b) a Delegated Regulation amending Delegated Regulation (EU) 2017/2359 as regards to the integration of ESG considerations and preferences into investment advice for insurance-based investment products ("IBIPs") under the Insurance Distribution Directive ((EU) 2016/97) (IDD).

158 The draft Delegated Regulations have been produced under Articles 24(13) and 25(8) of the MiFID II Directive, and Article 30(6) of the IDD, respectively. They will apply 12 months after they come into force.

159 The Commission can only officially adopt the draft Delegated Regulations once the new disclosure provisions for sustainable investments and sustainability risks (SFDR) have come into force.

160 On 8 June 2020, the European Commission published draft delegated acts on suitability assessments that would amend existing Level 2 measures under MiFID2.

161 The consultation period for the proposed delegated act closed on 6 July 2020.

162 In due course, the Council of the EU and the European Parliament will consider the Commission's formal proposal and agree amendments to the current Level 2 measure.

163 These will subsequently be published in the Official Journal, would enter into force on the twentieth day after publication and come into effect twelve months after entry into force.

164 The draft delegated act provides the following definition: 'sustainability preferences' means a client's or potential client's choice as to whether either of the following financial instruments should be integrated into his or her investment strategy:

a) a financial instrument that has as its objective sustainable investments as defined in Article 2, point (17), of Regulation (EU) 2019/2088 of the European Parliament and of the Council;

b) a financial instrument that promotes environmental or social characteristics as referred to in Article 8 of Regulation (EU) 2019/2088 and that either: (i) pursues, among others, sustainable investments as defined in Article 2, point (17), of that Regulation; or (ii) as of 30 December 2022, considers principal adverse impacts on sustainability factors, as referred to in Article 7(1), point (a), of that Regulation.

Analysis – Summary of identified gaps and overlaps

165 Strong alignment with definitions provided in the SFDR at level 1.

166 However, the focus is on financial instruments – as defined under MiFID – i.e. including shares, bonds and futures, whereas the definitions under SFRD apply fundamentally to investment funds, not to single securities.

167 This raises the questions of how to assess whether a financial instrument pursues environmental or social objectives, or promotes environmental characteristics – as the guidance provided in SFDR at Level 1 or Level 2 does not cover single instruments.

168 For example, could a bond issued by a company with a high ESG ratings be considered an instrument that pursues sustainability objectives? Or an instrument that promotes ESG characteristics? Or only a green / sustainable bond would fall into either category?

INSTITUTIONS FOR OCCUPATIONAL RETIREMENT PROVISIONS (IORP 2)

Description of the regulation: main points

169 Occupational pension funds are financial institutions that manage collective retirement schemes for employers, in order to provide benefits to employees. A first European directive regulating these funds was issued in 2003. In December 2016, the EU adopted a recast version of the IORP directive to encourage long-term investment through occupational pension funds. The new rules aim to:

a) ensure that occupational pensions are sound and that they better protect pension scheme members and beneficiaries,

b) better inform members and beneficiaries about their entitlements,

c) remove obstacles faced by occupational pension funds operating across borders,

d) encourage occupational pension funds to invest long-term in economic activities that enhance growth, environment and employment, which take into account environmental, social and governance factors.

170 EU countries must have transposed the new rules into their national law by 13 January 2019. This directive gives high-level of sustainability principles to follow but does not require specific reporting requirement.

Analysis – Summary of identified gaps and overlaps with NFRD

171 Transposition in Member State may create inconsistencies in the way of taking into account environmental, social or governance topics. Trickle-down effect may be possible in a case of a consolidated group which has to consolidate a specific pension fund with potential discrepancies in the indicators put in place.

SUSTAINABLE FINANCE DISCLOSURE REGULATION (SFDR)

Description of the regulation: main points

172 The Action Plan for financing sustainable growth, launched by the European Commission on 8 March 2018, laid out a roadmap to encourage the private sector to better integrate sustainability requirements and to increase their sustainable

investments. The forthcoming green finance strategy, is a key priority for the Commission. The political guidelines[19] explicitly mentioned 'We need to tap into private investment by putting green and sustainable financing at the heart of our investment chain and financial system.' which makes clear the necessity of the financial industry to increase efforts in this regard. The EU adopted significant new rules requiring a wide range of investors and financial advisers to integrate sustainability considerations into mainstream investments and to disclosure their impact on people and planet.

173 The Sustainable Finance Disclosure Regulation (SFDR) was agreed in March 2019 and published in the Official Journal on 29 November 2019. The ESAs are preparing 10 Regulatory Technical Standards (RTSs) due by January 2021 on the content, presentation and methodologies of information, including legally binding definitions. The Regulation will enter into application as from 10 March 2021.

174 The principle of double materiality is applied in both SFDR and NFRD. In SFDR:

a) Impacts on people and planet: 'Principle adverse impacts should be understood as those impacts of investment decisions and advice that result in negative effects on sustainability factors (e.g. damage to the environment, to workers and communities, etc.)

b) Sustainability risks to the investment: 'sustainability risks mean an ESG event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment

175 Personal scope of SFDR: financial market participants (FMPs): asset managers (regulated by UCITS, AIFMD, EuVECA, EuSEF), insurance undertakings (Solvency II), occupational and other pension providers, investment firms providing individual portfolio management (MiFID II)

176 Related products: all financial products issued by these entities, including insurance-based investment products made available to institutional investors, individual portfolio management and Advice: investment and insurance advice (MiFID II and IDD).

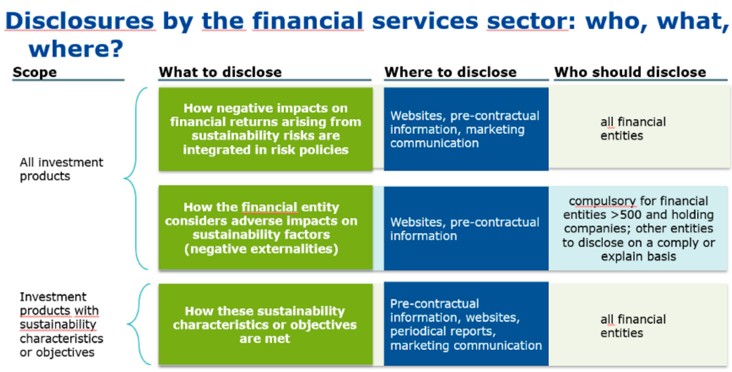
177 Regarding disclosure of 'principle adverse impacts' (after the transition period):

a) financial market participants exceeding on their balance sheet dates the criterion of the average number of 500 employees during the financial year; and

b) financial market participants which are parent undertakings of a large group as referred to in Article 3(7) of Directive 2013/34/EU exceeding on the balance sheet date of the group, on a consolidated basis, the criterion of the average number of 500 employees during the financial year

c) financial market participants below average number of 500 employees, can disclose on a 'comply or explain' basis.

178 Disclosure requirements in SFDR require careful consideration of its vertical alignment with corporate disclosures and are summarised below:



19 Political guidelines for the European Commission (2019-2024) – 'A Union that strives for more'

179 SFDR recommends the following location of disclosures: website, product level disclosure, pre-contractual disclosure, product periodic reports.

Analysis – Summary of identified gaps and overlaps with NFRD

180 According to the ESAs' draft RTS, the FMPs covered by the SFDR will have to disclose a specific set of mandatory Key Performance Indicators (KPIs) (considered to lead always to principal adverse impacts of the investment decisions on sustainability factors, irrespective of the result of the assessment by the financial market participants (FMP)) regarding the disclosure requirement on 'principle adverse impacts'. The current NFRD does not define specific mandatory KPIs for corporates for the 'inside-out' materiality (Impacts on people and planet), which provides an inconsistency.

181 The two-layer approach of having a set of mandatory adverse impact KPIs and also a set of additional recommended indicators (similar to the TEG's 3 level approach recommendations for climate-related disclosures) in SFDR is not consistent with NFRD structure.

182 The scope of the SFDR is broader than the one applied for the current NFRD.

183 Definition of due diligence: this definition is included in both files as a disclosure requirement, but there is no clarity of how this obligation is to be implemented in practice. The SFDR Recitals refer to international standards such as the OECD Due Diligence Guidance for Responsible Business Conduct and this should be synchronized to the NFRD. At the same time, the NFRD refers to supply and value chains, a concept that is not explicitly included in the SFDR due diligence definition but that could be implicit in the notion of due diligence included in Art. 4.

CLIMATE BENCHMARKS REGULATION

Description of the regulation: main points

184 In early 2019 the European Parliament and the Council reached a political agreement on a regulation amending Regulation (EU) 2016/1011, also known as the Benchmark Regulation or BMR. This amendment introduced methodologies for the development of two climate benchmarks – the EU Paris-aligned Benchmark and the EU Climate Transition Benchmarks. It also introduced sustainability-related disclosure requirements for all benchmarks – or reference indexes – published by benchmark administrators registered or recognized in the European Union. This is a significant innovation in the global disclosure landscape, with impacts that go beyond the boundaries of the European Union – given the international reach of most index providers. A new important use-case for disclosures under the NFRD has been established, which requires careful consideration of its vertical alignment with both corporate disclosures and the institutional use of sustainability data by investors under the SFDR. The new disclosure requirements will come into force by the end of 2020.[20]

185 There are two types of sustainability disclosure requirements for benchmarks:

a) ESG disclosures: disclosure of ESG indicators in the benchmark statement at the individual benchmark of benchmark family level. A list of 78 indicators and the associated disclosure template has been provided in the delegated acts[21]. These indicators are associated with the relevant asset class of the benchmark: equity, corporate bonds, sovereign debt, commodity and other. Disclosures are mandatory for ESG benchmarks belonging to any asset class and voluntary for other benchmarks. In their disclosure, benchmark administrators are also required to provide details on the nature of the data used – whether proprietary or from other sources, and whether reported or estimated. They also have to reference the standards used for the calculation of the indicators.

b) Paris-alignment: the most innovative disclosure is the explanation of the benchmark alignment with the decarbonisation objectives of the Paris Agreement. The delegated acts provide a template for these disclosures. The benchmark administrator has to 1) declare whether the benchmark align with the target of reducing carbon emissions

20 Publication of the Delegated Acts in December 2020 to be mentioned? L_2020406EN.01000101.xml (europa.eu) / L_2020406EN.01001201.xml (europa.eu) / L_2020406EN.01001701.xml (europa.eu)

21 See "Delegated acts supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the explanation in the benchmark statement of how environmental, social and governance factors are reflected in each benchmark provided and published".

or the attainment of the objectives of the Paris Agreement; 2) disclose the temperature scenario, in accordance with international standards, used for the alignment with the target of reducing GHG emissions or attaining of the objectives of the Paris Agreement, the name of the scenario provider and a link to the scenario; 3) the methodology used for the measurement of the alignment with the temperature scenario. These disclosures apply to all significant equity and bond benchmark (i.e. indexes with more than €50bn benchmarked to them) from 2020, and from 2022 to all benchmarks.

186 An assessment of each indicator is provided in PART B.

Analysis – Summary of identified gaps and overlaps with NFRD

187 Sector- or asset-specific guidance: Sustainability-related benchmark disclosures are set out by asset class. The NFRD instead – even though applicable to private companies that only issue listed bonds – does not distinguish between asset classes. Also the SFDR does not require disclosure based on the asset class of the financial market participant's holdings.

188 Materiality thresholds do not apply in the Benchmark regulation contrary to NFRD. A list of indicators is provided and must be adhered to, without the ability of the index administrator to choose the most material indicators against which to disclose. Some of the indicators are set as voluntary, in consideration of data availability issues. This aligns with the draft RTS of the SFDR, which provide two separate lists of indicators, a mandatory list and a list the FMP can choose from, but it is a departure from the NFRD.

189 Scope and coverage: the data needed by benchmarks administrators to comply with the disclosure requirements goes beyond the scope of the NFRD. Benchmarks administrators need ESG data related to EU companies of any size (not just companies with more than 500 employees), to companies from outside the EU which are not covered by the NFRD, and to various asset classes, including private companies.

190 Guidance on standards: the BMR does not provide specific guidance on the standards to be used to calculate the indicators, in line with the approach currently followed by the NFRD and the SFDR.

EUROPEAN SUPERVISORY AUTHORITIES (ESAS) REGULATION

Description of the regulation: main points

191 Regulation 2019/2175/EU of 27 December 2019 has amended the EBA regulation, the ESMA regulation, the EIOPA regulation, MIFIR, the benchmark regulation and the funds transfer regulation, in order to give new competences as well as to clarify existing competences of European Supervisory Authorities (ESAs) – most of them having started on 1 January 2020. The objective of such review is that the ESAs will get a more important role in the area of sustainable finance (as well as Fintech), given that these two trends are bound to drive financial services and the Capital Markets Union, in that they have the potential to transform financial services.

192 Therefore, according to Regulation 2019/2175/EU, the ESAs should play an important role in identifying and reporting risks that environmental, social and governance related factors pose to financial stability, and in rendering financial markets activity more consistent with sustainability objectives. They should therefore provide guidance on how sustainability considerations can be effectively embodied in relevant Union financial legislation and promote coherent implementation of those provisions upon adoption. More specifically, article 29 of the ESAs review, highlights that the ESAs shall at a minimum put in place 'a monitoring system to assess material environmental, social and governance-related risks, taking into account the COP 21 Paris agreement', while article 32 mentions that the ESAs shall develop 'common methodologies for assessing the effect of environmental risks on the financial stability of institutions'. When initiating and coordinating Union-wide assessments of the resilience of financial institutions to adverse market developments, the ESAs should duly consider risks that environmental, social and governance related factors could pose to the financial stability of those institutions.

193 Most particularly, the EBA shall act in the field of activities of credit institutions, financial conglomerates, investment firms, payment institutions and e-money institutions in relation to issues including matters of corporate governance, auditing and financial reporting, taking into account sustainable business models and the integration of environmental, social and governance related factors. In consultation with the ESRB, it should develop criteria for the identification and measurement of systemic risk and an adequate stress-testing regime which includes an evaluation of the potential for systemic risk posed by, or to, financial institutions to increase in situations of stress, including potential environmental-related systemic risk. The financial institutions that may pose a systemic risk shall be subject to strengthened supervision, and where necessary, the recovery and resolution procedures. It should also put in place a monitoring system to assess material environmental, social and governance-related risks, taking into account the Paris Agreement to the United Nations Framework Convention on Climate Change. It should develop common methodologies for assessing the effect of economic scenarios on a financial institution's financial position taking into account inter alia risks stemming from adverse environmental developments, and for assessing the effect of environmental risks on the financial stability of financial institutions. It is worth noting that similar duties are given to the EIOPA and to ESMA.

194 It is worth noting as well the role of ESMA in developing guidelines for credit-rating agencies, given that such institutions are directly within its supervision remit. In an advice published in July 2019, ESMA has therefore assessed the level of consideration of ESG factors in both specific credit rating actions, and the credit rating market in general. It found that, while credit rating agencies (CRAs) are considering ESG factors in their ratings, the extent of their consideration can vary significantly across asset classes, according to each CRA's methodology. ESMA has therefore proposed that the European Commission assesses whether there are sufficient regulatory safeguards in place for other products that will meet the demand for pure sustainability assessments. The guidelines on disclosure requirements for credit ratings published by ESMA are therefore intended to improve the overall quality and consistency of CRAs' press releases related to their rating activity. They provide detailed guidance as to what CRAs should disclose when they issue a credit rating (in order to ensure a better level of consistency in terms of the critical information included in CRAs' press releases); and they require greater transparency around whether ESG factors were a key driver of the credit rating action (in order to allow the users of ratings to better assess where ESG factors are affecting credit rating actions).

195 To be noted as well the publication by the European Commission in January 2021[22] of a study dedicated to sustainability-related ratings, data and research that emphasizes that while there is a need for the disclosure of sustainability-related rating methodologies and the development of industry standards, company sustainability disclosures are considered to lack comparability, consistency and completeness, despite the growth in uptake of the numerous sustainability reporting standards that exist. The study therefore highlights the 'need for standardised reporting by companies so that investors and sustainability-related product and service providers can better assess performance is acknowledged across market participants'.

Analysis: summary of identified gaps and overlaps with NFRD

196 Although there is no direct gap with the NFRD, the extension of the ESAs role in ESG puts the role of non-financial information on the front stage in order to appropriately answer to the new requirements imposed by the ESA review of December 2019. Most notably, the approach on risks should be taken into consideration, given that it calls for the double materiality approach to be fully embedded in corporate disclosures.

TAXONOMY

Description of the regulation: main points

197 In addition to already applicable transparency requirements (NFRD and Prospectus), the Action Plan on Sustainable Finance has introduced additional ESG transparency requirements among which those related to the Taxonomy regulation. All articles cited refer to the Regulation n°2020/852 on the establishment of a framework to promote sustainable investments of 18 June 2020, called in this note "Taxonomy regulation".

22 Available here: Study on sustainability-related ratings, data and research – Publications Office of the EU (europa.eu)

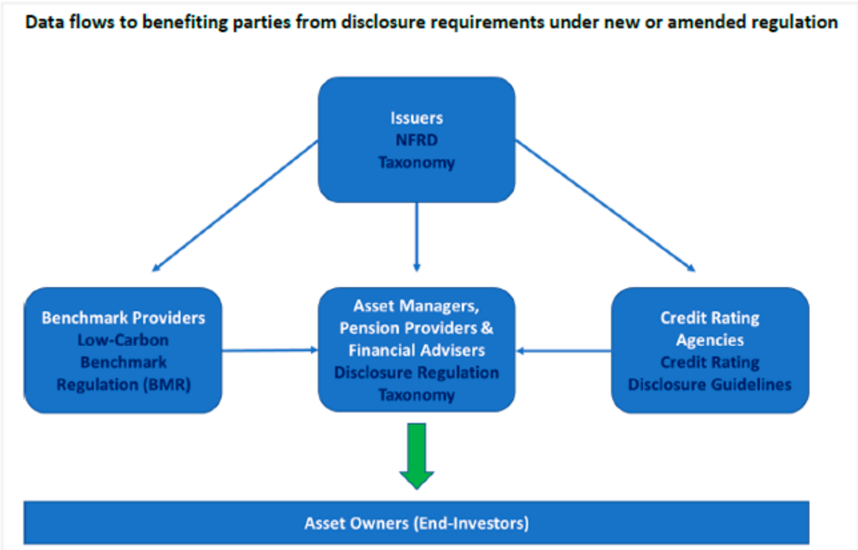
198 The Taxonomy regulation 'establishes the criteria for determining whether an economic activity qualifies as environmentally sustainable for the purposes of establishing the degree to which an investment is environmentally sustainable' (Article 1).

199 Taxonomy regulation applies to:

a) "measures adopted by Member States or by the Union that set out requirements for financial market participants or issuers in respect of financial products or corporate bonds that are made available as environmentally sustainable

b) financial market participants that make available financial products

c) undertakings which are subject to the obligation to publish a non-financial statement or a consolidated non-financial statement pursuant to Article 19a or Article 29a of Directive 2013/34/EU of the European Parliament and of the Council (68), respectively." (Article 1)



Source: ICMA – Update on the EU's Sustainability Disclosure Regime (April 2020)

200 To be qualified as an activity environmentally sustainable, it has to meet 4 criteria (Article 3), which are:

a) 'contributes substantially to one or more of the environmental objectives'

b) 'does not significantly harm any of the environmental objectives (DNSH)'

c) 'is carried out in compliance with the minimum safeguards laid down in Article 18'

d) 'complies with technical screening criteria that have been established by the Commission'

201 According to Article 9 the 6 environmental objectives are:

a) Climate change mitigation (developed in article 10)

b) Climate change adaptation (developed in article 11)

c) The sustainable use and protection of water and marine resources (developed in article 12)

d) The transition to a circular economy (developed in article 13)

e) Pollution prevention and control (developed in article 14)

f) The protection and restoration of biodiversity and ecosystems (developed in article 15)

202 Technical screening criteria are to be developed by the European Commission articles 10 to 15 refer to a 'delegated act' to add the 'technical screening criteria' (to be established) and Article 19 details what 'technical screening criteria' should be.

203 The TEG has then released a report (March 2020) on the EU Taxonomy including a technical annex with a proposition of technical screening criteria for the climate mitigation and climate adaptation objectives. It contains quantitative as well as qualitative requirements, which are defined for the two first environmental objective, by sub-categories of activity and in some cases by sub-activity.

204 DNSH– Do Not Significant Harm (to the 6 objectives): for each environmental objective, the meaning of the DNSH is briefly explained. For example, for the first objective 'climate change mitigation', an activity that significantly harm this objective if 'that activity leads to significant greenhouse gas emissions' (Article 17). If a DNSH criteria is not met the activity cannot be taxonomy-eligible.

205 The scope of the impact is detailed as such: 'both the environmental impact of the activity itself and the environmental impact of the products and services provided by that activity throughout their life cycle shall be taken into account, in particular by considering the production, use and end of life of those products and services.'

206 Minimum social safeguards: the Taxonomy regulation mentions the 'OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights' and mentions that the undertaking has to adhere to the 'principle of "do no significant harm" referred to in point (17) of Article 2 of Regulation (EU) 2019/2088' (Article 18).

207 What is the disclosure required by the Taxonomy? The Taxonomy requires any entity 'subject to an obligation to publish non-financial information' to include information 'on how and to what extent the undertaking's activities are associated with economic activities that qualify as environmentally sustainable' (Article 8).

208 The Taxonomy identifies 3 main indicators: i) 'the proportion of their turnover derived from products or services associated with economic activities that qualify as environmentally sustainable', ii) 'the proportion of their capital expenditure and if relevant iii) the proportion of their operating expenditure related to assets or processes associated with economic activities that qualify as environmentally sustainable' (Article 8).

Analysis – Summary of identified gaps and overlaps with NFRD

209 The regulation on the Taxonomy of sustainable economic activities was published in June 2020. The Commission shall adopt several delegated acts according to Articles 10 to 15 of the Regulation in order to establish the technical screening criteria, and shall consult the Platform on Sustainable Finance as well as the Member States Experts Group before doing so. The organisation of the Platform is described in Article 20 of the regulation. The delegated acts have to be adopted by 31 December 2020 (the publication has been delayed to early February 2021), and enter in application from 1 January 2022, as regards the climate-related objectives under Articles 10 and 11, and be adopted by 31 December 2021, and enter in application from 1 January 2023, as regards the four other environmental objectives under Articles 12, 13, 14 and 15 of the Regulation. The Commission shall also adopt a delegated act according to Article 8 of the Regulation by June 2021 in order to specify the content and presentation of the information to be disclosed, including the methodology to be used. This delegated act will apply from January 2022 covering the financial year 2021.

210 As a consequence, companies will have to prepare their reporting systems from 1 January 2021.

211 According to the Taxonomy, an 'environmentally sustainable investment' means an investment in one or several economic activities that qualify as environmentally sustainable under this Regulation (Article 2). The impact of the activity on the environment is defined.

212 However, there is no mention of the risk of the environment on economic activity or investment even if reporting requirements on green turnover/CapEx/OpEx can be considered as an outside-in impact as the environmental

sustainable qualification is intended to attract investors. The principle of double materiality is not fully applied in the Taxonomy.

213 The Taxonomy regulation applies to i) measures adopted by Member States or by the Union that set out requirements for financial market participants or issuers in respect of financial products or corporate bonds that are made available as environmentally sustainable, ii) financial market participants that make available financial products, iii) undertakings which are subject to the obligation to publish a non-financial statement or a consolidated non-financial statement pursuant to Article 19a or Article 29a of Directive 2013/34/EU of the European Parliament and of the Council, respectively.

214 By referring to the NFRD the Taxonomy regulation applies to the same actors as the ones under the NFRD. However, it also applied to other actors, especially to the 'financial market participants'.

215 The Taxonomy regulation only covers the environmental part, which covers 6 subjects: i) climate change mitigation and ii) adaptation, iii) water and marine resources, iv) circular economy, v) pollution and vi) biodiversity and ecosystems. The Taxonomy is aligned with the NFRD on the environmental part only, provided that environmental topics are clearly defined under the revised NFRD and aligned with other EU existing environmental policies and regulations.

216 Taxonomy regulation required the disclosure of:

a) 'information on how and to what extent the undertaking's activities are associated with economic activities that qualify as environmentally sustainable'

b) the three indicators defined in the regulation

c) 'the proportion of their turnover derived from products or services associated with economic activities that qualify as environmentally sustainable'

d) 'the proportion of their capital expenditure related to assets or processes associated with economic activities that qualify as environmentally sustainable'

e) 'the proportion of their operating expenditure related to assets or processes associated with economic activities that qualify as environmentally sustainable'

f) The delegated acts to be adopted end of 2020 and end of 2021 will define activity-specific, granular indicators (and where relevant, thresholds), and potential mandatory action plans to qualify as environmentally sustainable. It should be noted that these indicators are used for defining whether or not the activity is taxonomy-eligible. The question remains whether Level 2 disclosure requirements on non-financial information should be set out and defined in one legislative instrument (revised NFRD) to simplify matters for market participants (both financial and non-financial undertakings) or not (that is to say in each legislation).

217 The Taxonomy defines 3 mandatory KPIs that are not included in the requirements of the current NFRD. On top of these 3 KPIs, would it be relevant to include the environmental Technical Screening Criteria (TSC) in the NFR requirements? TSC are often defined as sector specific thresholds ratios as for example: gCO_2e/KWh, tCO_2e/t of product (clinker, steel, etc.), gCO_2e/pkm or tkm, etc. or qualitative performance indicators or process or practice-based requirements. A sector specific approach in the revised NFRD would probably encompass carbon intensity or energy efficiency ratios.

218 The indicators defined in the Taxonomy Delegated Acts could therefore potentially be used in a much broader way for corporate environmental reporting, to ensure consistency and avoid duplication.

219 Location of Taxonomy related disclosures may differ depending on the review of the NFRD: in the non-financial statement, in the consolidated non-financial statement or in the separate report for non-financial statement if applicable (Article 8). In Taxonomy regulation, the scope of the impact taken into account regarding the DNSH is detailed as: "both the environmental impact of the activity itself and the environmental impact of the products and services provided by that activity throughout their life cycle shall be taken into account, in particular by considering the production, use and end of life of those products and services." (Article 17) which is consistent with the current NFRD.

220 Both texts mention a larger scope than the activity. In terms of approach to set up the TSC, the Taxonomy regulation is far more specific than the NFRD and adds key words such as the "life cycle analysis" requirement (Article 19).

221 The Taxonomy is organised around the 6 environmental objectives described earlier. Technical screening criteria are based on quantitative as well as qualitative requirements, which are currently defined for the two first environmental objectives, by sub-categories of activity and in some cases by sub-activity. That is to say that they are organised by sector, using the Eurostat NACE codes. As the current NFRD does not define a sector specific approach, all undertakings fall under the same generic requirements.

222 The NFRD and the Taxonomy regulation have different approaches because they have different objectives: the Taxonomy has generic KPIs but activity-specific criteria when the current NFRD does not. If the NFR standard was to develop a sector specific dimension, should it be based on NACE European classification to be aligned with Taxonomy regulation or with international classifications like ISIC (non-proprietary classification maintained by the United Nations Statistics Division for the public good) or others? What would be the relevant sector granularity in this case? For consistency purposes, and for ownership issues, given that NACE codes are led by Eurostat (part of the Commission) and that NACE codes are already referred to in two existing EU regulations (Taxonomy and Benchmark regulations), it would seem more relevant to use NACE codes.

223 No assurance is required by the Taxonomy regulation. However, the Taxonomy related KPIs should be published in the same document as the non-financial statement and information. Since the NFRD indicates that the information in the non-financial statement may be required to be verified by an independent assurance services provider, the Taxonomy regulation falls under the same rule. The remaining question is whether the verified subject matter should be the green turnover/capex/opex or also all or some TSC thresholds/information? Whatever the answer, a smart verification of the green turnover/capex/opex should cover the reliability of the underlying data, that is to say the TSC thresholds/ information and the associated financial aggregates. Taxonomy relies on NFRD information, but the NFRD revision timeline is longer than the implementation timeline of SFRD – thus there is a risk of taking decisions in SFRD that is not aligned with the NFRD strategy (for instance in term of location of information and other recommendations drafted by the EFRAG PTF).

224 Reporting requirement, gaps and overlaps per initiatives in relation with NFRD may be summarised as follows:

NAME OF THE INITIATIVE	REPORTING REQUIREMENT	GAPS	OVERLAPS
Eco-Management and Audit Scheme (EMAS)	Management tool 6 core indicators Voluntary basis	-	Environmental topics and related governance
EU Sustainable Development Strategy (SDS)	EU SGD indicators Member state but could be selected by companies	-	ESG topics
Environmental liability directive	No alignment on indicators	-	Environmental topics
Environmental Footprint (PEF-OEF) recommendation	Management tool for quantification of the impact. No alignment on indicators Voluntary basis	-	Environmental impacts of organisation
Regulations related to sites and project:	Adhoc reporting		
• Environmental Impact assessment directive	Not specific	-	Environmental impact assessment
• Industrial Emissions directive	Authorisation to operate	-	Pollutant emissions
• Seveso III	If environment risks	-	Environment
• European Pollutant Release and Transfer Registrer (E-PRTR)	If use of pollutant elements	-	Environment

NAME OF THE INITIATIVE	REPORTING REQUIREMENT	GAPS	OVERLAPS
Regulations related to products: • Basel convention on the control of transboundary movements of hazardous wastes and their disposal • Regulation on shipments of waste • Directive on waste • Regulation on export and import of hazardous chemicals • Regulation on persistent organic pollutants (POPs) • EU Timber Regulation • EU Ecolabel	Adhoc reporting Voluntary, provides criteria to be fulfilled to keep the Ecolabel	-	All relate to environmental topics
Equal pay directive	Yes but subject to MS transposition: no specific indicator at EU level	-	Social topics
Late Payment directive	Yes but subject to MS transposition: no specific indicator at EU level	-	Relations with suppliers
EU Emissions Trading System directive (ETS)	Mandatory for some sectors	-	Environment
Transparency directive	Mandatory for Corporate issuers	For financial information	
Capital Requirement Regulation (CRR)	MS transposition	Financial materiality only	Governance issue for banks (prudential side)
Shareholders Rights Directive (SRD)	MS transposition	Not exactly same double materiality concept	Governance
Solvency 2 directive + delegated regulations	Yes	Principles for scenario analysis	Risk management, governance
Markets in Financial Instruments (MIFID 2)	MS transposition	-	ESG characteristics of a financial instrument
Insurance Distribution Directive (IDD)	No	Sustainability preference	ESG issues
Institutions for Occupational Retirement provisions (IORP II) directive	No	-	General ESG topics
Sustainable Finance Disclosure Regulation (SFDR)	Yes with a set of mandatory KPIs	Adverse impact principal	Same double materiality concept ESG topics
Climate Benchmark regulation	Yes (78 indicators) RTS in progress	No materiality threshold	ESG data
European Supervisory Authorities (ESAs) regulation	In progress		ESG risks to financial stability
Taxonomy (articles 8 – 5&6)	In progress (3 expected mandatory indicators)	Do Not Significant Harm principle	Environmental issues

225 At this stage, the analysis performed shows that :

a) all the identified initiatives relate to ESG topics with a large part to environmental issues: there is no gap identified on a (missing) topic. NFRD can be considered as a global framework for all ESG reporting requirements.

b) gaps are related to definition of principles related to materiality (definition of double materiality, adverse impact or Do not significant Harm), definition of scenario analysis and definition of sustainability preference.

c) many indicators exist: some are for guidance only, some are mandatory at EU level, some arisen from transposition exercise by Member State, which create in this case much diversity. The available analyses[23] of the transposition in each Member State of the NFRD relate only to comparison of high level principles and not of the data points' requirement. Due to time constraints, this further analysis has not been performed by Stream 1 but has been approached by Stream 6 in the reviews of practices, which follow mandatory national requirements.

PART B – Detailed analysis of the data points required by the above initiatives

226 Based on the analysis made in Part A and as summarised above, it can be assessed that some of the current initiatives (either directives or regulations) require disclosure of specific information (narrative or quantitative) which could be called "indicators" or "data points". This is the case for:

a) The NFRD (5 requirements), its general non-binding guidelines (examples of KPIs without detailed definition is available. As is a list of possible private initiatives to be used –see A2 analysis) and the supplementary guidelines on reporting climate-related information issued in 2019 which are more detailed on which climate related indicators are to be used (In total, 56 climate-related pieces of information; 43 narrative, 13 quantitative for non-financial entities). Other specific information for financial entities is requested (see Appendix 4 for the list of indicators).

23 2 studies are available: (i) Member State Implementation of Directive 2014/95/EU issued in 2018 by Accountancy Europe, GRI and CSR and (ii) The state of corporate sustainability disclosure under the EU Non-financial directive (2018 and 2019 reports) by the Alliance for Corporate Transparency.

	NFRD & Non-binding guidelines		**Climate-related NBG ***	**Equal Pay**	**Late Payment**	**ETS**	**SRD**	**Solvency 2**
Scope	Listed companies > 500 employees		**For non FI entities**	All Cies	All Cies	specific plant	FI	Insurance Cies
Type of information	public report		public report	Internal use	public report	public report	available on request	regulatory use
	a brief description of the undertaking's business model;	Narrative	Complete and illustrate NFRD on this point 9 narrative topics					
	a description of the policies pursued by the undertaking in relation to those matters, including due diligence processes implemented;	Narrative	Complete and illustrate NFRD on this point 13 narrative topics					(pillar 2)
	the outcome of those policies;	Narrative	Complete and illustrate NFRD on this point 3 narrative topics					
	the principal risks related to those matters linked to the undertaking's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks;	Narrative	Complete and illustrate NFRD on this point 18 narrative topics					
	non-financial key performance indicators relevant to the particular business.	Quantitative but optional	Complete and illustrate NFRD on this point 13 quantitative topics					
	NB Guidelines gives examples (4.6) for potential KPI							
	Environment	7 examples				Mandatory		
	energy performance and improvements in energy performance;							
	energy consumption from non-renewable sources and energy intensity;							
	greenhouse gas emissions in metric tonnes of CO_2 equivalent and greenhouse gas intensity;							

b) The Late payment directive.

c) The Equal pay directive.

d) The ETS regulation.

e) The various environmental initiatives are either general and provide guidance when they are at the level of companies or they require specific reporting to the environmental authorities when they are at plant or project levels in the case of high risks to the environment. The objective of this information is to prevent environmental risks, to show compliance with a regulation requiring specific behaviour and not to contribute to corporate reporting, except for EMAS environmental performance reporting.

f) The proposed RTS supporting Regulation (EU) 2088/2019 or SFDR: 51 indicators (still under validation). Even if this regulation relates only to financial market participants, a potential trickle-down effect on non-financial companies may occur. (see Appendix 5 for the list of proposed indicators)

g) The delegated acts supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the explanation in the benchmark statement of how environmental, social and governance factors are reflected in each benchmark provided and published: 82 indicators (still under validation). Even if this regulation relates to financial market participants, a potential trickle-down effect on non-financial companies may occur.

h) The EU Taxonomy regulation: 3 indicators

See table below:

SFRD	Taxonomy	EMAS	EU SDG	Environmental Impact assessment	Industrial Emissions	Seveso III	E-PRTR	Waste	POPs	Timber
Financial product	All Cies	Voluntary	Voluntary	site threshold	site threshold	site threshold	site threshold	All Cies	for transboundaries	Timber related businesses
public report	public report	Voluntary	Voluntary	regulatory use/public report	regulatory use	regulatory use	regulatory use	regulatory use	regulatory use	regulatory use
	Mandatory	6 core indicators								

	NFRD & Non-binding guidelines		Climate-related NBG *	Equal Pay	Late Payment	ETS	SRD	Solvency 2
Scope	Listed companies > 500 employees		**For non FI entities**	All Cies	All Cies	specific plant	FI	Insurance Cies
Type of information	public report		public report	Internal use	public report	public report	available on request	regulatory use
	emissions of other pollutants (measured in absolute value and as intensity);							
	extraction of natural resources;							
	impacts and dependences on natural capital and biodiversity;							
	waste management (e.g. recycling rates).							
	Social	9 examples		(indicative only)				
	average hours of training per year per employee, by gender;							
	employee consultation processes;							
	employee turnover;							
	employees entitled to parental leave, by gender;							
	gender diversity and other aspects of diversity;							
	the number of occupational accidents, types of injury or occupational diseases;							
	the ratio of employees working under temporary contracts, by gender;							
	workers who participate in activities with a high risk of specific accidents or diseases;							
	number of persons with disabilities employed.							
	Human Rights	7 examples						
	occurrences of severe impacts on human rights relating to its activities or decisions;							
	operations and suppliers at significant risk of human rights violations;							
	processes and measures for preventing trafficking in human beings for all forms of exploitation, forced or compulsory labour and child labour, precarious work, and unsafe working conditions, in particular as regards geographic areas at higher risk of exposure to abuse;							
	how accessible their facilities, documents and websites are to people with disabilities;							
	the process for receiving and addressing complaints, and mitigating and providing remedies to human rights violations;							
	engagement with relevant stakeholders.							
	respect for freedom of association;							
	Governance (anti-corruption, bribery)	6 examples						
	anti-corruption policies, procedures and standards;							
	criteria used in corruption-related risk assessments;							
	internal control processes and resources allocated to preventing corruption and bribery;							
	employees having received appropriate training;							
	use of whistleblowing mechanisms;							
	the number of pending or completed legal actions on anti-competitive behaviour.							

SFRD	Taxonomy	EMAS	EU SDG	Environmental Impact assessment	Industrial Emissions	Seveso III	E-PRTR	Waste	POPs	Timber
Financial product	All Cies	Voluntary	Voluntary	site threshold	site threshold	site threshold	site threshold	All Cies	for transboundaries	Timber related businesses
public report	public report	Voluntary	Voluntary	regulatory use/public report	regulatory use	regulatory use	regulatory use	regulatory use	regulatory use	regulatory use

	NFRD & Non-binding guidelines		Climate-related NBG *	Equal Pay	Late Payment	ETS	SRD	Solvency 2
Scope	Listed companies > 500 employees		**For non FI entities**	All Cies	All Cies	specific plant	FI	Insurance Cies
Type of information	public report		public report	Internal use	public report	public report	available on request	regulatory use
	Supply-chain indicators	5 examples			(indicative only)			
	labour practices, including child labour and forced labour, precarious work, wages, unsafe working conditions (including building safety, protective equipment, workers' health) (1);							
	trafficking in human beings and other human rights matters;							
	greenhouse gas emissions and other types of water and environmental pollution;							
	deforestation and other biodiversity-related risks;							
	and monitoring the company's impact on suppliers, for instance, its payment terms and average payment periods.							
	conflict minerals	1 example						
	These include: the proportion of direct relevant suppliers having adopted and implemented a conflict minerals due diligence policy consistent with the OECD Due Diligence Guidance; the proportion of responsibly-sourced tin, tantalum, tungsten or gold originating in conflict-affected and high-risk areas; and the proportion of relevant customers contractually requiring conflict minerals due diligence information under the OECD Due Diligence Guidance.							

** specific guidance for banks and insurance*

227 As the NFRD proposes an overarching framework for the reporting of ESG, human rights and anti-corruption topics, the analysis has been structured under the NFRD architecture in order to identify key areas of data points reporting requirements with other initiatives (see above table in page 48). This resulting detailed analysis confirms the overlap areas in terms of topics. No other topics (than those covered by the NFRD) have been identified in the other initiatives.

228 In order to complete this panorama, the type of requested information based on the four following categories 'public disclosure, regulatory use, internal use or voluntary report' has been also centralised in above table. This results in a high diversity of the required publication of the data points. It is worth noting that many environmental initiatives request information for internal use of the Commission or of the Member States. Nevertheless, stakeholders are free to use data points already requested by an official initiative for their public report.

229 A first joint analysis with Stream A2 has enabled us to identify if the topics exist in the current private frameworks and how many related KPI can be identified as a response to the proposed examples of the NFRD. This analysis show a very high degree of potential diversity for most of the examples given by the Non-binding guidelines, up to 696 proposals on 'gender diversity and other aspects of diversity'. On the other hand, 3 topics are not covered in the private frameworks; (i) the employee consultation process; (ii) the monitoring of the company's impact on suppliers, for instance, its payment terms and average payment period, which are more descriptive indicators and (iii) the conflict materials area.

	SFRD	Taxonomy	EMAS	EU SDG	Environmental Impact assessment	Industrial Emissions	Seveso III	E-PRTR	Waste	POPs	Timber
	Financial product	All Cies	Voluntary	Voluntary	site threshold	site threshold	site threshold	site threshold	All Cies	for transboundaries	Timber related businesses
	public report	public report	Voluntary	Voluntary	regulatory use/public report	regulatory use	regulatory use	regulatory use	regulatory use	regulatory use	regulatory use

a) Environment potential KPIs – 7 examples:

Potential KPIs subject	Nb of identified KPIs	Nb of related frameworks
energy performance and improvements in energy performance	56	13
energy consumption from non-renewable sources and energy intensity	N/A (iso)	N/A
greenhouse gas emissions in metric tonnes of CO_2 equivalent and greenhouse gas intensity	142	19
emissions of other pollutants (measured in absolute value and as intensity)	12	7
extraction of natural resources	18	11
impacts and dependences on natural capital and biodiversity	76	76
waste management (e.g. recycling rates)	147	14

b) Social potential KPIs – 9 examples:

Potential KPIs subject	Nb of identified KPIs	Nb of related frameworks
average hours of training per year per employee, by gender	50	13
employee consultation processes	N/A	N/A
employee turnover	12	9
employees entitled to parental leave, by gender	11	5
gender diversity and other aspects of diversity	696	23
the number of occupational accidents, types of injury or occupational diseases	127	15
the ratio of employees working under temporary contracts, by gender	36	11
workers who participate in activities with a high risk of specific accidents or diseases	N/A (ISO)	N/A (ISO)
number of persons with disabilities employed	N/A (ISO)	N/A (ISO)

c) Human rights potential KPIs – 7 examples:

Potential KPIs subject	Nb of identified KPIs	Nb of related frameworks
occurrences of severe impacts on human rights relating to its activities or decisions	42	12
operations and suppliers at significant risk of human rights violations	13	6
processes and measures for preventing trafficking in human beings for all forms of exploitation, forced or compulsory labour and child labour, precarious work, and unsafe working conditions, in particular as regards geographic areas at higher risk of exposure to abuse	31	12
how accessible their facilities, documents and websites are to people with disabilities	N/A (ISO)	N/A (ISO)
the process for receiving and addressing complaints, and mitigating and providing remedies to human rights violations	N/A (ISO)	N/A (ISO)
engagement with relevant stakeholders	66	10
respect for freedom of association	21	9

d) Governance potential KPIs – 6 examples:

Potential KPIs subject	Nb of identified KPIs	Nb of related frameworks
anti-corruption policies, procedures and standards;	34	8
criteria used in corruption-related risk assessments	7	6
internal control processes and resources allocated to preventing corruption and bribery	10	4
employees having received appropriate training	3	3
use of whistleblowing mechanisms	5	3
the number of pending or completed legal actions on anti-competitive behaviour	22	10

e) Supply-chain potential KPIs – 5 examples:

Potential KPIs subject	Nb of identified KPIs	Nb of related frameworks
labour practices, including child labour and forced labour, precarious work, wages, unsafe working conditions (including building safety, protective equipment, workers' health)	30	7
trafficking in human beings and other human rights matters	N/A (ISO)	
greenhouse gas emissions and other types of water and environmental pollution	11	8
deforestation and other biodiversity-related risks	4	2
monitoring the company's impact on suppliers, for instance, its payment terms and average payment periods	No KPI	N/A

f) Conflict materials potential KPIs – 1 example:

For this topic, no indicator has been identified in any of the private frameworks studied.

230 In parallel, the analysis of the data points requirement in the EU initiatives illustrates that there is no particular alignment between all the initiatives. Nevertheless a harmonisation could be easily initiated after some investigations on how the directives have already been transposed in the different Member States. To illustrate this diversity, analysis has been performed on topics related to equal pay, late payment, impact on environment and Greenhouse gas emission:

a) For information related to Equal pay directive, the topics required by the directive fall:

(i) Under the general requirement of the NFRD of the description of the policies pursued by the company (Article 4.2); and

(ii) Under the social requirement of the NFRD. The transposition in the Member States of the Equal pay directive has made some reporting mandatory for all companies above 50 salaries to employees and to workers' representatives. The same companies which need to comply with NFRD, normally use the same or very similar indicators for internal management. To go further on the alignment proposal, a review of the transposition of the Equal pay directive on each MS will be useful.

(iii) In parallel, EU SDG propose the following indicators:

1. Gender pay gap in unadjusted form: the gender pay gap in unadjusted form represents the difference between average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees. The indicator has been defined as unadjusted because it gives an overall picture of gender inequalities in terms of pay and measures a concept which is broader than the concept of equal pay for equal work. The gender pay gap is based on the methodology of the structure of earnings survey (SES), which is carried out every four years.

2. Gender employment gap: the gender employment gap is defined as the difference between the employment rates of men and women aged 20 to 64. The employment rate is calculated by dividing the number of people aged 20 to 64 in employment by the total population of the same age group. The indicator is based on the EU Labour Force Survey (EU-LFS).

3. Gender gap for inactive population due to caring responsibilities: the economically inactive population comprises individuals that are not working, not actively seeking work and not available to work even if they have found a job. Therefore, they are neither employed nor unemployed and considered to be outside the labour force. This definition used in the EU Labour Force Survey (EU-LFS) is based on the guidelines of the International Labour Organization

4. Gender equality Positions held by women in senior management. This indicator measures the share of female board members in the largest publicly listed companies and is expressed in (% of Board members)

b) For information related to the Late payment directive. Information related to payment conditions granted to suppliers is regulated by each Member State and the same information may be communicated in the framework of the NFRD reporting. A unique type of information may be attainable. To go further on the alignment proposal, a review of the transposition of this directive in Member States would be necessary. The Late payment directive on each MS will also be useful. No other initiative relates to late payment towards suppliers.

c) For information related to impact on the environment (mainly due to pollutant risk and waste abilities), the quantitative indicators requested by current environmental regulations (either at Company level, or products or sites levels) may be used (if material) to illustrate the policies of the company and the description of risks required by the NFRD. EU SDG uses a specific indicator for Waste by companies which is the circular material use rate: the circular material use rate (CMU) measures the share of material recovered and fed back into the economy in overall material use. The CMU is defined as the ratio of the circular use of materials to the overall material use. The overall material use is measured by summing up the aggregate domestic material consumption (DMC) and the circular use of materials. DMC is defined in economy-wide material flow accounts. The circular use of materials is approximated by the amount of waste recycled in domestic recovery plants minus imported waste destined for recovery plus exported waste destined for recovery abroad.

d) For information related to Greenhouse Gas (GHG) Emissions, climate-related guidelines have followed a consensus process related to the definition of a company emission in term of scope, but usage may differ according to the initiatives:

Source	**KPI**	**Unit of measure**
Climate-related guidelines	Direct GHG emissions from sources owned or controlled by the company (Scope 1)	tons CO_2
Climate-related guidelines	Indirect GHG emissions from the generation of acquired and consumed electricity, steam, heat, or cooling (collectively referred to as “electricity”) (Scope 2)	tons CO_2
Climate-related guidelines	All indirect GHG emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions (Scope 3). Companies should not exclude any activity that would compromise the relevance of the reported Scope 3 GHG emissions calculation and must follow GHG protocol guidance / ISO 16064 and explain any excluded categories in their Scope 3 GHG emissions disclosure	tons CO_2
Climate-related guidelines	GHG absolute emissions target	tons CO_2 achieved or % reduction, from base year
EU SDG	Specific index at Member state level	
EU ETS	All direct Emissions (?) as based on the system	tons CO_2
E-PRTR	Direct Emissions per gas (?)	CO_2
Proposed RTS for SFDR	Carbon emission	

(f) ‘total carbon emissions’ shall be calculated in accordance with the following formula

$$\sum_{n}^{i}\left(\frac{current\ value\ of\ investment_i}{investee\ company's\ enterprise\ value_i} \times investee\ company's\ Scope\ 1, 2\ and\ 3\ carbon\ emissions_i\right)$$

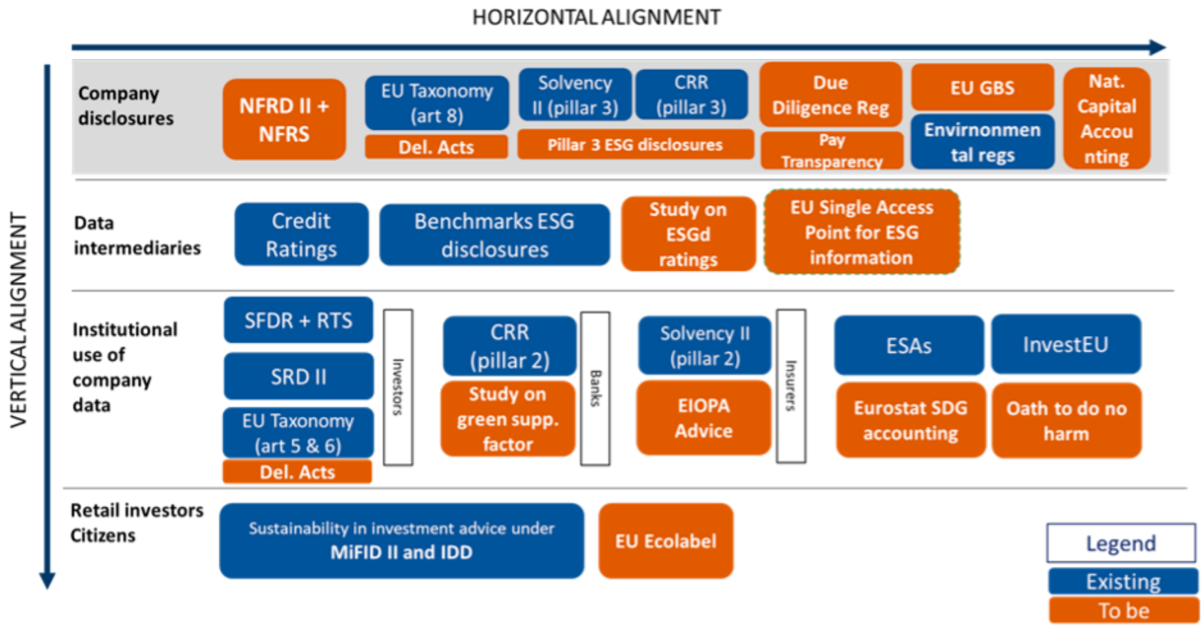
231 To conclude, even there is a commonality of topics around the non-financial initiatives and specifically on Environmental, Social and Governance topics, it remains difficult in most of the initiatives to identify specific defined indicators as such, except for GHG Emissions and Climate-related issues.

232 We could also say after the analysis in Part A that many of the indicators required or mentioned are backward-looking, meaning the forward-looking aspect is missing in many of the initiatives.

233 The review with Stream 2 on the mapping of the data points in order to identify if private frameworks already provide a basis for proposing some "standardised" indicators. To go further, a complementary analysis may be useful to be performed jointly with Stream 6 in order to identify current practices of reporting by companies and to determine if some of the potential KPIs are regularly reported by European companies.

PART C – Other initiatives in progress

234 The ESG landscape by integrating the under discussion initiatives will evolve as follows:



235 Note that this chart focus on financial / capital market users (decision users as defined in Workstream 4) and not on purpose users like human rights agencies or environmental NGOs.

236 Based on the interviews performed and on the various consultations in progress, the 11 forthcoming initiatives detailed further in this section are summarised in the chart below:

Name of the initiative	Current step	Next step date	Expected direct scope
Climate action initiatives under the green deal	Review of the strategy on green gas emission	Mid 2021	Corporate
EU Green Bond Standard (voluntary standard)	Expected feedback on inception consultation	Q1 2021	Issuers
Invest EU Regulation	Proposal for a regulation issued in June 2018	Waiting for Parliament agreement	Investors funds
Sustainable Corporate Governance Initiative	Consultation in progress until 02/2021	June 2021	All entities
Social taxonomy and the harmful taxonomy	Workgroups set-up in October 2020	May 2021	All entities
European Single Access Point for sustainability	Preparation of a legislative proposal	Q3 2021	Investors
Forthcoming environmental regulations: • MAES (Map and Assess the state of Ecosystems and their Services) • Natural capital accounting tool • EU Business@Biodiversity Platform • Green Claims	 Report as of 21 October 2020 Report issued in 2019 on status in EU Forum available Consultation up to 3 December 2020	 Guidance (?) ?	 Member State Corporate Corporate Corporate
Ecolabel for Retail financial products	Consultation on criteria	2021 (?)	Financial products, investors

ALIGNMENT BETWEEN CLIMATE ACTION INITIATIVES UNDER THE GREEN DEAL AND NFRD

Description of the forthcoming regulations: main points

237 First climate action initiatives under the Green Deal include:

a) European Climate Law to enshrine the 2050 climate-neutrality objective into EU law

b) 2030 Climate Target Plan to further reduce net greenhouse gas emissions by at least 55% by 2030

238 By June 2021, the Commission will also review and, where necessary, propose revising all relevant policy instruments to deliver additional greenhouse gas emissions reductions.

239 In early 2021, the Commission will adopt a new, more ambitious EU strategy on adaptation to climate change in order to strengthen efforts on climate-proofing, resilience building, prevention and preparedness, ensuring that businesses, cities and citizens are able to integrate climate change into their risk management practices.

240 These initiatives are designed to define the framework at EU and MS levels rather than at Corporate level and there are no clear reporting requirements designed at this stage. Nevertheless, these initiatives may raise some questions for the revised NFRD and its potential NFR standard.

Analysis – Summary of potential gaps and key points of attention in the revision of NFRD

241 Due to the climate urgency recognized by the EU in its forthcoming climate initiatives, the carbon reporting will more and more be based on future emission reduction trajectories towards targets and less on past emissions (“too late to act”). All related documentation consulted by the workstream clearly state that GHG emissions reduction targets must be disclosed. The corresponding scenario analysis and assumptions will therefore become more and more crucial in the

reported information as they are key item for a better understanding of the status and on the objectives and targets. As these items are not specifically taken into account in the NFRD, requirements on this information to be included in the revised NFRD are to be designed.

242 A first question may be how should targets be set? In GHG absolute or intensity emissions? While the European Commission encourages the use of a GHG absolute emission target as a priority (NBG) and states that companies may consider disclosing an additional intensity target, the TCFD, the GRI and the SASB do not take a clear position on disclosing an absolute or an intensity target. Whether the GHG emissions reduction target is disclosed in absolute or intensity (or both), all documents agree that companies should provide clear information to clarify the scope of the target. When the definition of the target is clear and transparent, companies must also describe the development of GHG emissions against the set targets. This is confirmed by the EFRAG publication *How to improve climate-related reporting* (February 2020) which states that companies "should systemically report on their performance against their targets in order to provide transparency on their contribution to emission reduction over time". According to the European Commission Guidelines, "companies should consider setting targets for 2025 or 2030 and review them every five years. They may also consider setting a target for 2050 to align with the Paris Agreement". The TCFD, the SASB and the GRI however do not provide clear guidelines on the best time horizon to consider for the target and do not refer to the Science-Based Target initiative (SBTi). However, both the TCFD (in its *Status Report* published in June 2019) and the EFRAG (in its *Supplement 1: Climate-related reporting practices* published in February 2020) highlight some good practices of companies' disclosures regarding GHG emission reduction targets which have often obtained a validation of their targets from the SBTi. To summarize, companies should disclose performance indicators against clearly defined targets, with a reference to regulatory requirements or international goals. Targets should also be set for the medium/long term (2025, 2030 and even 2050). Obtaining a validation of the target(s) by the SBTi brings credibility and confidence in the company's contribution to reach the Paris Agreement. But having the baseline, yearly emissions and the target setting process verified would also be a relevant solution.

243 Reporting at company level on scope 1, 2 and 3 on the basis of the current GHG protocol as recommended in the non-binding guidelines results in double counting of indirect emissions (scope 2 and 3). This does not facilitate reconciliation between GHG inventories at National level and emission reporting at corporate level. Should a new methodology based on a double-entry accounting be investigated? This approach would also allow for proper accounting of avoided emissions over the value chain, the goal being to decarbonate whole value chains and not to transfer emissions upstream or downstream. For example, insulation materials for buildings concentrate carbon intensity while generating carbon savings during the use phase of the products. This situation cannot be taken into account under the current GHG protocol.

244 The 2050 climate-neutrality objective will require us to reduce emissions but also to avoid remaining emissions. About 25% of global listed companies[24] have recently committed to carbon neutrality. European Commission defines Carbon neutrality as "having a balance between emitting carbon and absorbing carbon from the atmosphere in carbon sinks. Removing carbon oxide from the atmosphere and then storing it is known as carbon sequestration. In order to achieve net zero emissions, all worldwide greenhouse gas emissions will have to be counterbalanced by carbon sequestration". The CORSIA program for aviation aims to offset any carbon emissions above 2020 level for volunteering companies. As of 2020, 81 companies comprising c. 77% of international air traffic did commit to the program. The International Maritime Organization (IMO), a specialized agency of the United Nations, has also pledged to reduce its member states' maritime transportation activities' GHG emissions by 50% in 2050, compared to 2008 baseline. Climate law will accelerate the trend. In this context, should the revised NFRD already integrate rules regarding reporting on offsetting and under which conditions and scope? What about quality and additionality of offsetting, annual verification of credits issuance, etc.?

245 The EU strategy on adaptation to climate change may also result in future reporting requirements for companies on the integration of climate change into their risk management practices. The NBG already recommends disclosing companies' assets committed in regions likely to become more exposed to acute or chronic physical climate risks, which is very rarely disclosed. In this context, the revised NFRD should probably consider detailing and addressing physical risks assessment in its required disclosures.

24 https://assets.naturalcapitalpartners.com/downloads/Deeds_Not_Words_-_The_Growth_Of_Climate_Action_In_The_Corporate_World.pdf

EU GREEN BOND STANDARD PROPOSAL

Description of the initiative – main characteristics

246 The EU GBS as proposed by the European Commission's Technical Experts Group (TEG) in its March 2020 report would be designed as a voluntary standard, open to existing green securities and all types of issuers: whether or not it is a new security, any issuer of a bond or other debt instrument will be able to align with EU GBS requirements or choose to follow other practices. In addition, the TEG considers that the scope of the standard should not be restricted to European underlying economic activities, in that it may also cover international issuers. The European Commission's legislative plan for 2021 includes the proposal of a dedicated EU GBS Regulation by June 2021.

247 The EU GBS would therefore cover four essential elements: (i) the alignment of green projects with the European Taxonomy; (ii) a dedicated framework document; (iii) dedicated reporting; and (iv) verification by accredited auditors. The objective of aligning the standard with the EU Taxonomy, i.e. the use-of-proceeds will have to meet the criteria established in the framework of this regulation to define "green" expenditure (sectoral approach).

248 The TEG provides for two elements of flexibility – that is (i) specific cases of non-applicability of the technical review criteria given the innovation and/or complexity of the project financed; and (ii) cases where the criteria would not have been developed within the Taxonomy at the time of issue. It should be noted that the full application of the Taxonomy Regulation will only be effective as of December 31, 2021, for the climate change mitigation and adaptation criteria: therefore, if EU GBS is to be operational before this date, the reference mode of the Taxonomy will have to be adapted.

249 A framework document dedicated to each security (*Green Bond Framework*) must be drawn up by the issuer in order to provide it with the tools that will enable it to justify its green bond strategy. In this respect, the TEG proposes a "template" of the Green Bond Framework which requires issuers to identify and specify the "sustainability" elements attached to the financing or refinancing of projects in connection with the Taxonomy. More particularly, indicators will be specifically correlated with the EU Taxonomy, both in order to illustrate substantial contribution to the EU Taxonomy's climate and environmental objectives and to account for the "Do No Significant Harm" criteria.

250 Reporting requirements relating to the allocation of funds and environmental impacts – the latter being supported as much as possible by quantitative measures.

251 A mechanism for external verification of compliance with the Green Bond Standard by accredited auditors.

252 The TEG has recommended that the EU GBS should be taken into account in the development of Ecolabel criteria for financial products. However, there is a compatibility issue between the Ecolabel criteria and the EU GBS for sovereign and quasi-sovereign bonds in particular (i.e. criterion 2 of the Ecolabel standard in fact mentions the exclusions relating to sovereign and quasi-sovereign bonds in the event that the issuers or the States to which they belong have not ratified the Paris Agreement or other international agreements (e.g. UN Convention on Biological Biodiversity) – unless a sovereign environmental rating shows an assessment of the progress made to implement the objectives of the Paris Agreement. This poses a problem of compatibility with the EU GBS, in that it does not currently provide for any specific exclusion in this respect).

Analysis: summary of potential gaps and key points of attention in the revision of NFRD

253 The EU GBS, by explicitly introducing a verification requirement, sets an important precedent in the EU disclosure environment. It will most likely be divided into two parts in order to fully reflect (i) the provisions of the framework document and the prospective vision of the allocation of funds; and (ii) the ex-post implementation of the said allocation. It is therefore worth noting the degree of technicality necessary to assess the conformity of an obligation with the EU Taxonomy – in particular the respect of the so-called "Do No Significant Harm" criteria (at the time of issuance but also throughout the life of the issuance). This is an issue of importance in the context of the drafting of the delegated act under Article 8 of the Taxonomy regulation, as well as in view of the revision of the NFRD.

254 Moreover, the TEG encourages issuers, investors and auditors located outside the European Union to use the future EU GBS. Nevertheless, the TEG underlines that projects located outside the EU will have to comply with the requirements

of the future EU Taxonomy: in such case, as alignment cannot be fully based on local regulations, additional elements of transparency will have to be provided by the issuer – with the exception of the technical review criteria considered as "internationally relevant" by the TEG. Such an extension of the application of the EU Taxonomy nevertheless remains complex given the largely European-centred nature of the technical review criteria and the technological orientation of the future classification (i.e. difficulties in particular for transition projects in economies whose energy decarbonation potential is still significant), as well as given data gaps issues.

255 The future EU GBS will also need to address the content of reporting requirements (allocation reporting and environmental impact reporting), more specifically regarding alignment with the EU Taxonomy (hence the role of the delegated act under Article 8 of the Taxonomy regulation) as well as impact metrics (e.g. CO_2 emissions). The link between the business model of the issuer (at company level) and the strategy of the green bond issuance to be reflected in the Green Bond Framework (at project level) will need to be addressed as well in relevant non-financial information and fit with the NFRD.

INVESTEU REGULATION

Description of the initiative – main characteristics

256 The InvestEU Programme aims to give an additional boost to investment, innovation, and job creation in Europe. New is the Social Investment and Skills window of InvestEU which shall facilitate projects implementing the European Pillar of Social Rights. In particular, actions aiming at , reducing inequalities, and increasing resilience and inclusiveness through promoting employment, social enterprises, social inclusion, improving citizens' health, well-being and overall quality of life while supporting a just transition to a low carbon economy.

257 The InvestEU Fund investments will come under five policy areas which represent important policy priorities for the Union and bring high EU added value. The first four windows and their budget guarantees are:

a) Sustainable infrastructure – €20 billion

b) Research, innovation and digitisation – €10 billion

c) Small and medium-sized enterprises (SMEs) and small mid-caps – €10 billion

d) Social investment and skills – €3.6 billion

e) A fifth window – Strategic European Investment – has been added since the start of the COVID-19 crisis. The budget guarantee for this window is €31 billion.

258 The InvestEU Advisory Hub will provide technical support and assistance for the preparation, development, structuring and implementation of financed projects, including capacity building.

259 The InvestEU Portal will bring together investments and project promoters through an easily-accessible and user-friendly database.

260 It applies to the EU Members States and it will enter into force as of 1st January 2021.

Analysis: summary of potential gaps and key points of attention in the revision of NFRD

261 Lack of consistency between the EU Taxonomy and the impact of private investments on social and employment aspects as part of InvestEU will create more complexity and incoherence in the reporting requirement from Corporate. This is an area of concern for the finalisation of InvestEU.

262 Ensure consistency in the type of social indicators used for the sustainability proofing in the InvestEU and the forthcoming indicators as the information requested at Member State level may become a reference to companies. This aspect has to be considered as part of the revised NFRD and the development of a NFR standard.

263 Streamlining of reporting requirements in different EU regulations is needed in order to reduce the burden.

264 Future indicators (revision of NFRD and development of a NFR standard) should lean on international standards.

265 'Minimise negative effects' concept in InvestEU has methodological differences with DNSH concepts in Taxonomy and SFDR.

SUSTAINABLE CORPORATE GOVERNANCE INITIATIVE

Description of forthcoming legislation: main characteristics

266 The current status is that the European Commission published a public consultation the 26th October 2020 until the 8th February 2021. This initiative is at a very early stage and would require companies to focus on long-term sustainable value creation rather than short-term benefits. It aims to better align the interests of companies, their shareholders, managers, stakeholders and society. It would help companies to better integrate and manage sustainability-related matters in their own operations and value chains as regards social and human rights, climate change, environment, etc. (due diligence duty).

267 In addition, the European Parliament adopted on the 17th December 2020 an own-initiative report (procedure 2020/2137[25]) on sustainable corporate governance. They stressed the importance of strengthening the role of directors in pursuing the long-term interests of companies in future action at EU level and of engendering a culture within companies' governing bodies that takes into account and implements sustainable corporate governance, including both human rights and environmental protection. They found that companies with better defined environmental, social and governance practices and risk mitigation processes were better able to withstand the COVID-19 crisis. The EU and its Member States have also taken steps to ensure that the EU's environmental, social and governance policies and practices are consistent with those of the EU. This report includes recommendations on non-financial reporting obligations as well as on directors' duty of care.

268 The European Parliament is, in parallel, working on a legislative initiative procedure (2020/2129[26]) on corporate due diligence and corporate accountability. The draft legislative initiative was adopted[27] by the European Parliament Legal Affairs Committee on the 27th January. This legislative initiative is likely to be finalised and published in Q2 2021.

269 The European Commission is in parallel drafting the impact assessment and the legislative proposal that will likely be published in the second half of 2021. Going deeper into the analysis is premature.

Analysis of potential gaps and key points of attention in the revision of the NFRD

270 Both legislative processes (revision of NFRD and SCG initiative) will be developed in parallel and are expected to be consistent and complementary, in order to avoid any potential gaps.

271 NFRD already requires to report due diligence processes, meaning the expected developments under Sustainable Corporate Governance (SCG) are additional points of attention during the NFRD revision exercise (especially for due diligence duty).

272 The expected SCG reporting requirements will be additional points to be reflected in a standard.

273 Lack of consistency of SCG reporting requirements with NFRD revision will create more complexity and incoherence in the reporting requirement from Corporate. This is an area of concern for the finalisation of Sustainable Corporate Governance initiative.

274 Other points of attention are noted for both finalisation of the SDG initiative and parallel revision of NFRD:

a) Alignment of the related scopes (Threshold for SMEs),

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25 European Parliament own-initiative report on sustainable corporate governance (procedure 2020/2137) and a summary of the report.

26 Legislative initiative procedure on corporate due diligence and corporate accountability (procedure 2020/2129)

27 European Parliament Legal Affairs Committee adoption of draft legislative initiative on corporate due diligence and corporate accountability

b) Clarification on the relationship of the financial and non-financial information under both the NFRD revision and the SCG ,

c) Expected alignment on the reliability of data to be ensured in the NFRD revision and the SCG initiative,

d) Expected amendments to Shareholder Rights Directive (potential implication on short term/ long term views).

SOCIAL TAXONOMY AND THE SO-CALLED "HARMFUL" TAXONOMY

Description of forthcoming legislation: main characteristics

275 The European Commission has included as part of the final EU Taxonomy legislative text, published the 18th June 2020, Article 26.2, where by the 31st of December 2021, they shall publish a report describing the provisions that would be required to extend the scope of this Regulation beyond environmentally sustainable economic activities and describing the provisions that would be required to cover:

a) economic activities that do not have a significant impact on environmental sustainability and economic activities that significantly harm environmental sustainability, as well as a review of the appropriateness of specific disclosure requirements related to transitional and enabling activities; and

b) other sustainability objectives, such as social objectives.

276 The EU Platform on Sustainable Finance, who started its work on October 2020, has set up four technical subgroups including one on the social taxonomy and another one on a harmful and low harm taxonomy. The Platform will provide final recommendations in these regards to the European Commission by May 2021, so they will be relevant for the PTF's work.

EUROPEAN SINGLE ACCESS POINT FOR SUSTAINABILITY-RELATED INFORMATION (FOR INVESTORS)

Description of forthcoming legislation: main characteristics

277 The European Commission has included as part of the Capital Markets Union Action Plan, published in September 2020, an Action point 1 that states *'The Commission will propose to set up an EU-wide platform (European single access point) that provides investors with seamless access to financial and sustainability-related company information.'*

278 This Action point 1 contains a commitment to bring forward a legislative proposal on European Single Access Point (financial and non-financial information) on companies' disclosures, tentatively planned for Q3 2021.

279 This open source database also facilitates the storage of the companies' data both at company level or site level; Having in mind that company level information is usually the result of the consolidation of environmental data from the sites. Consequences of this initiative are handled in workstream 6.

280 The European Commission published an Inception Impact Assessment[28] (IIA) on the 18th December 2020 on the proposal for a European single access point for financial and non-financial information publicly disclosed by companies. The IIA was open for feedback until the 15th January 2021.

281 The European Commission also published a targeted consultation[29] on the establishment of a European Single Access Point (ESAP) for financial and non-financial information publicly disclosed by companies, on the 20th January, available for feedback until the 3rd March.

28 European Commission Inception Impact Assessment on the proposal for a European single access point for financial and non-financial information publicly disclosed by companies (December 2020)

29 European Commission targeted consultation on the establishment of a ESAP for financial and non-financial information publicly disclosed by companies (January 2021)

EU FORTHCOMING ENVIRONMENTAL REGULATIONS – GENERAL BACKGROUND TO HAVE IN MIND DURING THE NFRD REVISION PROCESS

282 The European Commission published a proposal for an 8th Environment Action Programme (EAP) on 14 October 2020. The proposal supports the environment and climate action objectives of the European Green Deal. It provides an opportunity for the EU as a whole to reiterate our commitment to the 7th EAP's 2050 vision: we want to ensure wellbeing for all, while staying within the planetary boundaries.

283 The 8th EAP proposal calls for active engagement of all stakeholders at all levels of governance, to ensure that EU climate and environment laws are effectively implemented. It forms the EU's basis for achieving the United Nation's 2030 Agenda and its Sustainable Development Goals.

284 The proposal for an 8th EAP aims to accelerate the transition to a climate-neutral, resource-efficient and regenerative economy, which gives back to the planet more than it takes. It recognises that human wellbeing and prosperity depend on the healthy ecosystems within which we operate.

285 Building on the European Green Deal, it has the following six priority objectives:

a) achieving the 2030 greenhouse gas emission reduction target and climate neutrality by 2050,

b) enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change,

c) advancing towards a regenerative growth model, decoupling economic growth from resource use and environmental degradation, and accelerating the transition to a circular economy,

d) pursuing a zero-pollution ambition, including for air, water and soil and protecting the health and well-being of Europeans,

e) protecting, preserving and restoring biodiversity, and enhancing natural capital (notably air, water, soil, and forest, freshwater, wetland and marine ecosystems),

f) reducing environmental and climate pressures related to production and consumption (particularly in the areas of energy, industrial development, buildings and infrastructure, mobility and the food system).

DESCRIPTION OF THE INITIATIVES UNDER DEVELOPMENT: NATURAL CAPITAL ACCOUNTING

286 The Biodiversity Strategy called on Member States to Map and Assess the state of Ecosystems and their Services (MAES) in their national territory with the assistance of the European Commission. They must also assess the economic value of such services and promote the integration of these values into accounting and reporting systems at EU and national level by 2020. After 6 reports over the 7 last years, the first ever EU-wide Ecosystem Assessment was released on 21 October 2020 at EU Biodiversity Green Week. With regard to the integration of ecosystems and their services into accounting systems (national statistics), a technical methodological report (including case studies) has been published in 2019.

287 The 7th EU Environmental Action Program (EAP) highlights the need to integrate economic indicators with environmental and social indicators, including by means of natural capital accounting. Natural Capital accounting (NCA) is a tool to measure the changes in the stock of natural capital at a variety of scales and to integrate the value of ecosystem services into accounting and reporting systems at Union and national level. An integrated natural accounting system for ecosystems and their services and associated data sets is being developed by the Knowledge Innovation Project (KIP INCA). It enables demonstration in monetary terms of the benefits of investing in nature and the sustainable management of resources. It will contribute to the development of macro-indicators alongside GDP and to the monitoring of provision of natural products as timber, fish, food, etc. NCA has also potential in providing a concrete basis for business performance reporting by explicitly mapping out impacts and/or dependencies on natural resources and placing a monetary value on them.

288 The EU is also providing the Value Balancing Alliance with financial support to develop a first set of generally accepted accounting principles and guidelines regarding environmental impacts for business. Over the next three years, the Value Balancing Alliance in partnership with Capitals Coalition (https://capitalscoalition.org), will develop a standard for measuring and valuing environmental impacts of companies in monetary terms. The EU Commission is keen to support the development of such harmonized methods, in order to reduce costs, broaden the practice across the economy and ultimately enable significantly more sustainable decisions.

289 The EU Business @ Biodiversity Platform provides a unique forum for dialogue and policy interface to discuss the links between business and biodiversity at EU level. It was set up by the European Commission with the aim of working with and helping businesses measure and integrate the value of nature into business practices. Through its activities the Platform pursues the following objectives:

a) Supporting the development of methods, criteria and standards that enable us to account for the value of biodiversity and the services derived from nature into business decisions (this includes natural capital accounting, a methodology for the quantitative measurement of ecosystem services and their value and their incorporation into a company's accounting systems);

b) Foster the integration of biodiversity and natural capital into the decision-making process of a critical mass of businesses and financial institutions who take action to do "no harm" to biodiversity and to improve their resilience.

290 In light of the growing interest in natural capital accounting and a clear demand for methodologies for including biodiversity into NCA, the EU Business @ Biodiversity Platform raised a critical and constructive assessment of a sample of biodiversity measurement approaches developed for or by businesses and FIs was started in 2018; 12 biodiversity measurement approaches, technical workshops were thoroughly analysed in November 2019. A key outcome of this year's update of the assessment, is a decision tree which enables business users to select the most suitable biodiversity tools and metrics for their specific needs and management decisions for which they need the information. Important steps forward towards convergence of approaches have been made in the fields of defining boundaries, baselines and reference states, collecting data and identifying suitable metrics and finally reporting and disclosure. So far, only measurement approaches have been assessed. In 2020 the Report will, for the first time, include an assessment of case studies resulting from these biodiversity measurement approaches.

DESCRIPTION OF THE INITIATIVES UNDER DEVELOPMENT RELATED TO PRODUCTS

291 As part of the European Green Deal and the new Circular Economy Action Plan, the European Commission has presented its initiative for a legislative proposal on substantiating Green Claims; fostering the growth of green markets through value chain thinking and ensuring a more efficient use of resources. The objective is to move towards a harmonised EU approach to measure and communicate accurate, reliable and meaningful information on the environmental performance of (packaged) products which should follow the five below key principles for substantiating green claims:

a) Need for a holistic life-cycle approach reflecting packaging's valuable role and functionalities across the value chain. In the context of PEF, it is crucial that packaging be intrinsically linked to the (packaged) product.

b) An EU harmonised approach to the use of the PEF methodology is needed to safeguard the Internal Market while ensuring that continuous investments are supported to boost EU competitiveness.

c) The choice of making green claims should remain voluntary but based on harmonised EU methodology. Hence, we support the establishment of a voluntary EU legal framework enabling companies to make green claims in accordance with the Environmental Footprint methods.

d) Coherence of policy objectives to avoid the risk of undermining the EU sustainability goals and to support investments in innovation.

e) A transparent application of PEF and for extensive related awareness-raising campaigns which would ensure consumer acceptance of a PEF-based label.

292 Environment objectives are defined in different EU policies and regulations with small differences. Under article 9, the Taxonomy (June 2020) lists the environmental objectives as follows: climate change mitigation; climate change adaptation; the sustainable use and protection of water and marine resources; the transition to a circular economy; pollution prevention and control; the protection and restoration of biodiversity and ecosystems. In its 8th Environment Action Programme (EAP) on 14 October 2020, DG ENV defines six priority objectives:

a) achieving the 2030 greenhouse gas emission reduction target and climate neutrality by 2050

b) enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change

c) advancing towards a regenerative growth model, decoupling economic growth from resource use and environmental degradation, and accelerating the transition to a circular economy

d) pursuing a zero-pollution ambition, including for air, water and soil and protecting the health and well-being of Europeans

e) protecting, preserving and restoring biodiversity, and enhancing natural capital (notably air, water, soil, and forest, freshwater, wetland and marine ecosystems)

f) reducing environmental and climate pressures related to production and consumption (particularly in the areas of energy, industrial development, buildings and infrastructure, mobility and the food system)

293 What could be the environmental impact categories that would be relevant for a NF standard to be aligned with these objectives? A holistic view of EU-policies is to be carried out. Environmental issues need to take also into account reporting aspects, costs, limitations and benefits. For instance, the circular economy covers both resource efficiency and waste recycling but are generally not within the scope of these initiatives as the companies are smaller. Natural capital, biodiversity and ecosystems probably encompass all resources. The scope of environmental topics has already been widely investigated, but probably need to be clearly defined and aligned with EU policies and regulations bearing in mind that most of the impacts are sector specific.

294 The environmental impacts of site operations have already been dealt with for 20 years. On the other hand, environmental impacts of the products or services are not properly handled in the current scope of the NFRD. The number of new initiatives aiming at assessing and reducing product impacts is growing. The Product Environmental Footprint (PEF) methodology was developed some years ago but as a voluntary tool. The Green Claim may promote an EU harmonised approach to the use of the PEF methodology in the coming years. The voluntary ecolabel award scheme is intended to promote products with a reduced environmental impact during their entire life cycle and is widely used in Europe and is still under development for some products. The Taxonomy regulation can also be considered as a product-oriented regulation as the green turnover will be based on technical criteria that are often environmental intensity ratios by product (tCO_2/tclinker, gCO_2/KWh, gCO_2/p.km, etc.). What kind of product-oriented information should be used to report efficiently on the products impacts under the NFRD?

295 Natural Capital accounting covers several initiatives to integrate the value of biodiversity ecosystem services into accounting and reporting systems. These initiatives mainly address public policy developments and macro-economic statistics at Union and national level. It has also potential for providing a concrete basis for business performance reporting in the future but both Value Balancing Alliance and biodiversity measurement approaches are still at experimental development stages. They may however contribute to providing relevant measurement solutions for biodiversity and natural resources in the short term; investigations should be carried out, but for instance, the Green Biodiversity Score would probably be too complex to be included into a NF standard. At the end, a potential NFR standard should probably be designed in order to enable future integration of NCA results. However, the granularity of environmental impacts datapoints required for the VBA methodology is probably higher than the one of current NFR practices (for instance, water pollution has to be split into the various potential pollutants to be monetized with the relevant coefficients).

ECOLABEL – RETAIL FINANCIAL PRODUCTS

Description of the initiative: main points

296 The Ecolabel criteria are designed to promote the use of the most environmentally friendly products, as set out in the Ecolabel Regulation of November 25, 2009 – which revised the 1992 regulation establishing the Ecolabel to increase its efficiency and streamline its operation (see above). According to Article 2, this Regulation applies to "products" (goods or services) which are supplied for distribution, consumption or use in the Common market, whether in return for payment or free of charge. Annex 1 of the 2009 Regulation stresses indeed that the draft criteria "are based on the best available products on the Community market from the point of view of environmental performance throughout their life cycle, and correspond, as an indication, to 10-20% of the best available products" on the market at the time of their adoption.

297 The functioning of the Ecolabel requires that the portfolio management company be declared holder of the European Ecolabel, so that the logo is deposited on the eligible products by the labelled company. The Ecolabel must indeed be awarded to a service (i.e. asset management), only communicated on products meeting the criteria, under the PRIIPS regulation, for packaged financial products offered to individuals (including equity, bond and mixed funds under the UCITS and AIFM directives; and insurance products linked to funds, such as unit-linked life insurance contracts) and the directive on deposit guarantee schemes (including term deposit and savings accounts). The products concerned must be registered or authorized for distribution in a Member State.

298 The current framework under discussion covers financial products offered to retail customers, according to the interpretation of Article 2 of the 2009 Regulation (whose terms 'distribution, consumption or use' require targeting retail customers, in that they are essentially 'final consumers', whereas for professional customers, there is at least an indirect link with these elements), i.e. retail products under the above-mentioned Regulation: investment funds (UCITS, AIFs open to individuals); insurance products with an investment component (unit-linked life insurance, IBIP (PRIIPS category) including multi-product life insurance products and participating life insurance products); and term deposit and savings accounts.

299 In terms of portfolio asset composition, one of the main criteria relates to the so-called 'greenness thresholds'. The current framework has for instance set the threshold for UCITS equity funds at 40% while removing the former 'pocket approach', deemed to restrict asset managers and portfolio managers' ability to put together compliant and suitably diversified portfolios (particularly in the case of large capitalization companies). Including the CapEx and/or projected growth in green revenue of (i) companies that are investing in transition (5-50% green revenue) and (ii) companies investing in green growth (>50% green revenue) may contribute on weighted basis towards calculating the portfolio compliance. Such a proposal aims at ensuring a forward-looking approach, offering retail investors a portfolio that both invests in current green economic activities and that commits to future growth in green revenue, contributing to the transition towards a low carbon economy. A new criterion has also been proposed to complement the requirements for UCITS equities: it defines the qualifying criteria for both 'companies investing in transition' and 'companies investing in green growth'. Companies shall therefore provide evidence of the projected growth in their green revenue base in the form of an investment plan. The plan may be supported by commitments to CapEx and growth in green revenue over a 7-year time frame, consisting of a 2 year retrospective and 5 year forward look at investment and growth.

300 Formerly, the Ecolabel framework proposal had indeed adopted a three-pocket approach to distinguish between underlying companies investing in "green" activities; investments in so-called "transitional" activities; and companies entering the diversification pocket. The former threshold for equity funds was that at least 60% of the total value of the portfolio (in assets under management – AuM) has to be invested in underlying companies meeting the following criteria: at least 20% of assets under management in companies where 50% of the consolidated income is derived from "green" economic activities; and the remaining 0-40% must be invested in companies where 20-49% of the consolidated income is derived from "green" economic activities. The remaining portion of the portfolio has to be comprised of assets with consolidated "green" income of less than 20% (subject to compliance with the exclusion criteria) and other assets or cash.

301 To support an effective assessment in terms of a fund's underlying asset conformity, the portfolio asset composition related criteria is deemed to be kept straight-forward, especially considering that as a view to increasing confidence, the Commission has suggested that only third parties should carry out the assessment – enhancing the need for the development of relevant EU-wide standards for independent assessment, in addition to the assessment of EU Taxonomy compliance. Further on, regarding the assessment procedure, the Commission has argued that EU Taxonomy-related corporate data, subject to the NFRD Directive and the disclosures requirements of the EU Taxonomy, shall only be based on company-disclosed data, and not on estimates.

302 It is also worth noting that exclusions apply to corporate stocks and bonds. These proposed environmental exclusions are of two types: (i) exclusions of economic activities on the one hand (i.e. the portfolio must not include shares or bonds of companies where more than 5% of the consolidated income comes from activities excluded by the Ecolabel) and (ii) exclusions relating to sovereign and quasi-sovereign bonds on the other hand (e.g. in the event that issuers have not ratified the Paris Agreement). Social and governance-related exclusions are deemed to apply as well.

303 More broadly, it is important to note that the Ecolabel aims to be closely aligned with the future EU Taxonomy, in that the latter must remain the common language for greening the financial sector and, as specified in recital 9 of the Taxonomy Regulation, provide uniform criteria for labelling schemes for financial products.

Analysis – Summary of points of attention for the NFRD revision

304 According to the Ecolabel's draft framework, one criterion of the future Ecolabel details the information to be made available to retail investors, including the methodology for measuring the breakdown of total assets by "green pockets"; information relating to the activities and governance structures of portfolio management companies/institutional investors; and internal control procedures. As a minimum, the financial product manager will have to issue (on the fund manager's website) a report annually to be uploaded on the financial product's manager website describing the environmental, social and engagement aspects as well as the activities and environmental performance of the financial product. In particular, such a report will include a description of the methodology used for estimating the most relevant indicator (e.g. carbon footprint) of the financial product and of the financial benchmark product, as well as the rationale for choosing the selected indicator and why it is relevant for the financial product shall also be included.

305 Though there is no direct connection between the Ecolabel framework and the NFRD, the role of non-financial information is key to completing some of the most important framework criteria, most notably the ones regarding portfolio composition – for equity funds, but also for bond funds and funds of funds – as well as social and environmental exclusions. The addition of a new criterion related to transition and green growth is also highly dependent on the quality and granularity of information that will have to be disclosed against transition-related criteria. Doubts have emerged concerning the availability and quality of CapEx expenditures, "transition plans" as well as Taxonomy alignment data, for instance. At the current state, there is indeed insufficient availability of data that are necessary for screening against EU Taxonomy eligible activities, including transitional activities, making it challenging to check compliance which is crucial for the EU Ecolabel approach. While the Commission and stakeholders argue that quality data is essential to the credibility of the Ecolabel – and most notably the success of its functioning, it is of utmost importance given the objectives of the Ecolabel Regulation to ensure minimum compliance with the EU Taxonomy at a portfolio level. Such equilibrium in respecting the criteria will be a top challenge in defining the framework itself and in ensuring its uptake following its adoption.

306 In this context, it is important to underline that the current NFRD lacks some aspects in order to address fully the non-information issues emerging in applying the Ecolabel framework, most notably the need to capture information on non-listed companies, as well as to ensure consistency on both aspects of materiality. Ecolabel financial products will indeed answer to so-called 'Article 9' products requirements (according to SFDR), and will – according to article 5 of the Taxonomy regulation – need to cover information on the 'Do No Significant Harm' (DNSH) criteria. Information on the DNSH criteria from an asset manager point of view will therefore be essential in order to assess the eligibility of underlying companies in such products.

307 This is why the most recent Ecolabel report published by the European Commission in November 2020 suggests to incentivise companies to become early adopters of disclosing requirements. It is mentioned that the NFRD Directive

will be in force in 2022 for climate change mitigation and adaptation and in 2023 for the other EU Taxonomy objectives so there is an issue in terms of disclosing non-financial data before those dates, which might influence the functionality of criterion on portfolio composition. It is also pinpointed that the NFRD directive affects companies in the EEA area only and cannot be imposed on those operating elsewhere. This has an impact on the capacity of financial market participants to screen their investments – inside and outside the EU – against the Ecolabel criteria, considering these various levels of available information.

308 As regards governance requirements (both in the frame of social exclusions and separately), the NFRD aims at increasing the level of transparency useful for institutional investors and asset managers. Though there are no specific governance-related exclusions yet (given that the 2009 Regulation does not explicitly refer to governance criteria), the future framework will most likely include a requirement on good governance to prevent and address broader social issues that could emerge in practice.

CHAPTER 2: SALIENT ASSESSMENT POINTS

309 Based on the above analysis of the existing regulations and directives, their expected updates and the under-process initiatives, seven salient assessment points may be drawn in the context of the revision of the NFRD and the ambitions of the European Commission in the green deal.

310 Together with the revision of the NFRD currently underway – which is critical and core to the fitness of the EU sustainability-related information system – the number and the innovative nature of identified and analysed EU requirements, both legislated and forthcoming, demonstrate **significant momentum**, with existing and emerging major direct and indirect implications in terms of non-financial information, both for preparers and users alongside the non-financial data value chain.

311 This momentum is derived from the ambitious policy objectives adopted by the EU institutions in this area and appears to create a non-financial information ecosystem specific to the Union.

312 As a consequence, the EU non-financial disclosure ecosystem appears increasingly **comprehensive but also complex**, with emerging potential inconsistencies in terms of horizontal alignment (inconsistent requirements for a given data preparer) and vertical alignment (data outputs from data preparers not aligned with reporting obligations of data users).

313 The emerging trend to establish **new sets of data points**, stemming from the more recent EU disclosure initiatives (mainly Non-binding Guidelines, Taxonomy regulation, SFDR, Benchmark ESG disclosures), is clear and signals that a simple set of data points cannot fit all needs, while giving rise to new alignment and streamlining challenges.

314 Effective and efficient implementation of EU non-financial disclosure requirements is ultimately based on the comparability and reliability of the data both generated and used. The initial analysis indicates that there is room for more homogenous and clear definitions, principles and data preparation standards in support of a series of EU disclosure requirements. The current lack of systematic verification processes, in particular prior to publication, may also hinder data reliability.

315 **Clarifications via robust definitions, principles and** standards can address and mitigate potential inconsistencies across disclosure requirements, such as:

a) Different treatment of materiality assessment across regulations: assessment by the data preparer coexists with mandatory disclosures based on an assessment predefined by the legislator.

b) New emerging disclosure areas addressed in different ways across regulations, including: substantial contribution to social and environmental objectives (Taxonomy, SFDR), goal-alignment (e.g. Taxonomy) and alignment with scenarios (e.g. Benchmarks), 'do no significant harm' (DNSH) and adverse impacts (SFDR, Taxonomy); due diligence (NFRD, SFDR, Sustainable Corporate Governance initiative).

c) Some EU regulations adopt sector-specific (or asset-class specific) approaches, on top of generic requirements, to enhance the relevance of disclosures, while this is not the case for example for the current NFRD.

d) Proportionality considerations are embedded in some regulations (e.g. NFRD and consequently EU Taxonomy article 8, and SFDR) and absent from others, while trickle-down effects on SMEs are not systematically addressed.

316 The identified gaps and inconsistencies indicate the potential for robust Level 2 standards to iron out potential vertical and horizontal misalignments and enhance data comparability, relevance and reliability. The role of Level 2 measures in successfully implementing the objectives and principles stated at Level 1 of ambitious EU disclosure measures appears decisive.

APPENDIX 1:
LIST OF MEETINGS, PERSONS INTERVIEWED

1 All the meetings took place between 2 October and 16 October. Representatives of DG FISMA in charge of NFRD attended all the below meetings.

EU DGs	**Regulations / Initiatives which require or may require disclosures at Corporate level**	**Persons interviewed**
FISMA	Climate Benchmarks	Pauline Chadenet Jean-Christophe Nicaise Cesare Posti
	Green Bonds	Axel Fougner Rostislav Rozypal
	Solvency 2	Robert Hintze Monica Gonzalez
	Taxonomy	Hannes Huhtaniemi
	SFRD	Lukas Bortel Cristina Vespro
	Capital Requirement Regulation	Gintaras Griksas
JUST	Shareholders' rights directive Sustainable Corporate governance initiative (inception impact phase) Gender Action Plan 2	Zsofia Kerecsen Katalin Koos-Hutas
ENV	STANDARD SETTING INITIATIVES (• The LIFE Transparent project • Natural Capital Accounting: • The Green Claims Initiative OEF/PEF, (consultation open until 3 Dec 2020) BROAD PERFORMANCE DRIVING INITIATIVES (Corporate Level) • The EU Eco-Management and Audit Scheme (EMAS) • Business @ biodiversity platform; • Directive on the protection of the environment though criminal law • Environmental Liability directive (« polluter pays ») • Environmental Impact Assessment Directive – project level disclosures PERFORMANCE DRIVING SECTOR-SPECIFIC INITIATIVES (Corporate level) • EU Timber Regulation; • Regulation on shipments of waste and international commitments • The Industrial Emissions Directive regulates pollutant emissions from industrial installations; • Extended producers responsibility in the Waste Directive; • Regulation concerning the export and import of hazardous chemicals • Regulation concerning Persistant Organic Pollutants (POP) • Seveso Directive • The European Pollutant Release and Transfer Register (E-PRTR) OTHER INITIATIVES • EU Ecolabel for financial products • Eurostat Sustainable Development Indicators; • Mapping and Assessment of Ecosystems and their Services – MAES	Kevin Flowers Thomas Verheye Lars Mueller Pietro Cesaro Marija Simunovic Astrid Ladefoged Christian Heller Mark Gough
CLIMA	EU Emissions Trading System Directive *European Climate Law (only at Member State level)* *2030 Climate Target Plan (only at Member State level)*	Arthur Corazza Polona Gregorin Heiko Kunst Carla Benagues

EU DGs	Regulations / Initiatives which require or may require disclosures at Corporate level	Persons interviewed
EMPL	Guidelines at Member States level only: *Employment guidelines 2018/1215* *European Pillar of Social Rights* Participate in InvestEU project	Katarina Jaksic, Bernardo Urrutia, Nicholas Costello, Benedikt Buenker
DEVCO	No own initiative – support other DG actions in the frame of the international cooperation and development	Matthias Altman
GROW	Late Payment Directive 2011/7/EU Participate in InvestEU project	Georg Raab, Michela Lafranconi, Artur Romanek Antonella Correra

APPENDIX 2: LITERATURE REVIEW

NON-FINANCIAL REPORTING DIRECTIVE (NFRD)

European Commission's website on non-financial reporting

DIRECTIVE 2014/95/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups

EUROPEAN SUPERVISORY AUTHORITIES (ESAs)

EBA Action Plan on sustainable finance – 6 December 2019

EBA's answer to European Commission public consultation on NFRD

EIOPA discussion paper: insurance sector climate-related transition risks – December 2019

ESAs' review of their founding regulations (ESAs' package) – final text – December 2019

ESAs' letter to VP Dombrovskis on public consultation of renewed sustainable finance strategy July 2020

ESMA response to European Commission public consultation on renewed sustainable finance strategy – July 2020

ESMA's strategy on sustainable finance – February 2020

ESMA's guidelines on Disclosure Requirements Applicable to Credit Ratings – July 2019

CLIMATE-RELATED DISCLOSURE GUIDANCE

TEG final report on climate-related disclosures – January 2019

European Commission's guidelines on non-financial reporting – June 2019 (and Summary)

TAXONOMY REGULATION

Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (Taxonomy) – June 2020

European Parliamentary Research Service (EPRS) – Briefing EU Taxonomy – July 2020

EU DISCLOSURE REGULATION (SFDR)

REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on sustainability-related disclosures in the financial services sector

Joint ESAs consultation on ESG disclosures (RTS)

EPRS Briefing on sustainable finance and disclosures, bringing clarity to investors – January 2020

EU CLIMATE BENCHMARKS AND BENCHMARK ESG DISCLOSURE

TEG final report on EU climate benchmarks and benchmark ESG disclosure – September 2019

TEG's handbook on climate benchmarks and benchmark ESG disclosure – December 2019

Commission delegated regulation supplementing regulation (EU) 2016/1011 as regards the explanation in the benchmark statement of how environmental, social and governance factors are reflected in each benchmark provided and published

Commission delegated regulation supplementing regulation (EU) 2016/1011 as regards the minimum content of the explanation on how environmental, social and governance factors are reflected in the benchmark methodology

Commission delegated regulation supplementing regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks

EPRS Briefing sustainable finance and benchmarks – January 2020

CAPITAL REQUIREMENT REGULATION II

Capital Requirement Regulation II – June 2019

PROSPECTUS REGULATION

REGULATION (EU) 2017/1129 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 14 June 2017on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC

SHAREHOLDER RIGHTS DIRECTIVE

DIRECTIVE (EU) 2017/828 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURE (TCFD)

Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures (June 2017)

Website with Annexes, Technical Supplements and Status Reports: https://www.fsb-tcfd.org/publications/

EU EMISSIONS TRADING SYSTEM (ETS)

EU ETS website with all information

EU ETS Handbook

EU GREEN BOND STANDARDS

TEG report – proposal for an EU Green Bond Standard (June 2019)

TEG usability guide – proposal for an EU Green Bond Standard (March 2020)

MARKETS IN FINANCIAL INDUSTRY DIRECTIVE II (MIFID II)

The European Commission's draft Delegated Acts as regards the integrations of sustainability factors, risks and preferences into certain organisational requirements and operating conditions for investment firms (June 2020)

MiFID II – Directive 2014/65/EU

European Commission's website on investment services and regulated markets

INSURANCE DISTRIBUTION DIRECTIVE (IDD)

European Commission's draft Delegated Acts amending Delegated Regulation (EU) 2017/2358 and Delegated Regulation (EU) 2017/2359 as regards the integration of sustainability factors and preferences into the product oversight and governance requirements for insurance undertakings and insurance distributors and into the rules on conduct of business and investment advice for insurance-based investment products

IDD – Directive 2016/97/EU

European Commission's website on insurance distribution

EQUAL PAY DIRECTIVE

DIRECTIVE 2006/54/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 5 July 2006 on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation (recast)

ECOLABEL REGULATION

REGULATION (EC) No 66/2010 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 25 November 2009 on the EU Ecolabel

LATE PAYMENT DIRECTIVE

DIRECTIVE 2011/7/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 16 February 2010 on combating late payment in commercial transactions

SOLVENCY II

Solvency II Directive 2009/138/EC

Solvency II delegated Regulation 2015/35

Solvency II delegated Regulation 2019/981

European Commission's website on risk management and supervision of insurance companies

EUROPEAN GREEN DEAL

Communication on the European Green Deal

INVESTEU REGULATION

Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the InvestEU Programme (May 2020)

The InvestEU Programme – legal texts and factsheets (June 2018)

InvestEU website

SUSTAINABLE CORPORATE GOVERNANCE INITIATIVE

About this initiative – link here

Inception Impact Assessment on sustainable corporate governance consultation (July 2020 – October 2020)

Public consultation on sustainable corporate governance (26 October 2020 – 8 February 2021)

EUROPEAN COMMISSION'S ACTION PLAN ON FINANCING SUSTAINABLE GROWTH

Communication from the Commission – Action Plan: Financing Sustainable Growth (March 2018)

Public consultation on the renewed sustainable finance strategy (8 April 2020 – 15 July 2020)

CAPITAL MARKETS UNION ACTION PLAN

European Commission's website on Capital Markets Union Action Plan: a capital markets union for people and businesses

Communication from the Commission – A Capital Markets Union for People and Businesses – new action plan (September 2020)

NATURAL CAPITAL ACCOUNTING

European Commission's website on Natural Capital Accounting.

European Commission report – Natural Capital Accounting: Overview and Progress in the European Union (2018)

SINGLE MARKET FOR GREEN PRODUCTS

The development of the Product Environmental Footprint (PEF) and Organisation Environmental Footprint (OEF) methods

Commission recommendation of 9 April 2013 on the use of common methods to measure and communicate the life cycle environmental performance of products and organisations

TRANSPARENCY DIRECTIVE

Transparency requirements for listed companies – Directive 2004/109/EC

Transparency Directive website

Transparency Directive – Council Directive 89/105/EEC

OTHERS

UNEP Inquiry, 2° Investing Initiative, UNEP – Building a sustainable financial system in the European Union – March 2016

European Political Strategy Centre (EPSC) – strategic note 'Financing Sustainability' – June 2017

APPENDIX 3: SUMMARY OF INITIATIVES

1 All the summaries have been reviewed by the relevant DGs' and have been the basis for the interviews. Please find below the initiatives covered:

- Climate Benchmarks and ESG Disclosures regulatory framework
- Capital Requirement Regulation (CRR)
- Taxonomy
- Emissions Trading System Directive (ETS)
- Sustainable Finance Disclosure Regulation (SFDR)
- Solvency 2

Climate Benchmarks and ESG Disclosures regulatory framework

Legislative status	Regulation (EU) 2019/2089 of 27 November 2019 amending Regulation (EU) 2016/1011
First implementation date	Entered into application on 30 April 2020 Delegated acts adopted on 17 July 2020 by COM Currently under scrutiny by co-legislators To be published in the OJ in Q4 2020 Entry into application 20 days after publication in OJ
Scope	Benchmark administrators providing benchmarks in the EU Assets concerned : Listed equities, corporate fixed income, sovereign, commodity
Periodicity	Whenever significant changes relating to ESG factors, when there is a change in the methodology. At least annual
Mandatory / voluntary basis	ESG disclosures mandatory for ESG benchmarks, voluntary for other benchmarks Plus limited list of voluntary ESG indicators for all Paris-alignment statement mandatory with phased-in approach based on benchmark size
Subject matters covered	ESG factors and alignment with temperature scenario for certain benchmarks Description of topics addressed under ESG
Risk/opportunity or performance approach	Both
Generic or sector specific	Same indicators whatever the index composition
Existence of:	
Principles	sources of data
Boundaries	Geographical and Value chain (supply chain and product impacts taken into account?)
indicators (KPIs)	List of ESG indicators based on the asset class of the index Paris-alignment disclosure template
type of indicators (Quantitative/ Qualitative – Forward-looking/ retrospective)	Quantitative / binary / narrative for ESG disclosure Quantitative and narrative for Paris-alignment
precise definitions (yes/ no) and/ or use of a specific framework (list if any)	YES/NO Some frameworks referred to, but in general flexibility of sources and framework for benchmark administrators
location (in which report) / digital submission ?	Benchmark statement Benchmark methodology
external control (yes/no)	Yes
if yes level of the control	Supervision from NCAs
double materiality concept (yes/no)	Positive list of indicators – data preparer not asked to apply any materiality filter
Next expected steps	Publication in the OJ in Q4 2020 Coherence with taxonomy by end 2022 Reflection on the creation of an EU ESG Benchmark label

Capital Requirement Regulation (CRR)

Legislative status	Regulation (EU) No 575/2013 (Capital Requirements Regulation or CRR) and Directive 2013/36/EU (CRD) Regulation amended by successive Regulations, last one Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020
First implementation date	The CRR has applied in all EU member states since 1 January 2014. Disclosures on ESG risks will start applying from 28 June 2022 in accordance with Article 449a CRR.
Scope of application	Established in Directive 2013/36/EU (CRD). Subject to certain exceptions, the CRR applies to all credit institutions and investment firms defined, respectively, in point (1) and (2) of Article 4(1) of the CRR). From June 2021 onwards, the large majority of investment firms will no longer be subject to the CRR. They will be subject to Regulation (EU) 2019/2033 (IFR) and Directive (EU) 2019/2034 (IFD). As far as ESG disclosures are concerned, only large institutions (defined in point (146) of Article 4(1) of the CRR) which have issued securities that are admitted to trading on a regulated market of any Member State will be required to disclose such information.
Periodicity	Frequency of ESG disclosures: annual basis for the first year and semi-annual afterwards.
Mandatory / voluntary basis/comply or explain	Mandatory
Subject matters covered	Prudential requirements and risk assessment
Risk/opportunity or performance approach	Risk approach
Generic or sector specific	Sector specific (credit institutions and investment firms)
Existence of:	
Principles	/
Boundaries	/
Indicators (KPIs)	No KPIs; only some indicators about remuneration policies and ESG disclosures
type of indicators (Quantitative/ Qualitative – Forward-looking/ retrospective)	Narrative and quantitative indicators
location (in which report)	In the financial statements; if not, institutions shall unambiguously indicate in the financial statements where they can be found
external control (yes/no)	Verification is not compulsory. External (independent) audit is not required.
if yes level of the control	
Double materiality concept (yes/no)	No (only financial materiality is taken into account)
Proportionality for SMEs	Small and medium-sized institutions are not required to make ESG disclosures under the CRR.
Next expected steps	/

Taxonomy

Legislative status	Regulation 2020/852 of 18 June 2020 amending Regulation 2019/2088
First implementation date	Delegate act has to be adopted by 31 December 2020, and enter in application from 1 January 2022 for Article 10, 11 (climate change mitigation and adaptation) Delegated Act adopted by 31 December 2021, and enter in application from 1 January 2023 for Article 13, 14, 15.(other 4 environmental objectives) Delegated act on Taxonomy disclosures in non-financial statement to be adopted by 30 June 2021 and to enter in application from 1 January 2022
Scope of application	To all actors who have the obligation to publish a non-financial statement or a consolidated non-financial statement (including banks and insurers). To financial market participants that make available in the EU financial products marketed as environmental / sustainable (i.e. ones promoting environmental and social characteristics and ones having a sustainable objectives as an investment objective). Transparency on the non-alignment with the EU Taxonomy required for all products (non-ESG included). Measures adopted by Member States or by the Union that set out requirements for financial market participants or issuers in respect of financial products or corporate bonds that are made available as environmentally sustainable.
Periodicity	Annual
Mandatory / voluntary basis/comply or explain	Mandatory
Subject matters covered	Environmental qualification of an economic activity as “environmentally sustainable”, based on 6 environmental objectives (Climate change mitigation and adaptation, water and marine resources, circular economy, Pollution, biodiversity and ecosystems) and 3 KPIs (Green turnover, Capex, Opex) for potentially all sectors, starting with those activities that can make a substantial contribution to the climate change mitigation and adaptation.
Risk/opportunity or performance approach	Both
Generic or sector specific	Same indicators for disclosures (3 KPIs for non-financial undertakings) but specific thresholds and requirements to each sector of activity to qualify as “environmentally sustainable” through sector specific technical screening criteria. For banks and insurers and possibly other financial entities under the NFRD, considering the specificities of their business models, there may be different KPIs
Existence of:	
principles	1. Significant contribution to 1 environmental/climate objective 2. Do no significant harm (DNSH) to the other five objectives 3. Compliance with technical screening criteria for 1 and 2 above 4. Compliance with the minimum safeguards laid down in Article 18
Boundaries	Taxonomy takes into account products and services which includes the impacts from the whole life cycle/value chain The 3 KPIs should be reported on a global geographical perimeter

Taxonomy (continued)	
Indicators (KPIs)	For data preparers within the scope of the NFRD: 3 KPIs defined as follow: • Proportion of turnover derived from products or services associated with activities that qualify as environmentally sustainable • Share of the CAPEX, share of the OPEX related to assets or processes associated with economic activity that qualifies as environmentally sustainable The above KPIs are directly applicable by non-financial companies, for banks and insurance undertaking clarifications are necessary and to be provided in the forthcoming delegated acts For financial market participants: % of fund holdings or other investments underlying financial products aligned with EU Taxonomy (as a total % of all fund holdings) For "article 8 products" (ESG characteristics), the DNSH principle must apply and be disclosed accordingly only to investments underlying the financial product that take into account the Taxonomy.
type of indicators (Quantitative/ Qualitative – Forward-looking/ retrospective)	Quantitative: Green turnover and Opex are retrospective, Capex are forward-looking Qualitative: information on how and to what extent the activity qualifies as environmentally sustainable as expressed by KPIs Some technical screening criteria based on forward looking objectives
precise definitions (yes/ no) and/ or use of a specific framework (list if any)	Rather YES for KPIs and technical screening criteria but will depend on the DA to be published by June 1st, 2021 To be published (sectorial specific requirements)
location (in which report)	Within the non-financial statement for companies Within periodic and pre-contractual reports for financial market participants that make available financial products marketed as environmental / sustainable
external control (yes/no)	Audited as for non-financial statements depending on the national transposition (currently Italy, Spain, France – limited assurance) Oversight of the National market Authorities for financial products
if yes, level of the control	Variable
Double materiality concept (yes/no)	No – the taxonomy is directly concerned only with positive environmental impacts and does not directly consider the risks that sustainability issues may create for companies or investments.
Proportionality for SMEs	Non-financial statement currently limited to companies with more than 500 employees in most Member States No proportionality for financial market participants
Next expected steps	Platform on Sustainable Finance to continue the TEG work on technical screening criteria and other objectives; as well as on the applicability and usability of the Taxonomy Publication of the delegated acts

Emissions Trading System Directive	
Legislative status	EU ETS Directive : Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC (last consolidated version (8/4/2018)
First implementation date	Went through several amendments, the latest adopted in 2018, ETS Transposition in Member state at the latest at 9 October 2019 In several phases – currently phase 3 (2013-2020)
Scope	ETS: restricted to emissions from the activities listed in Annex I (mainly industrial activities and aviation) and greenhouse gases listed in Annex II (Carbon dioxide (CO_2), Methane (CH_4), Nitrous Oxide (N_2O), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs), Sulphur Hexafluoride (SF_6).
Periodicity	ETS: Annually (direct emissions only) on a specific report
Mandatory / voluntary basis	Participation in the EU ETS is mandatory for companies in the scope, but • in some sectors only plants above a certain size are included • certain small installations can be excluded if governments put in place fiscal or other measures that will cut their emissions by an equivalent amount • in the aviation sector, until 31 December 2023 the EU ETS will apply only to flights between airports located in the European Economic Area (EEA).
Subject matters covered	Emission of certain gases
Risk/opportunity or performance approach	Requirement : conformity with the approved monitoring plan.
Generic or sector specific	Sector specific
Existence of:	Specific ETS handbook issued in 2015
principles	
boundaries	According to the definition of the benchmark: benchmarks are only about free allocation and there is no public reporting of benchmarks/emission intensity per installation for a specific product.
indicators (KPIs)	
type of indicators (Quantitative/ Qualitative – Forward-looking/ retrospective)	Quantitative & Qualitative The report contains information for all relevant emission sources Relevant information include: • Annual activity data (fuel input, raw material throughput) • Calculation values (Net Calorific heat values, emission factors) • Analyses and sampling results
precise definitions (yes/ no) and/ or use of a specific framework (list if any)	Specific guidance: implementing regulation for monitoring and report: https://ec.europa.eu/clima/policies/ets/monitoring_en
location (in which report) / digital submission?	Specific report, electronic format
external control (yes/no)	Yes
if yes level of the control	EU verification (specific process)
materiality threshold (to be assessed by preparers)	Eligible activity only
content of materiality (double impact)	Impact on environment
proportionality for SMEs	Based on eligible activities, small installations can be opted out by MS (see Art 27 and 27a of ETS Directive)
Next expected steps	Taking into account the new 2030 targets ETS will be reviewed in June 2021

Taxonomy:	
If already exists (name)	Union registry for the EU ETS
Location	http://ec.europa.eu/clima/policies/ets/registry/index_en.htm
feedback from preparers?	
Feedback from users?	
Nb of entities impacted	

Sustainable Finance Disclosure Regulation

Legislative status	REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on sustainability- related disclosures in the financial services sector
First implementation date	The Sustainable Finance Disclosure Regulation (SFDR) was agreed in March 2019 and published in the Official Journal on 27 November 2019. The ESAs are preparing 10 Regulatory Technical Standards (RTSs) due by December 2020 on the content, presentation and methodologies of information, including legally binding definitions. The deadline for the RTS re: • By Dec. 2020 n art. 8 and 9, 10, 11; • ITS on art. 11 no deadline • By Dec. 2020 on adverse impact (art. 4 SFDR) on env. objectives and by Dec. 2021 on social obj. The Regulation will enter into application as from 10 March 2021.
Scope	Personal scope: financial market participants (FMPs): asset managers (regulated by UCITS, AIFMD, EuVECA, EuSEF), insurance undertakings (Solvency II), occupational and other pension providers, investment firms providing individual portfolio management (MiFID II) Products: all financial products issued by these entities, including insurance-based investment products made available to institutional investors, individual portfolio management and Advice: investment and insurance advice (MiFID II and IDD). By June 2021, mandatory for large undertakings: • financial market participants exceeding on their balance sheet dates the criterion of the average number of 500 employees during the financial year; and • financial market participants which are parent undertakings of a large group as referred to in Article 3(7) of Directive 2013/34/EU exceeding on the balance sheet date of the group, on a consolidated basis, the criterion of the average number of 500 employees during the financial year • financial market participants below average number of 500 employees, can disclose on a ‘comply or explain’ basis.
Periodicity	Please consider each requirement individually
Mandatory / voluntary basis	Mandatory, see opt-in in Art 4
Subject matters covered	It lays down sustainability-related disclosure obligations for manufacturers of financial products and financial advisers toward end-investors. (websites and product documentation also available to a greater public, incl. civic society, academia)
Risk/opportunity or performance approach	Both
Generic or sector specific	Not really sector-specific
Existence of:	
principles	Reduction of greenwashing, mis-selling, transparency,
boundaries	obligations for manufacturers of financial products and financial advisers
indicators (KPIs)	Proposed 51 Principle Adverse Impact (PAI) indicators identified in the draft ESAs RTS split: • on 2 levels: mandatory list of PAI indicators and an additional list of PAI indicators • by topic: environmental, social or governance indicators
type of indicators (Quantitative/ Qualitative – Forward-looking/ retrospective)	Both quantitative (e.g. carbon emissions, share of investment in solid fossil fuel sector, etc.) and qualitative (e.g. how negative impacts are integrated in risk policies). In Level 1: both backward and forward-looking disclosure requirements FMPs will also have to disclose on positive impact for products marketed as sustainable and well financial impact of sustainability risk. In RTS: backward-looking
precise definitions (yes/ no) and/ or use of a specific framework (list if any)	YES

Sustainable Finance Disclosure Regulation	
location (in which report) / digital submission?	website, product level disclosure, pre-contractual disclosure, product periodic reports, marketing material.
external control (yes/no)	Yes, Enforcement under sectoral rules – financial market supervisors
if yes level of the control	Sectoral supervisors
materiality threshold (to be assessed by preparers)	There are no materiality thresholds- prioritization of adverse impact done- see OECD guidelines: • financial market participants exceeding on their balance sheet dates the criterion of the average number of 500 employees during the financial year; and • financial market participants which are parent undertakings of a large group as referred to in Article 3(7) of Directive 2013/34/EU on the balance sheet date of the group, on a consolidated basis, the criterion of the average minimum number of 500 employees during the financial year financial market participants below average number of 500 employees, can disclose on a 'comply or explain' basis. Opt in as per Article 4.1.a? Please compare the reference to 'PAI' in opt-in Article 4.1.a and 'AI' in explain Article 4.1.b.
proportionality for SMEs	Proportionality only in Level 1, i.e. definitions of FMPs and Art 15
double materiality	YES – (principle adverse impacts and sustainability risks covered)
Next expected steps	ESAs Regulatory Technical Standards on disclosure of principle adverse impacts (disclosure at financial market participant level): • Developed (on climate and environment-related adverse impacts) by ESAs by 30 Dec 2020 / • Developed by ESAs on social and governance matters by 31 Dec 2021. ESAs Regulatory Technical Standards on disclosure of principle adverse impacts (product disclosures): By 30 December 2020 Application of the Regulation: 10 March 2021 Transparency of adverse sustainability impacts at product level: By 30 December 2022. Phase-in due diligence policies disclosure for large firms (above 500 employees or parent company above 500 employees): By 30 June 2021 The ESAs take stock report of the extent of voluntary disclosures: By 10 September 2022 and every year thereafter. EC to evaluate the application of this Regulation (in terms of scope and data availability): By 30 December 2022 Taxonomy Reg amends SFDR and introduces additional RTS

Solvency 2	
Legislative status	Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) amended by Directive 2014/51/EU ('Omnibus II') Regulation (EU) 2015/35 (known as the Solvency 2 delegated regulation), sets out detailed requirements for applying the Solvency 2 framework, Implementing Regulation (EU) 2015/2452, which contains detailed rules on the SFCR. (Solvency and Financial Conditions Reports)
First implementation date	Since 1 January 2016
Scope	The directive covers non-life insurance, life insurance and reinsurance companies (above threshold) operating in the EEA
Periodicity	Annual basis
Mandatory / voluntary basis	Mandatory
Subject matters covered	Prudential disclosure (minimum capital requirement) • Market consistent calculation of insurance liabilities and risk-based calculation of capital requirements • Requirements for risk management, governance, and the details of the supervisory process with competent authorities • Transparency, reporting to the supervisory authorities and public disclosure
Risk/opportunity or performance approach	Risk approach
Generic or sector specific	Sector specific
Existence of:	The Directive does not incorporate ESG disclosure elements.
Principles	/
Boundaries	/
indicators (KPIs)	/
Type of indicators (Quantitative/ Qualitative – Forward-looking/ retrospective)	Quantitative indicators. Forward-looking information related to stress tests and sensitivity analysis
Precise definitions (yes/ no) and/ or use of a specific framework (list if any)	Yes (definitions set out in the technical standards)
Location (in which report) / digital submission?	Solvency and financial conditions report (SFCR)
External control (yes/no)	Yes
If yes level of the control	By Supervisory authorities after submission of the SFCR. No pre-approval before submission.
materiality threshold (to be assessed by preparers)	No
content of materiality (double impact)	No (only **financial materiality** is taken in account)
proportionality for SMEs	There is no proportionality as regards the scope of disclosures, but proportionality applies for the calculation of the figures disclosed (e.g. technical provisions, capital requirements) as well as the narrative part of the disclosures.
Next expected steps	• EIOPA's review in the context of the European Action plan for Sustainable Finance (adding "sustainability risks" to Pillar II) – Focus on Transitional and Physical risks • Consultation in progress (due date: October 20) : review of prudential rules for insurance and reinsurance companies related to sustainability of insurers' activity • In progress, amending delegated regulation 2015/35 as regards the integration of sustainability risks in the governance of insurance and reinsurance undertakings

Taxonomy:	N/A
If already exists (name)	/
Location	/
feedback from preparers?	/
Feedback from users?	/
Nb of entities impacted	/

APPENDIX 4: GUIDELINES ON REPORTING CLIMATE-RELATED INFORMATION

#	Disclosure area	Disclosure description	Associated standards	EU Policy reference	Comments
1	**Business Model**	Describe the impact of climate-related risks and opportunities on the company's business model, strategy and financial planning. [Covers TCFD recommendation Strategy b)]			
2	**Business Model**	Describe the ways in which the company's business model can impact the climate, both positively and negatively.			
3	**Business Model**	Describe the resilience of the company's business model and strategy, taking into consideration different climate related scenarios over different time horizons, including at least a 2°C or lower scenario and a greater than 2°C scenario.19 [Covers TCFD recommendation Strategy c)]			
4	**Business Model – further guidance**	Describe any changes in the company's business model and strategy to address transition and physical risks and to take advantage of climate-related business opportunities.			
5	**Business Model – further guidance**	Describe the company's dependencies on natural capitals, such as water, land, ecosystems or biodiversity that are at risk because of climate change.			
6	**Business Model – further guidance**	Describe how any changes in the company's business model and strategy to address climate change mitigation and/or adaptation will change the company's human capital needs.			
7	**Business Model – further guidance**	Describe opportunities related to resource efficiency and cost savings, the adoption of low-emission energy sources, the development of new products and services, access to new markets, and building resilience along the value chain.			
8	**Business Model – further guidance**	Disclose how the company has selected scenarios.			
9	**Business Model – further guidance**	Describe how the company's activities contribute to climate change via GHG emissions, including from deforestation, forest degradation or land use change.			
10	**Policies and Due Diligence Processes**	Describe any company policies related to climate, including any climate change mitigation or adaptation policy.			
11	**Policies and Due Diligence Processes**	Describe any climate-related targets the company has set as part of its policies, especially any GHG emissions targets, and how company targets relate to national and international targets and to the Paris Agreement in particular.			

#	Disclosure area	Disclosure description	Associated standards	EU Policy reference	Comments
12	**Policies and Due Diligence Processes**	Describe the board's oversight of climate-related risks and opportunities. [Covers TCFD recommendation Governance a)]			
13	**Policies and Due Diligence Processes**	Describe management's role in assessing and managing climate-related risks and opportunities and explain the rationale for the approach. [Covers TCFD recommendation Governance b)]			
14	**Policies and Due Diligence Processes – further guidance**	Describe the company's engagement with its value chain on climate-related issues, explaining how it engages with upstream and downstream partners to promote climate mitigation and/or adaptation.			
15	**Policies and Due Diligence Processes – further guidance**	Explain how climate-related issues are integrated into the company's operational decision-making processes.			
16	**Policies and Due Diligence Processes – further guidance**	Describe any public policy engagement on climate related issues undertaken by the company, including membership of any relevant organisations or interest groups.			
17	**Policies and Due Diligence Processes – further guidance**	Describe whether, how and at what levels (in particular board and management) the company has access to expertise on climate-related issues, either from its own internal capacity and/or from external sources.			
18	**Policies and Due Diligence Processes – further guidance**	Describe any employee policies that are related to the climate, for example investments in skills necessary for the transition to low-carbon technologies, or measures to ensure employees can perform theirs tasks safely in a changing climate.			
19	**Policies and Due Diligence Processes – further guidance**	Describe whether and how the company's remuneration policy takes account of climate related performance, including performance against targets set.			
20	**Policies and Due Diligence Processes – further guidance**	Disclose any energy-related targets the company has set as part of its policies			
21	**Policies and Due Diligence Processes – further guidance**	Explain the reasoning behind the selection of any climate-related targets used by the company.			
22	**Policies and Due Diligence Processes – further guidance**	In the case of land sector companies, describe any targets related to GHG "sinks" (GHG absorption).			
23	**Outcomes**	Describe the outcomes of the company's policy on climate change, including the performance of the company against the indicators used and targets set to manage climate-related risks and opportunities. [Covers TCFD Metrics and targets c)].			
24	**Outcomes**	Describe the development of GHG emissions against the targets set and the related risks over time. [Covers TCFD Metrics and targets b)].			

#	Disclosure area	Disclosure description	Associated standards	EU Policy reference	Comments
25	**Outcomes – further guidance**	Describe how the performance of the company with regard to climate influences its financial performance, where possible with reference to financial KPIs.			
26	**Principal Risks and their Management**	Describe the company's processes for identifying and assessing climate-related risks over the short, medium, and long term and disclose how the company defines short, medium, and long term.20 [Covers TCFD recommendation Risk management a)]			
27	**Principal Risks and their Management**	Describe the principal climate-related risks the company has identified over the short, medium, and long term throughout the value chain, and any assumptions that have been made when identifying these risks. [Covers TCFD recommendation Strategy a)]. This description should include the principal risks resulting from any dependencies on natural capitals threatened by climate change, such as water, land, ecosystems or biodiversity.			
28	**Principal Risks and their Management**	Describe processes for managing climate-related risks (if applicable how they make decisions to mitigate, transfer, accept, or control those risks), and how the company is managing the particular climate-related risks that it has identified. [Covers TCFD recommendation Risk management b)]			
29	**Principal Risks and their Management**	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management. [Covers TCFD recommendation Risk management c)]. An important aspect of this description is how the company determines the relative significance of climate-related risks in relation to other risks.			
30	**Principal Risks and their Management – further guidance**	Describe any climate adaptation measures undertaken by the company as part of its risk management process.			
31	**Principal Risks and their Management – further guidance**	Give a detailed breakdown of principal climate-related risks by business activity.			
32	**Principal Risks and their Management – further guidance**	Give a detailed breakdown of principal climate-related risks by geographical location.			
33	**Principal Risks and their Management – further guidance**	Identify the locations that are critical to value chains, including operations, suppliers and markets.			
34	**Principal Risks and their Management – further guidance**	Describe how the company sets and applies limits to climate related risks, including any triggers used to escalate issues to management attention.			
35	**Principal Risks and their Management – further guidance**	Describe the processes for prioritising climate-related risks, including any thresholds applied and indicate which risks across the value chain are considered most significant.			

#	Disclosure area	Disclosure description	Associated standards	EU Policy reference	Comments
36	**Principal Risks and their Management – further guidance**	Categorise the principal risks of climate change on the financial performance of the company according to whether they are transition risks (policy, legal, technological, market and reputational risks) or physical risks (acute and chronic risks).			
37	**Principal Risks and their Management – further guidance**	Disclose any risk mapping that includes climate-related issues.			
38	**Principal Risks and their Management – further guidance**	Provide definitions of risk terminology used or references to existing risk classification frameworks used.			
39	**Principal Risks and their Management – further guidance**	Describe the frequency of reviews and analyses with regard to risk identification and assessment.			
40	**Principal Risks and their Management – further guidance**	Describe the linkages between principal climate-related risks and financial KPIs.			
41	**Principal Risks and their Management – further guidance**	Disclose how scenarios and/or internal carbon pricing are used for risk management actions such as mitigation, transfer or adaptation.			
42	**Principal Risks and their Management – further guidance**	Disclose the financial impacts of extreme weather events, including possible indicators on days of business interruptions and associated costs, cost of repairs, fixed-asset impairment, value chain disruptions and lost revenues.			
43	**Principal Risks and their Management – further guidance**	Describe how the company's performance is affected by weather variability, in particular for companies sensitive to variability in temperature and precipitation			
44	**KPI**	Direct GHG emissions from sources owned or controlled by the company (Scope 1)	TCFD Metrics and Targets, CDP Climate Change Questionnaire, GRI 305, CDSB Framework, SASB, EMAS	EU emissions trading system (ETS) 2030 climate & Energy framework	

Further guidance:
Companies should disclose 100% of their Scope 1 GHG emissions. This will help to improve the quality of other companies' GHG emissions reporting. If a company cannot collect reliable data for a proportion of its Scope 1 GHG emissions, it should make a reasonable estimate for that proportion in order to arrive at a figure for 100%. In that case, the company should also disclose (1) the % of emissions for which reliable data have been collected and the % of emissions that have been estimated, (2) the reasons why reliable data could not be collected for a proportion of the emissions and (3) the methodology used to estimate the proportion of emissions for which reliable data could not be collected.

Companies should, where appropriate, consider disclosing a breakdown of Scope 1 GHG emissions by country or region (including the EU), by business activity, and by subsidiary. E.g.: Scope 1 GHG emissions in country/ region X 42 260 tCO_2e, in country/ region Y 54 180 tCO_2e.

A carbon dioxide equivalent or CO_2 equivalent (CO_2e) is a metric measure used to compare the emissions from various greenhouse

#	Disclosure area	Disclosure description	Associated standards	EU Policy reference	Comments
45	**KPI**	Indirect GHG emissions from the generation of acquired and consumed electricity, steam, heat, or cooling (collectively referred to as "electricity") (Scope 2)	TCFD Metrics and Targets, CDP Climate Change Questionnaire, GRI 305, CDSB Framework, EMAS	2030 climate & energy framework	
	Further guidance: If necessary, companies should state whether there are any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 2 GHG emissions within their selected reporting boundary for which GHG emissions could not be collected or estimated, and the reasons for this. Companies should, where appropriate, consider disclosing a breakdown of Scope 2 GHG emissions by country or region (including the EU), by business activity, and by subsidiary. E.g.: Scope 2 GHG emissions in country/region X 98 654 tCO_2e, in country/region Y EU: 126 480 tCO_2e.				
46	**KPI**	All indirect GHG emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions (Scope 3)	TCFD Metrics and Targets, CDP Climate Change Questionnaire, GRI 305, CDSB Framework, EMAS	2030 climate & energy framework	
	Further guidance: Scope 3 should account for emissions from activities that occur "downstream" and "upstream" from the company's own operations. Companies should not exclude any activity that would compromise the relevance of the reported Scope 3 GHG emissions inventory. The GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard and Annex H of ISO 14064-1:2018 provide criteria for determining relevance. Companies should explain any excluded categories in their Scope 3 GHG emissions disclosure. When SMEs are part of the value chain, companies are encouraged to support them in providing the required information.				
47	**KPI**	GHG absolute emissions target	TCFD Metrics and Targets, CDP Climate Change Questionnaire, GRI 103-2 and 305, CDSB Framework, SASB, EMAS	2030 climate & energy framework	
	Further guidance: Companies should describe whether their target(s) relate(s) to their Scope 1, Scope 2 and/or Scope 3 GHG emissions either in full or in part. Companies should describe the development of GHG emissions against the targets set (see *Section 3.3 Outcomes*). Companies should consider setting targets for 2025 or 2030 and review them every five years. They may also consider setting a target for 2050 to align with the Paris Agreement. Companies should, where appropriate, consider disclosing GHG emissions targets by country or region (including the EU), by business activity, and by subsidiary. Companies may consider disclosing an additional intensity target expressed in metric tons CO_2e per business metric or % reduction of intensity metric, from base year (e.g. 8% reduction in relative emissions, equivalent to a reduction of 350 tCO_2e per EUR 1 million turnover by 2025 from 2018 base year).				

#	Disclosure area	Disclosure description	Associated standards	EU Policy reference	Comments
48	**KPI**	Total energy consumption and/or production from renewable and non-renewable sources	TCFD Metrics and Targets, CDP Climate Change Questionnaire, GRI 302, CDSB Framework, SASB, EMAS	2030 climate & energy framework; Energy Efficiency Directive	
	Further guidance: Fuels consumed as feedstock are not combusted for energy purposes and should not be included in calculations for this indicator. Include a breakdown of the different sources of renewable energy. Renewable sources of energy are those that can be naturally replenished on a human timescale, such as wind, solar, hydro, geothermal, biomass, etc. This definition excludes all fossil fuels (coal, oil, natural gas) and nuclear fuels. Waste energy should not be included if it is derived from fossil fuels. When disclosing non-renewable sources of energy, make a distinction between low carbon sources and other sources of non-renewable energy.				
49	**KPI**	Energy efficiency target	TCFD Metrics and Targets, CDP Climate Change Questionnaire, GRI 103-2 and 302, SASB, EMAS	2030 climate & energy framework; Energy Efficiency Directive	
	Further guidance: Companies should describe progress against the energy targets set				
50	**KPI**	Renewable energy consumption and/or production target	TCFD Metrics and Targets, CDP Climate Change Questionnaire, GRI 103-2 and 302, EMAS	2030 climate & energy framework; Energy Efficiency Directive	
	Further guidance: Companies should describe progress against the energy targets set				
51	**KPI – Physical risks**	Assets committed in regions likely to become more exposed to acute or chronic physical climate risks	TCFD Metrics and Targets, all 450a.1 SASB codes within select industries	EU Adaptation	
	Further guidance: Companies are advised to disclose the sources or methodology they have used to identify regions more exposed to physical climate-related risks.				
52	**KPI – Products and Services**	Percent turnover in the reporting year from products or services associated with activities that meet the criteria for substantially contributing to mitigation of or adaptation to climate change as set out in the Regulation on the establishment of a framework to facilitate sustainable investment (EU taxonomy).		Proposed Regulation on the establishment of a framework to facilitate sustainable investment Commission action plan on financing sustainable growth	

#	Disclosure area	Disclosure description	Associated standards	EU Policy reference	Comments
53	**KPI – Products and Services**	Percent investment (CapEx) and/or expenditures (OpEx) in the reporting year for assets or processes associated with activities that meet the criteria for substantially contributing to mitigation of or adaptation to climate change as set out in the Regulation on the establishment of a framework to facilitate sustainable investment (EU taxonomy).		Proposed Regulation on the establishment of a framework to facilitate sustainable investment Commission action plan on financing sustainable growth	
	Further guidance: *Companies should report on this indicator if and when the proposed Regulation on the establishment of a framework to facilitate sustainable investment (EU taxonomy) is approved.* In assessing whether an activity substantially contributes to the two EU objectives of mitigation of or adaptation to climate change while not significantly harming any other of the EU's environmental objectives, companies should take account of all relevant criteria and conditions set out in the Regulation.				
54	**KPI – Green Finance**	**Climate-related Green Bond Ratio:** Total amount of green bonds outstanding (at yearend) divided by (a 5-year rolling average of) total amount of bonds outstanding	ISO/CD 14030-1 Green bonds -- Environmental performance of nominated projects and assets (DRAFT)	Commission action plan on financing sustainable growth	
55	**KPI – Green Finance**	**Climate-related Green Debt Ratio:** Total amount of all green debt instruments outstanding (at year-end) divided by (a 5-year rolling average of) total amount of all debt outstanding.	ISO/CD 14030-1 Green bonds -- Environmental performance of nominated projects and assets (DRAFT)	Commission action plan on financing sustainable growth	
	Further guidance: The total amount of green bonds or green debt should only include bonds and debt instruments issued according to a potential EU Green Bond Standard if and when such a standard is approved, or according to any other broadly recognised green bond framework, such as the Green Bond Principles and the Green Loan Principles. Companies should specify the green bond framework applied. For bond issuers that have issued bonds that are not listed instruments (e.g., as private placements), the breakdown of listed and unlisted should be disclosed. Companies should also consider providing future targets related to these KPIs.				

FURTHER GUIDANCE FOR BANKS AND INSURANCE COMPANIES

#	Disclosure area	Disclosure description	Associated standards	EU Policy reference	Comments
56	**Business model**	How climate-related risks and opportunities of the investment, lending and insurance underwriting portfolios might affect the financial institution's business model.			
57	**Business model**	Whether and how the institution takes into consideration that its counterparties take climate-related risks and opportunities into account.			
58	**Business model**	How the assessment of climate-related risks and opportunities are factored into relevant investment, lending and insurance underwriting strategies and how each strategy might be affected by the transition to a lower-carbon economy.			
59	**Business model**	Insurance underwriting activities: how the potential impacts from climate change could influence policyholder, ceding company, reinsurer and their selection by the insurance company.			
60	**Policies and due diligence process**	How the financial institution encourages better disclosure and practices related to climate-related risks to improve data availability and any effort to increase the awareness of counterparties, and more generally of customers, of the relevance of climate-related issues as part of their lending, investment, and insurance underwriting processes, including for example by means of specialty climate-related risk advisory services.			
61	**Policies and due diligence process**	Any stewardship activities related to the financial institution's climate strategy such as engagements with companies, outcomes, and proxy voting (e.g. resolutions filed or supported).			
62	**Policies and due diligence process**	Any investment, lending and insurance underwriting portfolio contributing to climate change mitigation and adaptation and any relevant target in this respect, e.g. in terms of insurance revenues related to energy efficiency and low carbon technology.			
63	**Policies and due diligence process**	Investment activities: how climate-related issues are considered as drivers of value in the financial institution's investment decision process.			
64	**Policies and due diligence process**	Insurance underwriting activities: whether specific climate-related products are under development, such as the underwriting of risks of green infrastructure and nature based solutions.			
65	**Policies and due diligence process**	Insurance underwriting activities: whether any of the company's life products incorporate climate considerations in the modelling of biometric risks (Life).			

#	Disclosure area	Disclosure description	Associated standards	EU Policy reference	Comments
66	**Policies and due diligence process**	Insurance underwriting activities: whether the insurance company is part of public private partnerships to promote awareness raising about climate-related risks, disaster risk resilience and/or climate adaptation investments.			
67	**Policies and due diligence process**	Asset management activities: how climate-related considerations are embedded in suitability assessments in order to understand customers' preferences and awareness regarding climate-related risks and opportunities.			
68	**Policies and due diligence process**	Asset management activities: how the financial institution ensures that its climate related performance is aligned with the climate strategy of its clients.			
70	**Policies and due diligence process**	Asset management activities: the targets associated with climate-related exposure of assets under management across asset classes (e.g. equity / bonds / infrastructure / real estate / structured products / MBS / derivatives).			
71	**Outcomes**	The development trend of the amount of carbon-related assets in the different portfolios against any relevant target set and the related risks over time.			
72	**Outcomes**	The development trend of the weighted average carbon intensity for the different portfolios against any relevant target set and the related risks over time. Financial institutions should disclose the changes in the sector and geographic allocation of their investments compared to the previous reporting year and explain the impact of these changes on the average weighted carbon intensity of their portfolios.			
73	**Risks and Risk Management**	Whether risk management processes, including internal stress testing, consider climate-related risks.			
74	**Risks and Risk Management**	Any exposures in the different lending, investment and underwriting activities to sectors perceived as contributing to climate change, which might create reputational risks for the financial institution.			
75	**Risks and Risk Management**	The climate related risks identified in the different lending, investment or underwriting activities and how the financial institution assesses and manages those risks.			
76	**Risks and Risk Management**	The exposure of financial assets, non-financial assets and assets under management to principal climate-related risks and provide with a breakdown of those risks in physical and transition risks.			

#	Disclosure area	Disclosure description	Associated standards	EU Policy reference	Comments
77	**Risks and Risk Management**	How the financial institution has assessed the exposure of financial assets and nonfinancial assets to climate-related risks under different climate-related scenarios.			
78	**Risks and Risk Management**	Characterisation of their climate-related risks in the context of traditional industry risk categories such as credit risk, market risk and operational risk			
79	**Risks and Risk Management**	How climate-related risks could affect overall solvency needs of insurance companies and banks' present and future regulatory capital requirements. For that purpose, banks may use the outcomes of their own internal capital adequacy assessment process (see Article 73 of Directive 2013/36/EU), and insurance companies may use the results of the calculations carried-out in their Own Risk and Solvency Assessments (see Article 45 of Directive 2009/138/EC and Article 262 of Commission Delegated Regulation (EU) 2015/35), and the outcome of stress testing and sensitivity analysis (see Article 295.6 of Commission Delegated Regulation (EU) 2015/35), in particular when those techniques make use of climate related data			
80	**Risks and Risk Management**	Lending activities: volume of the collateral highly exposed to climate-related risks and the impact of the selected scenarios on its value.			
81	**Risks and Risk Management**	Lending activities: volume of real estate collateral by energy efficiency rating according to energy performance certificates. In particular, volume of real estate collaterals highly exposed to transition risk, including collateral with the lowest energy efficiency ratings in comparison to total collaterals.			
82	**Risks and Risk Management**	Lending activities: volume of real estate collaterals highly exposed to physical risk in comparison to total collaterals.			
83	**Risks and Risk Management**	Insurance underwriting activities: processes for identifying and assessing climate-related risks on reinsurance by geography, business division, or product segments.			
84	**Risks and Risk Management**	Insurance underwriting activities: mitigating actions, such as reinsurance treaties or hedging strategies put in place by the institution to reduce climate-related risks and the effect of any change in such techniques			
85	**Risks and Risk Management**	Insurance underwriting activities: the amount of carbon-related underwriting exposures in terms of insurance revenues			

#	Disclosure area	Disclosure description	Associated standards	EU Policy reference	Comments
86	**KPI**	Amount or percentage of carbon-related assets in each portfolio in M€ or as a percentage of the current portfolio value	TCFD Common Carbon Foot-printing and Exposure Metrics	2030 climate & energy framework	
	The TCFD recognises that the term carbon-related assets is not well defined. Entities need to use a consistent definition to support comparability. The TCFD suggests defining carbon-related assets as those assets tied to the energy and utilities sectors under the Global Industry Classification Standard, excluding water utilities and independent power and renewable electricity producer industries.				
87	**KPI**	Weighted average carbon intensity of each portfolio, where data are available or can be reasonably estimated	TCFD Common Carbon Foot-printing and Exposure Metrics	2030 climate & energy framework	
	Financial institutions should disclose the changes in the sector and geographic allocation of their investments compared to the previous reporting year and explain the impact of these changes on the average weighted carbon intensity of their portfolios. Financial institutions are advised to review the relevance and utility of this indicator on an annual basis, in light of rapid advances in the development of scenario analysis methodologies and decision-useful, climate-related risk indicators. The TCFD acknowledges the challenges and limitations of current carbon foot-printing indicators, including that such indicators should not necessarily be interpreted as risk indicators. The TCFD recognises that some asset managers may be able to report weighted average carbon intensity for only portion of the assets they manage given data availability and methodological issues. Reporting entities may provide other carbon footprinting and exposure indicators included in the TCFD supplemental guidance for the financial sector along with a description of the methodology used (TCFD annex p. 43).				
88	**KPI**	Volume of exposures by sector of counterparty.		EU Low Carbon Economy Roadmap	
89	**KPI – Lending and investment activities**	Credit risk exposures and volumes of collateral by geography/country of location of the activity or collateral, with an indication of those countries/ geographies highly exposed to physical risk.		EU Low Carbon Economy Roadmap	
90	**KPI – Lending and investment activities**	Volume of collaterals related to assets or activities in climate change mitigating sectors.		2030 climate & energy framework	
91	**KPI – Lending and investment activities**	Volume of financial assets funding sustainable economic activities contributing substantially to climate mitigation and/or adaptation (absolute figures and compared to total exposures) according to the EU taxonomy.		EU Low Carbon Economy Roadmap	
92	**KPI – Lending and investment activities**	Total amount of the fixed income portfolios invested in green bond certified according to a potential EU Green Bond Standard if and when such a standard is approved, or according to any other broadly recognised green bond framework (at year-end) divided by (a 5-year rolling average of) total amount of holdings in fixed income portfolios.	The proposed draft version of ISO 14030 (October 2018) on green bonds already requires reporting on this indicator.	Upcoming EU eco-label on green financial products.	
93	**KPI – Insurance underwriting activities**	Breakdown of underwriting exposure by lines of business to economic sectors (life / non-life / reinsurance).	EU Taxonomy SASB Directive 2009/138/EC (Solvency II)	2030 climate & energy framework	
94	**KPI – Insurance underwriting activities**	Percentage of products incorporating climate-related risks into the underwriting process for individual contracts (life / non-life / reinsurance).	SASB	2030 climate & energy framework	

#	Disclosure area	Disclosure description	Associated standards	EU Policy reference	Comments
95	**KPI – Insurance underwriting activities**	Number and value of climate-related underwriting products offered (Non-life / reinsurance). The company has developed a specific offering for geographic areas particularly exposed to extreme weather events, and discloses quantitative information around the uptake of the product.		2030 climate & energy framework EU Adaptation Strategy	
96	**KPI – Insurance underwriting activities**	Maximum Expected Loss from natural catastrophes caused by climate change (life / non-life / reinsurance).	SASB FN-IN-450a.1, AODP ASTM	2030 climate & energy framework EU Adaptation Strategy	
97	**KPI – Insurance underwriting activities**	Total losses attributable to insurance payouts from (1) expected natural catastrophes and (2) non-expected natural catastrophes, by type of event and geographic segment (net and gross of reinsurance).	SASB FN-IN-450a.2, GRI 201-2	2030 climate & energy framework	
98	**KPI – Asset management activities**	Breakdown of assets under management by business sector across asset classes (equity / bonds / infrastructure / real estate / structured products / MBS / derivatives).	EU Taxonomy EIOPA SASB FN-IN-410a. GRI 201 -2	2030 climate & energy framework	

APPENDIX 5: PROPOSED RTS SUPPORTING REGULATION (EU) 2088/2019 OR SFDR

1 Indicators to be calculated at the level of the total assets under management (AUM) of the financial institution, across asset classes.

TABLE OF MANDATORY DISCLOSURES

#	Disclosure area	Adverse sustainability indicator	Metric	Associated standards	EU Policy reference	Comments from PTF
1	**Climate and other environment-related indicators / Greenhouse Gas Emissions**	Carbon emissions (broken down by Scope 1, 2, 3 carbon emissions – including agriculture, forestry and other land use (AFOLU) emissions and in total)	(see below)		Article 3(j) of Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a system for greenhouse gas emission allowance trading within the Union and amending Council Directive 96/61/EC17; 2030 climate & energy framework	
	(f) 'total carbon emissions' shall be calculated in accordance with the following formula $$\sum_{n}^{i}\left(\frac{current\ value\ of\ investment_i}{investee\ company's\ enterprise\ value_i} \times investee\ company's\ Scope\ 1, 2\ and\ 3\ carbon\ emissions_i\right)$$					
2	**Climate and other environment-related indicators / Greenhouse Gas Emissions**	Carbon footprint	(see below)		2030 climate & energy framework	
	(g) 'carbon footprint' shall be calculated in accordance with the following formula $$\frac{\sum_{n}^{i}\left(\frac{current\ value\ of\ investment_i}{investee\ company's\ enterprise\ value_i} \times investee\ company's\ Scope\ 1, 2\ and\ 3\ carbon\ emissions_i\right)}{current\ value\ of\ all\ investments\ (€M)}$$					
3	**Climate and other environment-related indicators / Greenhouse Gas Emissions**	Weighted average carbon intensity	(see below)		2030 climate & energy framework	
	(i) 'carbon intensity' shall be calculated in accordance with the following formula $$\sum_{n}^{i}\left(\frac{current\ value\ of\ investment_i}{current\ value\ of\ all\ investments\ (€M)} \times \frac{investee\ company's\ Scope\ 1, 2\ and\ 3\ carbon\ emissions_i}{investee\ company's\ €M\ revenue_i}\right)$$					

#	Disclosure area	Adverse sustainability indicator	Metric	Associated standards	EU Policy reference	Comments from PTF
4	**Climate and other environment-related indicators / Greenhouse Gas Emissions**	Solid fossil fuel sector exposure	Share of investment in solid fossil fuel sectors		2030 climate & energy framework	
5	**Climate and other environment-related indicators / Energy performance**	Total energy consumption from non-renewable energy sources and share of non-renewable energy consumption	1. Total energy consumption of investee companies from non-renewable energy sources (in GWh) expressed as a weighted average 2. Shared on non -renewable energy consumption of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage		2030 climate & energy framework; EU low carbon economy roadmap	
6	**Climate and other environment-related indicators / Energy performance**	Breakdown of energy consumption by type of non-renewable sources of energy	Share of energy from non-renewable sources used by investee companies broken down by each non-renewable energy source		From sources other than those defined in Article 2(1) of Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (recast); 2030 climate & energy framework; EU low carbon economy roadmap	
7	**Climate and other environment-related indicators / Energy performance**	Energy consumption intensity	Energy consumption of investee companies per million EUR of revenue of those companies (in GWh), expressed as a weighted average		2030 climate & energy framework; EU low carbon economy roadmap	
8	**Climate and other environment-related indicators / Energy performance**	Energy consumption intensity per sector	Energy consumption intensity per million EUR of revenue of investee companies, per NACE sector (in GWh), expressed as a weighted average		2030 climate & energy framework; EU low carbon economy roadmap	

#	Disclosure area	Adverse sustainability indicator	Metric	Associated standards	EU Policy reference	Comments from PTF
9	**Climate and other environment-related indicators / Biodiversity**	Biodiversity and ecosystem preservation practices	1. Share of all investments in investee companies that do not assess, monitor or control the pressures corresponding to the indirect and direct drivers of biodiversity and ecosystem change 2. Share of all investee companies that that do not assess, monitor or control the pressures corresponding to the indirect and direct drivers of biodiversity and ecosystem change	The Aichi Biodiversity Targets (20 global targets) under the Convention on Biological Diversity's Strategic Plan for Biodiversity 2011-2020; Global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES);	EU Biodiversity Strategy (European Green Deal); The Sustainable Development Goals provide an important background as well, especially the Goal 15 (Life on Earth); Convention on Biological Diversity (CBD)	
10	**Climate and other environment-related indicators / Biodiversity**	Natural species and protected areas	1. Share of investments invested in investee companies whose operations affect IUCN Red List species and/or national conservation list species; 2. Share of investments in investee companies with operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas			
11	**Climate and other environment-related indicators / Biodiversity**	Deforestation	1. Share of investments in entities without a deforestation policy 2. Share of investee companies without a deforestation policy		EU deforestation Action Plan (COM) ('Stepping up EU Action to Protect and Restore the World's Forests'); An EU legal framework to halt and reverse EU-driven global deforestation (INL – European Parliament); EU Biodiversity Strategy (European Green Deal); The Sustainable Development Goals provide an important background as well, especially the Goal 15 (Life on Earth); Convention on Biological Diversity (CBD)	

#	Disclosure area	Adverse sustainability indicator	Metric	Associated standards	EU Policy reference	Comments from PTF
12	**Climate and other environment-related indicators / Water**	Water emissions	Weight in tonnes of water emissions generated by investee companies per million EUR invested, expressed as a weighted average		Direct nitrates, direct phosphate emissions, direct pesticides emissions, direct emissions of priority substances as defined in the Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy; Council Directive of 12 December 1991 concerning the protection of waters against pollution caused by nitrates from agricultural sources (91/676/EEC) 22, Council Directive 91/271/EEC of 21 May 1991 concerning urban waste-water treatment23 and Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control); EU Water Framework Directive; EU Biodiversity Strategy (EU Green Deal);	
13	**Climate and other environment-related indicators / Water**	Exposure to areas of high-water stress	1. Share of investments in investee companies with sites located in areas of high-water stress 2. Share of investee companies with sites located in areas of high-water stress	World Resources Institute's (WRI) Water Risk Atlas tool "Aqueduct";	EU Water Framework Directive; EU Biodiversity Strategy (EU Green Deal); The Sustainable Development Goals provide an important background as well, especially the Goal 6 (Clean water and sanitation) and Goal 14 (Life below water); Convention on Biological Diversity (CBD).	

#	Disclosure area	Adverse sustainability indicator	Metric	Associated standards	EU Policy reference	Comments from PTF
14	**Climate and other environment-related indicators / Water**	Untreated discharged wastewater	Total amount in cubic meters of untreated wastewater discharged by the investee companies expressed as a weighted average		EU Water Framework Directive; EU Biodiversity Strategy (EU Green Deal); The Sustainable Development Goals provide an important background as well, especially the Goal 6 (Clean water and sanitation) and Goal 14 (Life below water); Convention on Biological Diversity (CBD).	
15	**Climate and other environment-related indicators / Waste**	Hazardous waste ratio	Weight in tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average		Hazardous waste as defined in Article 3(2) of Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives 25 and radioactive waste; EU Water Framework Directive; EU Biodiversity Strategy (EU Green Deal); The Sustainable Development Goals provide an important background as well, especially the Goal 6 (Clean water and sanitation) and Goal 14 (Life below water); Convention on Biological Diversity (CBD).	
16	**Climate and other environment-related indicators / Waste**	Non-recycled waste ratio	Weight in tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average		Article 3(17) of Directive 2008/98/EC; EU Water Framework Directive; EU Biodiversity Strategy (EU Green Deal); The Sustainable Development Goals provide an important background as well, especially the Goal 6 (Clean water and sanitation) and Goal 14 (Life below water); Convention on Biological Diversity (CBD).	

#	Disclosure area	Adverse sustainability indicator	Metric	Associated standards	EU Policy reference	Comments from PTF
17	**Social and employee matters**	Implementation of fundamental ILO Conventions	1. Share of investments in entities without due diligence policies on issues addressed by the fundamental ILO Conventions 1 to 8 2. Share of investee companies without due diligence policies on issues addressed by the fundamental ILO Conventions 1 to 8			
18	**Social and employee matters**	Gender pay gap	Average gender pay gap of investee companies			
19	**Social and employee matters**	Excessive CEO pay ratio	Average ratio within investee companies of the annual total compensation for the highest compensated individual to the median annual total compensation for all employees (excluding the highest-compensated individual)			
20	**Social and employee matters**	Board gender diversity	Average ratio of female to male board members in investee companies			
21	**Social and employee matters**	Insufficient whistle-blower protection	1. Share of investments in entities without policies on the protection of whistle-blowers 2. Share of investee companies without policies on the protection of whistle-blowers			
22	**Social and employee matters**	Investment in investee companies without workplace accident prevention policies	1. Share of investments in investee companies without a workplace accident prevention policy 2. Share of investee companies without a workplace accident prevention policy		Article 5(7) of Directive (EU) 2019/1937 of the European Parliament and of the Council on the protection of persons who report breaches of Union law	
23	**Human rights**	Human rights policy	1. Share of investments in entities without a human rights policy 2. Share of investee companies without a human rights policy	UN Guiding Principles on Business and Human Rights		

#	Disclosure area	Adverse sustainability indicator	Metric	Associated standards	EU Policy reference	Comments from PTF
24	**Human rights**	Due diligence	1. Share of investments in entities without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts 2. Share of investee companies without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts			
25	**Human rights**	Processes and measures for preventing trafficking in human beings	1. Share of investments in investee companies / all investments without policies against trafficking in human beings 2. Share of all investments exposed to entities without international framework agreements combating trafficking in human beings			
26	**Human rights**	Operations and suppliers at significant risk of incidents of child labour	1. Share of the investments in investee companies /share of all investments exposed to operations and suppliers at significant risk of incidents of child labour exposed to hazardous work in terms of geographic areas or type of operation 2. Share investee companies / share of all investments exposed to operations and suppliers at significant risk of incidents of forced or compulsory labour in terms in terms of geographic areas and/or the type of operation			

#	Disclosure area	Adverse sustainability indicator	Metric	Associated standards	EU Policy reference	Comments from PTF
27	**Human rights**	Operations and suppliers at significant risk of incidents of forced or compulsory labour	Share of the investments in investee companies / share of all investments exposed to operations and suppliers at significant risk of incidents of forced or compulsory labour in terms in terms of geographic areas and/or the type of operation			
28	**Human rights**	Number and nature of identified cases of severe human rights issues and incidents	Number and nature of cases of severe human rights issues and incidents connected to investee companies			
29	**Human rights**	Exposure to controversial weapons (land mines and cluster bombs)	Any investment in entities involved in the manufacture or selling of controversial weapons (land mines and cluster bombs)			
30	**Anti-corruption and anti-bribery**	Anti-corruption and anti-bribery policies	1. Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption 2. Share of investee companies without policies on anti-corruption and bribery consistent with the United Nations Convention against Corruption			

#	Disclosure area	Adverse sustainability indicator	Metric	Associated standards	EU Policy reference	Comments from PTF
31	**Anti-corruption and anti-bribery**	Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery	1. Share of investments in investee companies with identified insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery 2. Share of investee companies with insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery			
32	**Anti-corruption and anti-bribery**	Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws	Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws by investee companies			

Additional climate and other environment-related indicators

2 The data preparer must choose one of the indicators below and justify it in its Principal Adverse Impact statement.

#	Disclosure area	Adverse sustainability indicator	Metric	Associated standards	EU Policy reference	Comments from PTF
33	**Emissions**	Emissions of inorganic pollutants	Tonnes of inorganic pollutants equivalent per million EUR invested			
34	**Emissions**	Emissions of air pollutants			Directive (EU) 2016/2284 of the European Parliament and of the Council of 14 December 2016 on the reduction of national emissions of certain atmospheric pollutants, amending Directive 2003/35/EC and repealing Directive 2001/81/EC	
35	**Emissions**	Emissions of ozone depletion substances	Tonnes of ozone depletion substances equivalent per million EUR invested			

#	Disclosure area	Adverse sustainability indicator	Metric	Associated standards	EU Policy reference	Comments from PTF
36	**Emissions**	Investing in companies without carbon emission reduction initiatives	1. Share of investments in investee companies without carbon emission reduction initiatives 2. Share of investee companies without carbon emission reduction initiatives			
37	**Water, waste and material**	Water usage: Total amount of water consumed and reclaimed, broken down per sector where relevant	Average amount of water consumed and reclaimed by the investee companies (in cubic meter) per million EUR of revenue of investee companies			
38	**Water, waste and material**	Water recycled and reused	Weighted average percentage of water recycled and reused by investee companies			
39	**Water, waste and material**	Investing in companies without water management initiatives	1. Share of investments in investee companies with no water management initiatives 2. Share of investee companies with no water management initiatives			
40	**Water, waste and material**	Land degradation, desertification, soil sealing	Land degradation, desertification and soil sealing as a percentage of land by the investee companies FMP invests in			
41	**Water, waste and material**	Investing in companies without sustainable land/forestry/ agriculture practices	1. Share of investments in investee companies without sustainable land/forestry/ agriculture practices policies 2. Share of investee companies without sustainable land/ forestry/ agriculture practices policies			
42	**Water, waste and material**	Investing in companies without sustainable oceans/seas practices	1. Share of investments in investee companies without sustainable oceans/seas practices policies 2. Share of investee companies without sustainable oceans/ seas practices policies			

#	Disclosure area	Adverse sustainability indicator	Metric	Associated standards	EU Policy reference	Comments from PTF
43	**Green securities**	Share of securities not certified as green	Share of securities in investments not certified as green			

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters.

3 The data preparer must choose one of the indicators below and report against it in its Principal Adverse Impact statement.

#	Disclosure area	Adverse sustainability indicator	Metric	Associated standards	EU Policy reference	Comments from PTF
44	**Social and employee matters**	Number/rate of accidents, injuries, fatalities, frequency	Number/rate of accidents, injuries, fatalities frequency in investee companies			
45	**Social and employee matters**	Number of days lost for injuries, accidents, fatalities, illness	Number of workdays lost to injuries, accidents, fatalities, illness of investee companies			
46	**Social and employee matters**	Supplier code of conduct	1. Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour) 2. Percentage of specific control and/or certified compliance for this code of conduct among suppliers of investee companies			
48	**Social and employee matters**	Grievance/ complaints handling mechanism	1. Share of investments in investee companies without any grievance/ complaints handling mechanism 2. Share of investee companies without any grievance/ complaints handling mechanism			

#	Disclosure area	Adverse sustainability indicator	Metric	Associated standards	EU Policy reference	Comments from PTF
49	**Social and employee matters**	Incidents of discrimination	1. Number of incidents of discrimination reported in investee companies 2. Number of incidents of discrimination leading to sanctions in investee companies			
50	**Social and employee matters**	Lack of separation of CEO and Chair functions on the boards of investee companies	1. Share of investments in investee companies without separate CEO and Chair functions 2. Share of investee companies without separate CEO and Chair functions			
51	**Social securities**	Share of securities not certified as social	Share of securities in investments not certified as social			

APPENDIX 6: DELEGATED ACTS SUPPLEMENTING REGULATION (EU) 2016/1011 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AS REGARDS THE EXPLANATION IN THE BENCHMARK STATEMENT OF HOW ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS ARE REFLECTED IN EACH BENCHMARK PROVIDED AND PUBLISHED.

1 Disclosures depend on the underlying asset class index. The asset classes covered are: equity, fixed income, sovereign debt, commodities and other (private equity and debt, real estate).

2 Benchmark administrators also have to disclose:

a) Description of data sources used to provide information on the ESG factors in the benchmark statement. *Describe how the data used to provide information on the ESG factors in the benchmark statement are sourced and whether, and to what extent, data are estimated or reported.*

b) Reference standards. *List the supporting standards used for the reporting*

PARIS ALIGNMENT – APPLICABLE TO ALL EQUITY AND BOND BENCHMARKS

#	Disclosure area	Indicator	Metric	Associated standards	EU Policy reference	Comments from PTF
1	**Paris alignment**	Does the benchmark align with the target of reducing carbon emissions or the attainment of the objectives of the Paris Agreement?	Yes/No			
2	**Paris alignment**	The temperature scenario, in accordance with international standards, used for the alignment with the target of reducing GHG emissions or attaining of the objectives of the Paris Agreement;	Narrative			
3	**Paris alignment**	The name of the provider of the temperature scenario used for the alignment with the target of reducing GHG emissions or the attainment of the objectives of the Paris Agreement	Narrative			
4	**Paris alignment**	The methodology used for the measurement of the alignment with the temperature scenario	Narrative			
5	**Paris alignment**	The hyperlink to the website of the temperature scenario used.	Object			

ESG DISCLOSURES FOR EQUITY BENCHMARKS

#	Disclosure area	Indicator	Metric	Associated standards	EU Policy reference	Comments from PTF
6	**Combined ESG factors**	Weighted average ESG rating of the benchmark	Voluntary	See TEG report		
7	**Combined ESG factors**	Overall ESG rating of top ten benchmark constituents by weighting in the benchmark	Voluntary	See TEG report		
8	**Environmental**	Weighted average environmental rating of the benchmark	Voluntary	See TEG report		
9	**Environmental**	Exposure of the benchmark portfolio to renewable energy as measured by capital expenditures (CapEx) in those activities (as a share of total CapEx by energy companies included in the portfolio)	Voluntary	See TEG report		
10	**Environmental**	Exposure of the benchmark portfolio to climate-related physical risks, measuring the effects of extreme weather events on companies' operations and production or on the different stages of the supply chain (based on issuer exposure)	Voluntary	See TEG report		
11	**Environmental**	Degree of exposure of the portfolio to the sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council2 as a percentage of the total weight in the portfolio	Mandatory	See TEG report		
12	**Environmental**	Greenhouse gas (GHG) intensity of the benchmark	Mandatory	See TEG report		
13	**Environmental**	Percentage of GHG emissions reported versus estimated	Mandatory	See TEG report		
14	**Environmental**	Exposure of the benchmark portfolio to companies the activities of which fall under Divisions 05 to 09, 19 and 20 of Annex I to Regulation (EC) No 1893/2006	Mandatory	See TEG report		
15	**Environmental**	Exposure of the benchmark portfolio to activities included in the environmental goods and services sector, as defined in Article 2, point (5) of Regulation (EU) No 691/2011 of the European Parliament and of the Council	Mandatory	See TEG report		
16	**Social**	Weighted average social rating of the benchmark	Voluntary	See TEG report		
17	**Social**	International treaties and conventions, United Nations principles or, where applicable, national law used in order to determine what constitutes a 'controversial weapon'.	Mandatory	See TEG report		
18	**Social**	Weighted average percentage of benchmark constituents in the controversial weapons sector	Mandatory	See TEG report		
19	**Social**	Weighted average percentage of benchmark constituents in the tobacco sector	Mandatory	See TEG report		

#	Disclosure area	Indicator	Metric	Associated standards	EU Policy reference	Comments from PTF
20	**Social**	Number of benchmark constituents subject to social violations (absolute number and relative divided by all benchmark constituents), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	Mandatory	See TEG report		
21	**Social**	Exposure of the benchmark portfolio to companies without due diligence policies on issues addressed by the fundamental International Labour Organisation Conventions 1 to 8.	Mandatory	See TEG report		
22	**Social**	Weighted average gender pay gap	Mandatory			
23	**Social**	Weighted average ratio of female to male board members	Mandatory			
24	**Social**	Weighted average ratio of accidents, injuries, fatalities	Mandatory			
25	**Social**	Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws	Mandatory			
26	**Governance**	Weighted average governance rating of the benchmark	Voluntary			
27	**Governance**	Weighted average percentage of board members who are independent	Mandatory			
28	**Governance**	Weighted average percentage of female board members	Mandatory			

ESG DISCLOSURES FOR FIXED INCOME BENCHMARKS

#	Disclosure area	Indicator	Metric	Associated standards	EU Policy reference	Comments from PTF
29	**Combined ESG factors**	Weighted average ESG rating of the benchmark	Voluntary	See TEG report		
30	**Combined ESG factors**	Overall ESG rating of top ten benchmark constituents by weighting in the benchmark	Voluntary	See TEG report		
31	**Environmental**	Weighted average environmental rating of the benchmark	Voluntary	See TEG report		
32	**Environmental**	Exposure of the benchmark portfolio to renewable energy as measured by capital expenditures (CapEx) in those activities (as a share of total CapEx by energy companies included in the portfolio)	Voluntary	See TEG report		
33	**Environmental**	Exposure of the benchmark portfolio to climate-related physical risks, measuring the effects of extreme weather events on companies' operations and production or on the different stages of the supply chain (based on issuer exposure)	Voluntary	See TEG report		

#	Disclosure area	Indicator	Metric	Associated standards	EU Policy reference	Comments from PTF
34	**Environmental**	Degree of exposure of the portfolio to the sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council2 as a percentage of the total weight in the portfolio	Mandatory	See TEG report		
35	**Environmental**	Greenhouse gas (GHG) intensity of the benchmark	Mandatory	See TEG report		
36	**Environmental**	Percentage of GHG emissions reported versus estimated	Mandatory	See TEG report		
37	**Environmental**	Exposure of the benchmark portfolio to companies the activities of which fall under Divisions 05 to 09, 19 and 20 of Annex I to Regulation (EC) No 1893/2006	Mandatory	See TEG report		
38	**Environmental**	Percentage of green bonds in the benchmark portfolio	Mandatory	See TEG report		
39	**Social**	Weighted average social rating of the benchmark	Voluntary	See TEG report		
40	**Social**	International treaties and conventions, United Nations principles or, where applicable, national law used in order to determine what constitutes a 'controversial weapon'.	Mandatory	See TEG report		
41	**Social**	Weighted average percentage of benchmark constituents in the controversial weapons sector	Mandatory	See TEG report		
42	**Social**	Weighted average percentage of benchmark constituents in the tobacco sector	Mandatory	See TEG report		
43	**Social**	Number of benchmark constituents subject to social violations (absolute number and relative divided by all benchmark constituents), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	Mandatory	See TEG report		
44	**Social**	Exposure of the benchmark portfolio to companies without due diligence policies on issues addressed by the fundamental International Labour Organisation Conventions 1 to 8.	Mandatory	See TEG report		
45	**Social**	Weighted average gender pay gap	Mandatory			
46	**Social**	Weighted average ratio of female to male board members	Mandatory			
47	**Social**	Weighted average ratio of accidents, injuries, fatalities	Mandatory			
48	**Social**	Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws	Mandatory			
49	**Governance**	Weighted average governance rating of the benchmark	Voluntary			

ESG DISCLOSURES FOR SOVEREIGN DEBT BENCHMARKS

#	Disclosure area	Indicator	Metric	Associated standards	EU Policy reference	Comments from PTF
50	**Combined ESG factors**	Weighted average ESG rating of the benchmark	Voluntary	See TEG report		
51	**Combined ESG factors**	Overall ESG rating of top ten benchmark constituents by weighting in the benchmark	Voluntary	See TEG report		
52	**Combined ESG factors**	The percentage of underlying fund management companies signed up to international standards.	Mandatory	See TEG report		
53	**Environmental**	Weighted average environmental rating of the benchmark	Voluntary	See TEG report		
54	**Environmental**	Exposure of the benchmark portfolio to climate-related physical risks, measuring the effects of extreme weather events on companies' operations and production or on the different stages of the supply chain (based on issuer exposure)	Voluntary	See TEG report		
55	**Environmental**	Top ten and bottom ten constituents by exposure to climate-related physical risks	Voluntary			
56	**Environmental**	Greenhouse gas (GHG) intensity of the benchmark	Mandatory	See TEG report		
57	**Environmental**	Percentage of GHG emissions reported versus estimated	Mandatory	See TEG report		
58	**Environmental**	Percentage of green bonds in the benchmark portfolio	Mandatory	See TEG report		
59	**Social**	Weighted average social rating of the benchmark	Voluntary	See TEG report		
60	**Social**	Average human rights performance of the issuers (including a quantitative indicator and the methodology used to calculate it).	Mandatory	See TEG report		
61	**Social**	Average income inequality score, measuring the distribution of income and economic inequality among the participants in a particular economy (including a quantitative indicator and the methodology used to calculate it).	Mandatory	See TEG report		
62	**Social**	Average freedom of expression score measuring the extent to which political and civil society organizations can operate freely (including a quantitative indicator and the methodology used to calculate it).	Mandatory			
63	**Governance**	Weighted average governance rating of the benchmark	Voluntary			
64	**Governance**	Average corruption score measuring the perceived level of public sector corruption (including a quantitative indicator and the methodology used to calculate it).	Mandatory			
65	**Governance**	Average political stability score, measuring the likelihood that the current regime will be overthrown by the use of force (including a quantitative indicator and the methodology used to calculate it).	Mandatory			

#	Disclosure area	Indicator	Metric	Associated standards	EU Policy reference	Comments from PTF
66	Governance	Average rule of law score, based on the absence of corruption, respect for fundamental rights, and the state of civil and criminal justice (including a quantitative indicator and the methodology used to calculate it).	Voluntary			

ESG DISCLOSURES FOR COMMODITY BENCHMARKS

#	Disclosure area	Indicator	Metric	Associated standards	EU Policy reference	Comments from PTF
67	Environmental	Degree of exposure of the underlying commodities to climate-related physical risks, measuring the effects of extreme weather events on companies' operation and production or on the different stages of the supply chain (low, moderate or high)	Voluntary	See TEG report		
68	Environmental	The methodology used to calculate the climate-related physical risks	Voluntary	See TEG report		
69	Environmental	Degree of exposure of the underlying commodities to climate-transition risks, measuring the financial impacts resulting from the effects of the implementation of a low-carbon strategies (low, moderate or high)	Mandatory	See TEG report		
70	Social	Degree of exposure of the underlying commodities to social risks (low, moderate or high).	Mandatory	See TEG report		
71	Governance	Degree of exposure of the underlying commodities to governance risks (low, moderate or high).	Mandatory	See TEG report		
72	Governance	Average rule of law score, based on the absence of corruption, respect for fundamental rights and the state of civil and criminal justice (including a quantitative indicator and the methodology used to calculate it).	Mandatory	See TEG report		

ESG DISCLOSURES FOR BENCHMARKS BASED ON OTHER ASSET CLASSES

#	Disclosure area	Indicator	Metric	Associated standards	EU Policy reference	Comments from PTF
73	Combined ESG factors	Weighted average ESG rating of the benchmark	Voluntary	See TEG report		
74	Environmental	Weighted average environmental rating of the benchmark	Voluntary	See TEG report		

#	Disclosure area	Indicator	Metric	Associated standards	EU Policy reference	Comments from PTF
75	**Environmental**	Degree of exposure of the portfolio to climate-related opportunities, measuring investment opportunities related to climate change, innovating new investment solutions, as percentage of total weight in portfolio	Mandatory	See TEG report		
76	**Environmental**	GHG intensity of the benchmark	Mandatory	See TEG report		
77	**Environmental**	Degree of exposure of the portfolio to the sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 as percentage of total weight in the portfolio	Mandatory	See TEG report		
78	**Social**	Weighted average social rating for the benchmark	Voluntary	See TEG report		
79	**Social**	International treaties and conventions, United Nations principles or, where applicable, national law used in order to determine what constitutes a 'controversial weapon'.	Mandatory			
80	**Social**	Weighted average percentage of benchmark constituents in the controversial weapons sector.	Mandatory			
81	**Social**	Weighted average percentage of benchmark constituents in the tobacco sector.				
82	**Governance**	Weighted average governance rating of the benchmark	Voluntary			
83	**Governance**	Percentage of underlying funds with stewardship policies in place, including measures for the planning and management of resources.	Mandatory			

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EFRAG
aisbl - ivzw

35 Square de Meeûs
B-1000 Brussels
+32 (0)2 207 93 00
info@efrag.org
www.efrag.org

www.efrag.org

Connect with EFRAG on
LinkedIn and Twitter