



Sustainable Finance Update

FIRST EDITION

27 April 2021

PROMOTING SUSTAINABILITY THROUGH
EUROPEAN FINANCIAL MARKETS

- Taxonomy Delegated Acts on Climate Mitigation & Adaptation
- Corporate Sustainability Reporting Directive (CSRD) (former NFRD)
- MiFID Delegated Acts (Sustainability Preferences)
- UCITS and AIFM Delegated Acts (Sustainability Risks & Principal Adverse Impacts)
- Other developments



An overview

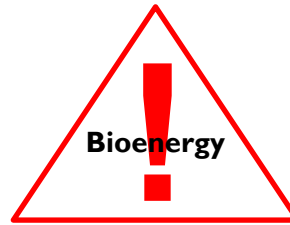
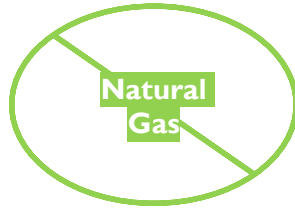
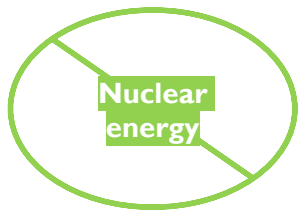
The EU Taxonomy Regulation

Delegated acts adoption and next steps



Climate Mitigation & Adaptation Delegated Act

- Politically very sensitive because of: 1) access to private finance 2) use in EU public finances and 3) pre-empting policy discussion (i.e. Fit for 55 energy package)
- Political compromise – decision on certain sectors delayed to get a majority in the European Parliament and the Council
- Civil society organisation remain concerned over Bioenergy and Forestry



Key highlights

Manufacturing

ETS as reference for the criteria of iron and steel, aluminium, plastics, chemicals

Energy

keep the 100g CO₂e/kWh threshold for lifecycle emissions for energy activities

Buildings

TEG proposal for buildings whose Primary Energy Demand are within the top 15% most efficient of local stock



The EU Taxonomy Regulation

Delegated acts adoption and next steps



Next steps for the Taxonomy Delegated Acts

By 1 June 2021

1

- Adopt the Taxonomy Article 8 Delegated Act
- Art. 8 : Taxonomy alignment information to be disclosed by undertakings subject to NFRD

2

Q4 2021 (after the specific review process expected in summer 2021)

- Complementary Climate Delegated Act
- Covering activities not yet covered: Agriculture, nuclear energy, natural gas.

3

Q4 2021

One Delegated Act covering the four remaining environmental objectives.



Corporate Sustainability Reporting Directive

NFRD revision



- Proposal to revised the NFRD – ordinary legislative procedure
- Investee company data key input for SFDR, Taxonomy and EU Paris-Aligned/Climate-Transition Benchmarks, as well as EcoLabel and EU Green Bond Standards

Double Materiality

Confirms Double Materiality Principle should be central to companies' reporting

Scope



Public: All listed companies on EU regulated markets, regardless of their size (including SMEs).

Exception: micro-companies



Private: All large companies (2 out of 3 criteria – key change: from 500 to 250 employees)



Listed SMEs : start reporting from January 2026 (after 3 years following the entry in force)



Other SMEs: non-binding guidelines to be published by October 2023 (Article 19c)



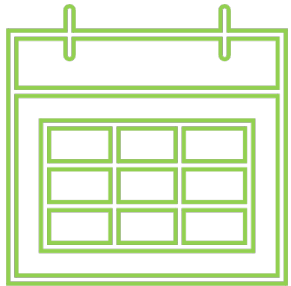
Corporate Sustainability Reporting Directive

NFRD revision



European Sustainability Reporting Standards (ESRS)

- Commission to adopt delegated act based on EFRAG technical advice
- In line with Taxonomy-alignment KPIs and SFDR PAII
- Take into account relevant developments including development of international standards



31 Oct. 2022: 1st set of standards

Reporting obligation from Jan. 2023 (Jan. 2026 for listed SMEs)

31 Oct. 2023 : 2nd set of standards

Sector-specific reporting items



Corporate Sustainability Reporting Directive

NFRD revision



April 21st proposal

Reporting content

- Principle adverse impact of the company and its value chain
- Compatibility with the plan to limit global warming to 1.5 °C in line with the Paris Agreement and EU Climate Law
- Published as part of the management report

Assurance

- Limited assurance on sustainability information in conformity with the ESRS
- Assurance standards on sustainability information in the DA to amend the Audit Directive



Sustainability preferences

Define 'sustainability preferences' of a client as part of **the suitability assessment**



client



firms and financial advisers



financial universe matching sustainability preference

3 categories of products framing sustainability preferences



UCITS and AIFM

Delegated Regulations



Sustainability risks

- For all UCITS and AIFM - obligation to take into account sustainability risks in the selection and ongoing monitoring of their investments (due diligence requirements)

Principal Adverse Impacts

- For UCITS and AIFMs required to report on Principal Adverse Impacts under SFDR (Article 4)
- Obligation to take into account these PAI in the selection and ongoing monitoring of their investments



Consultation SFDR taxonomy-related disclosures

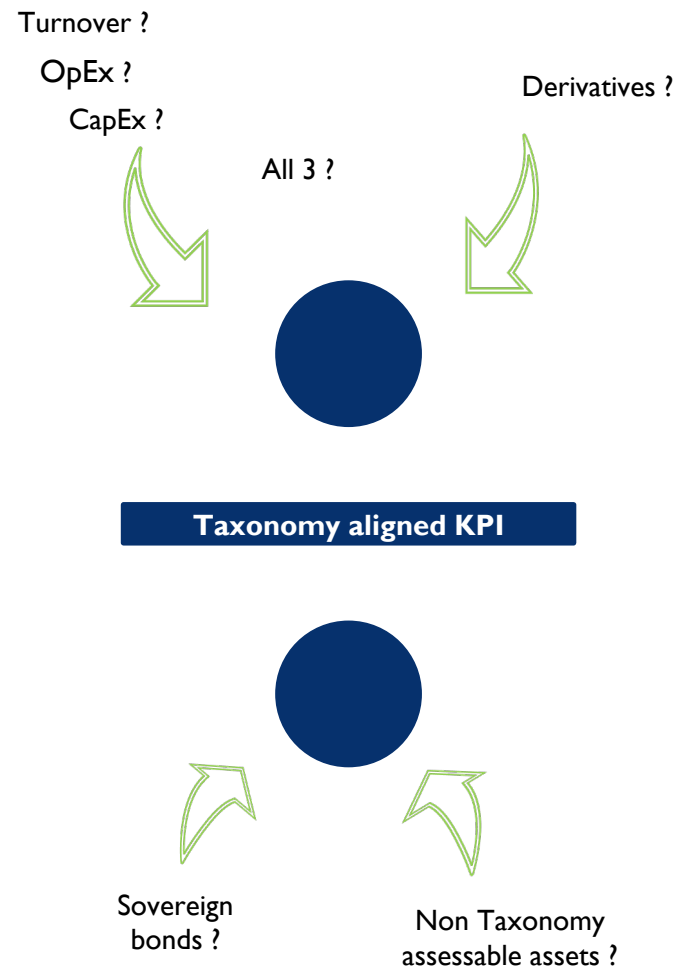


Deadline for delivering RTS

1 June 2021

Key highlights

- Amend SFDR RTS instead of creating new ones
- Distinction between pre-contractual and periodic reporting requirements



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