

12 September 2018

# European Parliament Draft Report on the proposal for a Regulation on disclosures relating to sustainable investments and sustainability risks

## EBF PROPOSAL FOR AMENDMENTS

The EBF supports the Commission's legislative proposals on sustainable finance, based on its Action Plan for Financing Sustainable Growth.

It is essential to define and bolster sustainable finance as part of the Capital Markets Union and to take into consideration the views of banking sector given their valuable role in the investment and financing process.

The proposal for a Regulation on disclosures relating to sustainable investments and sustainability risks aims to ensure that financial market participants, insurance intermediaries and investment firms taking investment decisions on behalf of clients or beneficiaries or providing investment advice, integrate ESG considerations into the investment and advisory process in a consistent manner and provide investors with related information.

### Key Points:

With regards to the entities identified in the disclosures proposal, that directly link to the taxonomy, we argue that inclusion of credit institutions in the scope of the regulation should, therefore, be limited to the provision of portfolio management or investment advice services by credit institutions under MiFID II. Provision of credit should be left out from the scope of the regulation and covered in a separate proposal.

Our main comment concerns the reference to credit institutions in amendment 1, 12 and 23 and the totality of amendment 2, that should be deleted.

Complementing this critical part of our view, we would like to propose further changes to the text that would be detrimental for financial market participants if maintained as suggested in the report.

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## Assessment of the draft report

### Credit Institutions / Banks in Scope:

When analysing the different amendments that include credit institutions / banks in scope of the regulation we are of the opinion that, although it is true that banks are key in terms of financing the transition to a sustainable economy, and should be involved in the work on the taxonomy, **the possible disclosures for lending should be discussed separately, not in the disclosures regulation which is focused on the investment side.**

**Credit institutions should only be in scope of the disclosures proposal when they receive a mandate from their clients to take environmentally sustainable investment decisions or providing related advisory services to clients like the other market participants covered by the proposed regulation.**

*Proposed actions: Delete the general reference to credit institutions and the integration of sustainability risks in investment decision-making in Amendment 1, delete amendments 2, 12 and 23. See a more detailed analysis and recommendations below.*

### Mandatory disclosure rules & due diligence:

As mentioned in our arguments above, we believe that possible disclosures for lending activities (credit provision) should be discussed separately, not in this disclosures regulation which is focused on the investment side.

Credit institutions should only be in scope of the disclosures proposal as managers of environmentally sustainable investments or as providers of related advisory services to clients.

*While due diligence is a core component of every investment decision, in practical terms it is not clear how the proposed requirements will be implemented. Mandatory due diligence would lead to the requirement to conduct due diligence while not all required information may be available or disclosed by investee. This will, contrary to the Commission's intention, obstruct investments in sustainable finance.*

In any case, the disclosure framework should be coordinated with the work done both by the private sector on its own initiative and further internationally-agreed disclosure and accounting systems, managing the complexity in a concrete manner instead of referencing to OECD / National laws or standards. In any case, the incorporation of ESG risks in decision-making processes is planned to be inserted at Level 2 by delegated acts modifying UCITS, MiFID and AIFMD.

*Proposed actions: Delete amendment 8, 17, 24 and 25; the references to due diligence in amendments 26 and 29; the inclusion of our comment on common methodology in amendment 27 and the additions on what to publish in written form by financial market participants in amendment 21. See a more detailed analysis and recommendations below.*

### Target: Sustainable investments vs. all investments:

Amendment 10 changes the target of the financial products that fall in scope of the regulation from only those "that have as their targets sustainable investments, including the reduction in carbon emissions" to "all financial products, whether or not they are investments with a targeted sustainable impact".

We believe that this switch is not appropriate, especially for the business lines of credit institutions, taking into account the necessary steps that should be undertaken in order to measure all these activities without the taxonomy in place.

Also the definition of sustainable investments is clearly embedded in the proposals, while the general understanding of the impact on sustainability of other activities has not yet been defined.

*Proposed actions: Delete amendment 10 and maintain the text proposed by the Commission. See a more detailed analysis and recommendations below.*

#### Definition of Sustainability Risks:

Taking a closer look to the issue of sustainability risks, we understand that they are a critical component of the ongoing work of the Technical Expert Group of the European Commission when looking at the Taxonomy.

Sustainability risks will be analysed and specified once having a concrete taxonomy in place.

The definitions of sustainability risks have to be discussed. This proposal, however, is not the right place, and critically it is front-jumping the discussions.

*Proposed actions: Delete the references to 'sustainability risks' and 'sustainability preferences' in amendment 3 and 36 and delete in full amendments 4 and 44. See a more detailed analysis and recommendations below.*

#### Remuneration policies:

With regards to remuneration policies, we would like to insist that we support the approach of the Commission, "to be consistent with the integration of sustainability risks, and where relevant sustainable investment targets and should be designed to contribute to long-term sustainable growth". The EBF is very conscious about this and our Steering Committee for Financing Growth and dedicated Financing Growth team have these considerations always in mind when approaching policy and engagement with banking participants.

To move to a usage of remuneration policy as a "mechanism to avoid unwanted sustainability risks and encourage sustainable investments" could be detrimental to the correct functioning of credit institutions and the correct sustainability analysis done by the professionals involved in these assessments.

Remuneration policies are already regulated in the prudential package, in MiFID, and EBA guidelines, so we do not agree with their inclusion in this regulatory proposal which can also give raise to inconsistencies.

The considerations included in amendment 5 and 32 bear no relevance with risk-taking, and the core objectives of the CRD. The alignment of the remuneration policies and practices with effective risk management should be respected.

*Proposed actions: Maintain the text proposed by the Commission, deleting the new references included in the draft report for amendments 5 and 28, and maintain the text proposed by the commission, deleting amendment 32 in full. See a more detailed analysis and recommendations below.*

## Key proposed amendments

### Recital 2 – Amendment 1

Text proposed by the Commission	Amendment by Parliament	EBF proposal for amendment
<p>(2) A common objective of Directive 2009/65/EC of the European Parliament and of the Council<sup>32</sup> , Directive 2009/138/EC of the European Parliament and of the Council<sup>33</sup> , Directive 2011/61/EU of the European Parliament and of the Council<sup>34</sup> , Directive 2014/65/EU of the European Parliament and of the Council<sup>35</sup> , Directive (EU) 2016/97 of the European Parliament and of the Council<sup>36</sup> , Directive (EU) 2016/2341 of the European Parliament and of the Council<sup>37</sup> , Regulation (EU) No 345/2013 of the European Parliament and of the Council<sup>38</sup> and Regulation (EU) No 346/2013 of the European Parliament and of the Council<sup>39</sup> is to facilitate the taking-up and pursuit of the activities of undertakings for collective investment in transferable securities (UCITS), alternative investment fund managers (AIFMs), insurance undertakings, investment firms, insurance intermediaries, institutions for occupational retirement provision (IORPs), managers of qualifying venture capital funds (EuVECA managers), and managers of qualifying social entrepreneurship funds (EuSEF managers). Those Directives and Regulations ensure more uniform protection of end-</p>	<p>(2) A common objective of Directive 2009/65/EC of the European Parliament and of the Council<sup>32</sup> , Directive 2009/138/EC of the European Parliament and of the Council<sup>33</sup> , Directive 2011/61/EU of the European Parliament and of the Council<sup>34</sup> , Directive 2014/65/EU of the European Parliament and of the Council<sup>35</sup> , Directive (EU) 2016/97 of the European Parliament and of the Council<sup>36</sup> , Directive (EU) 2016/2341 of the European Parliament and of the Council<sup>37</sup> , Regulation (EU) No 345/2013 of the European Parliament and of the Council<sup>38</sup> and Regulation (EU) No 346/2013 of the European Parliament and of the Council<sup>39</sup> is to facilitate the taking-up and pursuit of the activities of undertakings for collective investment in transferable securities (UCITS), alternative investment fund managers (AIFMs), insurance undertakings, investment firms, insurance intermediaries, institutions for occupational retirement provision (IORPs), managers of qualifying venture capital funds (EuVECA managers), and managers of qualifying social entrepreneurship funds (EuSEF managers). Those Directives and Regulations ensure more uniform protection of end-</p>	<p>Maintain the text proposed by the Commission, deleting the reference to credit institutions:</p> <p>(2) A common objective of Directive 2009/65/EC of the European Parliament and of the Council<sup>32</sup> , Directive 2009/138/EC of the European Parliament and of the Council<sup>33</sup> , Directive 2011/61/EU of the European Parliament and of the Council<sup>34</sup> , Directive 2014/65/EU of the European Parliament and of the Council<sup>35</sup> , Directive (EU) 2016/97 of the European Parliament and of the Council<sup>36</sup> , Directive (EU) 2016/2341 of the European Parliament and of the Council<sup>37</sup> , Regulation (EU) No 345/2013 of the European Parliament and of the Council<sup>38</sup> and Regulation (EU) No 346/2013 of the European Parliament and of the Council<sup>39</sup> is to facilitate the taking-up and pursuit of the activities of undertakings for collective investment in transferable securities (UCITS), alternative investment fund managers (AIFMs), insurance undertakings, investment firms, insurance intermediaries, institutions for occupational retirement provision (IORPs), managers of qualifying venture capital funds (EuVECA managers), and managers of qualifying</p>

<p>investors and make it easier for them to benefit from a wide range of financial products and services, and at the same time provide for rules that enable investors to make informed investment decisions. While those objectives have been largely achieved, disclosures to end-investors on the integration of sustainability risks and sustainable investment targets in investment decision-making by UCITS management companies, AIFMs, insurance undertakings, investment firms which provide portfolio management, IORPs, pension providers, EuVECA managers and EuSEF managers (financial market participants) and disclosures to end-investors on the integration of sustainability risks in advisory processes by insurance intermediaries which provide insurance advice with regard to insurance-based investment products (IBIPs) and investment firms which provide investment advice (financial advisors) are insufficiently developed because such disclosures are not yet subject to harmonised requirements.</p>	<p>investors and make it easier for them to benefit from a wide range of financial products and services, and at the same time provide for rules that enable investors to make informed investment decisions. While those objectives have been largely achieved, disclosures to end-investors on the integration of sustainability risks and sustainable investment targets in investment decision-making by UCITS management companies, AIFMs, insurance undertakings, investment firms which provide portfolio management, IORPs, pension providers, <b>credit institutions</b>, EuVECA managers and EuSEF managers (financial market participants) and disclosures to end-investors on the integration of sustainability risks in advisory processes by insurance intermediaries which provide insurance advice with regard to insurance-based investment products (IBIPs) and investment firms which provide investment advice (financial advisors) are insufficiently developed because such disclosures <b>and the integration of sustainability risks in investment decision-making</b> are not yet subject to harmonized requirements</p>	<p>social entrepreneurship funds (EuSEF managers). Those Directives and Regulations ensure more uniform protection of end-investors and make it easier for them to benefit from a wide range of financial products and services, and at the same time provide for rules that enable investors to make informed investment decisions. While those objectives have been largely achieved, disclosures to end-investors on the integration of sustainability risks and sustainable investment targets in investment decision-making by UCITS management companies, AIFMs, insurance undertakings, investment firms which provide portfolio management, IORPs, pension providers, <b>credit institutions which provide portfolio management or investment advice on behalf of their clients</b>, EuVECA managers and EuSEF managers (financial market participants) and disclosures to end-investors on the integration of sustainability risks in advisory processes by insurance intermediaries which provide insurance advice with regard to insurance-based investment products (IBIPs) and investment firms which provide investment advice (financial advisors) are insufficiently developed because such disclosures <b>and the integration of sustainability risks in</b></p>
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		<b>investment decision-making</b> are not yet subject to harmonized requirements
<p><i>Justification:</i> Credit institutions should only be in scope of the disclosures proposal when managing environmentally sustainable investments or providing related advisory services to clients.</p> <p>In fact, we are of the view that credit institutions' investment advice activities are already captured in the Commission's proposal as "investment firms which provide investment advice (financial advisors) ". In addition, credit institutions as producers of investment solutions on sustainable benchmarks are captured by the related obligations outlined in the Commission's proposal on low carbon and positive carbon impact benchmarks.</p> <p>The regulation of possible disclosures by credit institutions should be done in a separate package, not in the disclosures regulation which is focused on the investment side.</p>		

Recital 2 a (new) – Amendment 2

Text proposed by the Commission	Amendment by Parliament	EBF proposal for amendment
	<p>(2 a) Banks still hold the key to making finance more sustainable in the European financial landscape. Therefore, they should be fully included in the scope of this Regulation. Banks should integrate sustainability risk when making available financial products, in its risk-management and in its corporate loan origination process. The Supervisory Review and Evaluation Process (SREP) should include an assessment of the integration of environmental, social and governance (ESG) factors and risks in the risk-management system of the bank.</p>	<p>Maintain the text proposed by the commission, deleting the whole amendment:</p> <p>(2 a) Banks still hold the key to making finance more sustainable in the European financial landscape. Therefore, they should be <b>fully</b> included in the scope of this Regulation as <b>managers of environmentally sustainable investments or providers of related advisory services to clients</b>. <del>Banks should integrate sustainability risk when making available financial products, in its risk-management and in its corporate loan origination process. The Supervisory Review and Evaluation Process (SREP) should include an assessment of the integration of environmental, social and</del></p>

		<del>governance (ESG) factors and risks in the risk-management system of the bank.</del>
<p><i>Justification:</i> Credit institutions should only be in scope of the disclosures proposal when managing environmentally sustainable investments or providing related advisory services to clients.</p>		

Article 2 – paragraph 1 – point a – point iv a (new) – Amendment 12

Text proposed by the Commission	Amendment by Parliament	EBF proposal for amendment
	(iv a) credit institution as defined in point (1) of Article 4 (1) of Regulation (EU) No 575/2013;	We propose to maintain the text proposed by the Commission, deleting the whole amendment: (iv a ) credit institutions providing portfolio management or investment advice on behalf of their clients. <del>(iv a) credit institution as defined in point (1) of Article 4 (1) of Regulation (EU) No 575/2013;</del>
<p><i>Justification:</i> Possible disclosures for lending activities should be discussed separately, not in the disclosures regulation which is focused on the investment side.</p> <p>Credit institutions should only be in scope of the disclosures proposal when managing environmentally sustainable investments or providing related advisory services to clients.</p>		

Article 3 – paragraph 2 a (new) – Amendment 23

Text proposed by the Commission	Amendment by Parliament	EBF proposal for amendment
	2 a. Credit institutions and insurance undertakings shall have in place policies on the integration of sustainability risks in the risk-management and corporate loan origination process and publish them in written form on their websites.	We propose to maintain the text proposed by the Commission, deleting the whole amendment: <del>2 a. Credit institutions and insurance undertakings shall have in place policies on the integration of sustainability risks in the risk-management and corporate loan origination process and publish them</del>

		<del>in written form on their websites.</del>
<i>Justification:</i> The definition of sustainability risks should be undertaken in the work related to the taxonomy.		

Recital 16 a (new) – Amendment 8

Text proposed by the Commission	Amendment by Parliament	EBF proposal for amendment
	<p>(16 a) The disclosure rules set out in this Regulation complement the introduction of a full overarching, mandatory due diligence framework for all financial market participants including a duty of care component, to be fully phased-in within a transitional period and taking into account the proportionality principles. By carrying out due diligence in line with the OECD Guidelines, investors will not only be able to avoid negative impacts of their investments on society and the environment, but also avoid financial and reputational risks, respond to expectations of their clients and beneficiaries, and contribute to global goals on climate and sustainable development. In doing so, financial market participants will be obliged to move beyond a merely financial understanding of their investor duties. Furthermore, the framework builds forth on the European Parliament's demand for a mandatory due diligence framework in its Own-Initiative Report on Sustainable Finance (2018/2007(INI)), and on</p>	<p>We propose to maintain the text proposed by the Commission, deleting the whole amendment:</p> <p><del>(16 a) The disclosure rules set out in this Regulation complement the introduction of a full overarching, mandatory due diligence framework for all financial market participants including a duty of care component, to be fully phased-in within a transitional period and taking into account the proportionality principles. By carrying out due diligence in line with the OECD Guidelines, investors will not only be able to avoid negative impacts of their investments on society and the environment, but also avoid financial and reputational risks, respond to expectations of their clients and beneficiaries, and contribute to global goals on climate and sustainable development. In doing so, financial market participants will be obliged to move beyond a merely financial understanding of their investor duties. Furthermore, the framework builds forth on the European Parliament's</del></p>



	<p>the French Corporate Duty Of Vigilance Law of 27 March 2017, and in particular Articles 1 and 2 thereof.</p>	<p><del>demand for a mandatory due diligence framework in its Own Initiative Report on Sustainable Finance (2018/2007(INI)), and on the French Corporate Duty Of Vigilance Law of 27 March 2017, and in particular Articles 1 and 2 thereof.</del></p>
<p><i>Justification:</i> As mentioned previously above, we believe that possible disclosures for lending activities should be discussed separately, not in the disclosures regulation, which is focused on the investment side.</p> <p>Credit institutions should only be in scope of the disclosures proposal when managing environmentally sustainable investments or providing related advisory services to clients.</p> <p>While due diligence is a core component of every investment decision, in practical terms it is not clear how the proposed requirements will be implemented. Mandatory due diligence would lead to requirement to conduct due diligence while not all required information may be available or disclosed by investee. This will, contrary to the Commission’s intention, obstruct investments in sustainable finance.</p>		

Article 2 – paragraph 1 – point p a (new) – Amendment 17

Text proposed by the Commission	Amendment by Parliament	EBF proposal for amendment
	<p>(p a) ‘Due diligence’ means an ongoing process through which investors identify, avoid, mitigate, account for and communicate about how actual or potential adverse ESG factors and risks are integrated in investment decision-making and risk management systems, in line with the OECD (2017) Responsible business conduct for institutional investors: Key considerations for due diligence under the OECD Guidelines for Multinational Enterprises, and subsequent revisions;</p>	<p>We propose to maintain the text proposed by the Commission, deleting the whole amendment:</p> <p><del>(p a) ‘Due diligence’ means an ongoing process through which investors identify, avoid, mitigate, account for and communicate about how actual or potential adverse ESG factors and risks are integrated in investment decision-making and risk management systems, in line with the OECD (2017) Responsible business conduct for institutional investors: Key considerations for due diligence under the OECD Guidelines for Multinational</del></p>

		<b>Enterprises, and subsequent revisions;</b>
<p><i>Justification:</i> As mentioned above, we believe that possible disclosures for lending activities should be discussed separately, not in the disclosures regulation which is focused on the investment side.</p> <p>Credit institutions should only be in scope of the disclosures proposal when managing environmentally sustainable investments or providing related advisory services to clients.</p> <p>In practical terms it is not clear how the proposed requirements will be implemented. Mandatory due diligence would lead to requirement to conduct due diligence while not all required information may be available or disclosed by investee. This will, contrary to the Commission’s intention, obstruct investments in sustainable finance.</p>		

Article 3 – paragraph 2 b (new) - Amendment 24

Text proposed by the Commission	Amendment by Parliament	EBF proposal for amendment
	<p>2 b. Financial markets participants and insurance intermediaries shall have in place due diligence processes that ensure that the identification and management of sustainability risks are sufficiently integrated in investment decision-making, requiring investors to identify, prevent, mitigate and account for ESG factors, taking into account the 2017 OECD Guidelines, and publish them in written form on their websites.</p>	<p>We propose to maintain the text proposed by the Commission, deleting the whole amendment:</p> <p style="color: red;"><del>2 b. Financial markets participants and insurance intermediaries shall have in place due diligence processes that ensure that the identification and management of sustainability risks are sufficiently integrated in investment decision-making, requiring investors to identify, prevent, mitigate and account for ESG factors, taking into account the 2017 OECD Guidelines, and publish them in written form on their websites.</del></p>
<p><i>Justification:</i> As mentioned above, we believe that possible disclosures for lending activities should be discussed separately, not in the disclosures regulation which is focused on the investment side.</p> <p>Credit institutions should only be in scope of the disclosures proposal when managing environmentally sustainable investments or providing related advisory services to clients.</p> <p>In practical terms it is not clear how the proposed requirements will be implemented. Mandatory due diligence would lead to requirement to conduct due diligence while not</p>		

all required information may be available or disclosed by investee. This will, contrary to the Commission's intention, obstruct investments in sustainable finance.

Article 3 – paragraph 2 c (new) - Amendment 25

Text proposed by the Commission	Amendment by Parliament	EBF proposal for amendment
	<p>2 c. The Commission is requested to adopt delegated acts under the empowerments defined in the legislation referred to in Article 4 (3) to define:</p> <p>(a) an overarching and mandatory framework with minimum standards for the written policies and the due diligence processes that financial market participants and insurance intermediaries must implement to ensure that adverse sustainability risks created by the financial market participant are integrated in investment decision-making, including the integration of a full range of ESG indicators;</p> <p>(b) minimum guidelines and best practises on the disclosure of sustainability risk referred to in Article 3 of this Regulation.</p>	<p>We propose to maintain the text proposed by the Commission, deleting the whole amendment:</p> <p><del>2 c. The Commission is requested to adopt delegated acts under the empowerments defined in the legislation referred to in Article 4 (3) to define:</del></p> <p><del>(a) an overarching and mandatory framework with minimum standards for the written policies and the due diligence processes that financial market participants and insurance intermediaries must implement to ensure that adverse sustainability risks created by the financial market participant are integrated in investment decision-making, including the integration of a full range of ESG indicators;</del></p> <p><del>(b) minimum guidelines and best practises on the disclosure of sustainability risk referred to in Article 3 of this Regulation.</del></p>
<p><i>Justification:</i> As mentioned above, we believe that possible disclosures for lending activities should be discussed separately, not in the disclosures regulation which is focused on the investment side.</p> <p>Credit institutions should only be in scope of the disclosures proposal when managing environmentally sustainable investments or providing related advisory services to clients.</p> <p>In practical terms it is not clear how the proposed requirements will be implemented. Mandatory due diligence would lead to requirement to conduct due diligence while not all required information may be available or disclosed by investee. This will, contrary to the Commission's intention, obstruct investments in sustainable finance.</p>		

Article 4 – paragraph 1 – point a - Amendment 26

Text proposed by the Commission	Amendment by Parliament	EBF proposal for amendment
(a) the procedures and conditions applied for integrating sustainability risks in investment decisions;	(a) the <b>due diligence</b> procedures and conditions applied for integrating sustainability risks in investment decisions;	We propose to maintain the text proposed by the Commission:  (a) the <del>due diligence</del> procedures and conditions applied for integrating sustainability risks in investment decisions;
<p><i>Justification:</i> Mentioning due diligence in each of the steps that should be taken into consideration would mean an increased burden for participants as well as obstacle for sustainable finance. It is not clear how the proposed requirements will be implemented. Mandatory due diligence would lead to requirement to conduct due diligence while not all required information may be available or disclosed by investee. This will, contrary to the Commission’s intention, obstruct investments in sustainable finance.</p>		

Article 4 – paragraph 2 – point a - Amendment 29

Text proposed by the Commission	Amendment by Parliament	EBF proposal for amendment
(a) the procedures and conditions applied for integrating sustainability risks in investment advice or insurance advice;	(a) the <b>due diligence</b> procedures and conditions applied for integrating sustainability risks in investment advice or insurance advice;	We propose to maintain the text proposed by the Commission:  (a) the <del>due diligence</del> procedures and conditions applied for integrating sustainability risks in investment advice or insurance advice;
<p><i>Justification:</i> Mentioning due diligence in each of the steps that should be taken into consideration would mean an increased burden for participants as well as obstacle for sustainable finance. It is not clear how the proposed requirements will be implemented. Mandatory due diligence would lead to requirement to conduct due diligence while not all required information may be available or disclosed by investee. This will, contrary to the Commission’s intention, obstruct investments in sustainable finance.</p>		

Article 4 – paragraph 1 – point b – Amendment 27

Text proposed by the Commission	Amendment by Parliament	EBF proposal for amendment
(b) the extent to which sustainability risks are expected to have a relevant impact on the returns of the financial products made available;	(b) the extent to which sustainability risks are expected to have a relevant impact on <b>environmental, social and governance issues</b> and on the returns of the financial	We propose to include the following text in the current wording of the amendment:  (b) the extent to which sustainability risks are expected to have a relevant impact, <b>measured according to a common methodology,</b> on <b>environmental, social and governance issues</b> and on the returns of the financial
<i>Justification:</i> The lack of a methodology is an impediment to the possible implementation of sustainability risks considerations.		

Article 3 – paragraph 1 - Amendment 21

Text proposed by the Commission	Amendment by Parliament	EBF proposal for amendment
1. Financial market participants shall <b>publish</b> written policies on the integration of sustainability risks in the investment <b>decision-making process</b> on their websites.	1. Financial market participants shall <b>have in place</b> written policies on the integration of sustainability risks in the <b>in the areas of governance, asset allocation, investment strategy, risk management, the exercise of shareholder voting and company engagement; and publish them in written form</b> on their websites.	We propose to maintain the text proposed by the Commission:  1. Financial market participants shall <b>have-in place publish</b> written policies on the integration of sustainability risks in the <b>in-the-areas-of governance, asset allocation, investment strategy, risk management, the exercise-of shareholder voting and company engagement; and publish them in written form decision-making process</b> on their websites.
<i>Justification:</i> Including all these extra elements in the disclosure would not mean an increased transparency towards customers, as they mean disclosing extra information that needs to be collected consistently, and with no systematic procedure in place, this would not be possible.		

Article 1 – paragraph 1 – Amendment 10

Text proposed by the Commission	Amendment by Parliament	EBF proposal for amendment
<p>This Regulation lays down harmonised rules on the transparency to be applied by financial market participants, insurance intermediaries which provide insurance advice with regard to IBIPs and investment firms which provide investment advice on the integration of sustainability risks in investment decision-making process or advisory process and the transparency of financial products <b>that have as their targets</b> sustainable investments, including the reduction in carbon emissions.</p>	<p>This Regulation lays down harmonised rules on the transparency to be applied by financial market participants, insurance intermediaries which provide insurance advice with regard to IBIPs and investment firms which provide investment advice on the integration of sustainability risks in investment decision-making process or advisory process and the transparency of all financial products, <b>whether or not they are investments with a targeted</b> sustainable <b>impact</b>.</p>	<p>We propose to maintain the text proposed by the Commission:</p> <p>This Regulation lays down harmonised rules on the transparency to be applied by financial market participants, insurance intermediaries which provide insurance advice with regard to IBIPs and investment firms which provide investment advice on the integration of sustainability risks in investment decision-making process or advisory process and the transparency of all financial products <b>that have as their targets <del>whether or not they are</del> investments with a targeted sustainable <del>impact</del> investments, including the reduction in carbon emissions.</b></p>
<p><i>Justification:</i> We believe that the change of scope proposed in Amendment 10 is not appropriate, especially for the business lines of credit institutions, taking into account the necessary steps that should be undertaken in order to measure all these activities without the taxonomy in place.</p> <p>Also the definition of sustainable investments is clearly embedded in the proposals, while the general understanding of the impact on sustainability of other activities has not yet been defined.</p>		

Recital 4 – Amendment 3

Text proposed by the Commission	Amendment by Parliament	EBF proposal for amendment
<p>(4) To ensure a coherent application of this Regulation and that the disclosure obligations laid down in this Regulation are clearly and consistently applied by financial market</p>	<p>(4) To ensure a coherent application of this Regulation and that the disclosure obligations laid down in this Regulation are clearly and consistently applied by financial market</p>	<p>We propose to maintain the text proposed by the Commission:</p> <p>(4) To ensure a coherent application of this Regulation and that the</p>

participants, it is necessary to lay down a harmonised definition of 'sustainable investments'.	participants, it is necessary to lay down a harmonised definition of 'sustainable investments', <b>'sustainability risks' and 'sustainability preferences'</b> .	disclosure obligations laid down in this Regulation are clearly and consistently applied by financial market participants, it is necessary to lay down a harmonised definition of 'sustainable investments' <b><del>'sustainability risks' and 'sustainability preferences'</del></b> .
<p><i>Justification:</i> Taking into account that sustainability risks will be analyzed and specified once having a concrete taxonomy on the table.</p> <p>We may agree in the future on what actually can be defined as a risk to sustainability, but indeed this proposal for a regulation is not the right place, and critically, not the right moment.</p>		

Article 5 – paragraph 2 - Amendment 36

Text proposed by the Commission	Amendment by Parliament	EBF proposal for amendment
2. Where a financial product has <b>as its target sustainable investments or investments with similar characteristics</b> and no index <b>has been</b> designated as a reference benchmark, the information referred to in Article 4(1) shall include <b>an explanation on how that target is reached.</b>	2. Where a financial product has no index designated as a reference benchmark, the information referred to in Article 4(1) shall include <b>a description of its sustainability impact using the indicators of sustainability risk defined in Article 2.</b>	<p>We propose to maintain the text proposed by the Commission:</p> <p>2. Where a financial product has <b>as its target sustainable investments or investments with similar characteristics</b> and no index <b>has been</b> designated as a reference benchmark, the information referred to in Article 4(1) shall include <b>an explanation on how that target is reached a description of its sustainability impact using the indicators of sustainability risk defined in Article 2.</b></p>
<p><i>Justification:</i> Taking into account that sustainability risks will be analyzed and specified once having a concrete taxonomy on the table.</p> <p>We may agree in the future on what actually can be defined as a risk to sustainability, but indeed this proposal for a regulation is not the right place, and critically, not the right moment.</p>		

Recital 4 a (new) – Amendment 4

Text proposed by the Commission	Amendment by Parliament	EBF proposal for amendment
	<p>(4 a) A definition of 'sustainability risks' is needed to ensure a minimum level of consistency among national authorities and market participants, and to avoid fragmentation of the market. This also creates legal certainty for investors new to the integration of environmental, social and governance issues. The definition should strike the right balance between commitment and flexibility, which means that its application should, after a transitional period, be mandatory and standardised, but should also be regarded as an evolving tool which can take on board emerging risks and/or risks that have yet to be mapped in a proper way.</p>	<p>We propose to maintain the text proposed by the Commission, deleting the whole amendment:</p> <p><del>(4 a) A definition of 'sustainability risks' is needed to ensure a minimum level of consistency among national authorities and market participants, and to avoid fragmentation of the market. This also creates legal certainty for investors new to the integration of environmental, social and governance issues. The definition should strike the right balance between commitment and flexibility, which means that its application should, after a transitional period, be mandatory and standardised, but should also be regarded as an evolving tool which can take on board emerging risks and/or risks that have yet to be mapped in a proper way.</del></p>
<p><i>Justification:</i> Taking into account that sustainability risks will be analyzed and specified once having a concrete taxonomy on the table.</p> <p>We may agree in the future on what actually can be defined as a risk to sustainability, but indeed this proposal for a regulation is not the right place, and critically, not the right moment.</p>		

Article 10 – paragraph 1 – point 1 a (new) – Amendment 44

Text proposed by the Commission	Amendment by Parliament	EBF proposal for amendment
	<p>(1 a) In Article 28(2), the following new point (ga) is inserted: "(ga) an assessment of sustainability risks as</p>	<p>We propose to maintain the text proposed by the Commission, deleting the whole amendment:</p>



	<p>defined in Article 2 of Regulation 2018/0179, an assessment of new or emerging risks, and risks related to the depreciation of assets due to regulatory change."</p>	<p><del>(1 a) In Article 28(2), the following new point (ga) is inserted:</del>  <del>"(ga) an assessment of sustainability risks as defined in Article 2 of Regulation 2018/0179, an assessment of new or emerging risks, and risks related to the depreciation of assets due to regulatory change."</del></p>
<p><i>Justification:</i> Taking into account that sustainability risks will be analyzed and specified once having a concrete taxonomy on the table.</p> <p>We may agree in the future on what actually can be defined as a risk to sustainability, but indeed this proposal for a regulation is not the right place, and critically, not the right moment.</p>		

Recital 5 – Amendment 5

Text proposed by the Commission	Amendment by Parliament	EBF proposal for amendment
<p>(5) Remuneration policies of financial market participants and financial advisors should be consistent with the integration of sustainability risks and, <b>where relevant</b>, sustainable investment targets <b>and should be designed to contribute to long-term sustainable growth</b>. Pre-contractual disclosures should therefore include information on how the remuneration policies of those entities <b>are consistent</b> with the integration of sustainability risks and <b>are in line, where relevant, with the sustainable investment targets of the financial products and services that the financial market participants make available or financial advisors advise on.</b></p>	<p>(5) Remuneration policies of financial market participants and financial advisors should <b>not only</b> be consistent with the integration of sustainability risks. <b>They should also be used as a mechanism to avoid unwanted sustainability risks and to encourage sustainable investments. Therefore, this Regulation requires that executive directors of financial market participants set out sustainable investment targets of minimum 50 per cent when establishing performance measurement criteria in view of determining variable remuneration. These targets may for instance be based on achieving objectives in line with the Sustainable</b></p>	<p>We propose to maintain the text proposed by the Commission:</p> <p>(5) Remuneration policies of financial market participants and financial advisors should <b>not only</b> be consistent with the integration of sustainability risks <b>where relevant. They should also be used as a mechanism to avoid unwanted sustainability risks and to encourage sustainable investments. Therefore, this Regulation requires that executive directors of financial market participants set out sustainable investment targets and should be designed to contribute to long-term sustainable growth of minimum 50 per cent when establishing</b></p>

	<p><b>Development Goals. On top of that, the remaining targets determining the variable remuneration should avoid sustainability risks.</b> Pre-contractual disclosures should therefore include information on how the remuneration policies of those entities <b>reflect</b> the integration of sustainability risks and <b>how requirements laid down in Article 4a of this Regulation are met.</b></p>	<p><del>performance measurement criteria in view of determining variable remuneration. These targets may for instance be based on achieving objectives in line with the Sustainable Development Goals. On top of that, the remaining targets determining the variable remuneration should avoid sustainability risks.</del> Pre-contractual disclosures should therefore include information on how the remuneration policies of those entities <b>are consistent</b> <del>reflect</del> the integration of sustainability risks and <b>are in line, where relevant, with the sustainable investment targets of the financial products and services that the financial market participants make available or financial advisors advise on. how requirements laid down in Article 4a of this Regulation are met.</b></p>
<p><i>Justification:</i> Moving to a usage of remuneration policy as a “mechanism to avoid unwanted sustainability risks and encourage sustainable investments” could be detrimental to the correct functioning of credit institutions and the correct sustainability analysis done by the professionals involved in these assessments.</p> <p>The considerations included in the amendment have nothing to do with risk-taking, and when taking a closer look to the core objectives of the CRD. The alignment of the remuneration policies and practices with effective risk management should be respected.</p>		

Article 4 – paragraph 1 – point c – Amendment 28

Text proposed by the Commission	Amendment by Parliament	EBF proposal for amendment
<p>(c) how the remuneration policies of financial market participants <b>are consistent with</b> the integration of sustainability risks and are in line, <b>where relevant</b>, with the <b>sustainable investment target of the financial product</b>.</p>	<p>(c) how the remuneration policies of financial market participants <b>reflect</b> the integration of sustainability risks and are in line with the <b>requirements laid down in Article 4a of this regulation</b>.</p>	<p>We propose to maintain the text proposed by the Commission:</p> <p>(c) how the remuneration policies of financial market participants <b>are consistent with reflect</b> the integration of sustainability risks and are in line, <b>where relevant</b>, with the <b>sustainable investment target of the financial product</b>. <del>requirements laid down in Article 4a of this regulation.</del></p>
<p><i>Justification:</i> Moving to a usage of remuneration policy as a “mechanism to avoid unwanted sustainability risks and encourage sustainable investments” could be detrimental to the correct functioning of credit institutions and the correct sustainability analysis done by the professionals involved in these assessments.</p> <p>The considerations included in the amendment have nothing to do with risk-taking, and when taking a closer look to the core objectives of the CRD. The alignment of the remuneration policies and practices with effective risk management should be respected.</p>		

Article 4 a (new) – Amendment 32

Text proposed by the Commission	Amendment by Parliament	EBF proposal for amendment
	<p>Article 4a Integration of sustainability risks in remuneration policies 1. Financial market participants shall, regarding the remuneration policy and practices of their executive directors, set out sustainable investment targets of minimum 50 per cent when establishing performance measurement criteria in view of determining variable</p>	<p>We propose to maintain the text proposed by the Commission, deleting the whole amendment:</p> <p><del>Article 4a Integration of sustainability risks in remuneration policies 1. Financial market participants shall, regarding the remuneration policy and practices of their executive directors, set out sustainable investment</del></p>

	<p>remuneration. 2. The remaining variable remuneration targets shall not work to the detriment of any of the sustainability risks defined in Article 2 of this Regulation.</p>	<p><del>targets of minimum 50 per cent when establishing performance measurement criteria in view of determining variable remuneration.</del> <del>2. The remaining variable remuneration targets shall not work to the detriment of any of the sustainability risks defined in Article 2 of this Regulation.</del></p>
<p><i>Justification:</i> Moving to a usage of remuneration policy as a “mechanism to avoid unwanted sustainability risks and encourage sustainable investments” could be detrimental to the correct functioning of credit institutions and the correct sustainability analysis done by the professionals involved in these assessments.</p> <p>The considerations included in the amendment have nothing to do with risk-taking, and when taking a closer look to the core objectives of the CRD. The alignment of the remuneration policies and practices with effective risk management should be respected.</p>		

## **About EBF**

The European Banking Federation is the voice of the European banking sector, uniting 32 national banking associations in Europe that together represent some 4,500 banks - large and small, wholesale and retail, local and international - employing about 2.1 million people. EBF members represent banks that make available loans to the European economy in excess of €20 trillion and that securely handle more than 300 million payment transactions per day. Launched in 1960, the EBF is committed to creating a single market for financial services in the European Union and to supporting policies that foster economic growth.

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