

ESAs consult on environmental, social and governance disclosure rules

The three European Supervisory Authorities (EBA, EIOPA and ESMA – ESAs) have today issued a [Consultation Paper](#) seeking input on proposed environmental, social and governance (ESG) disclosure standards for financial market participants, advisers and products.

These standards have been developed under the EU Regulation on sustainability-related disclosures in the financial services sector (SFDR), aiming to:

- strengthen protection for end-investors;
- improve the disclosures to investors from a broad range of financial market participants and financial advisers; and
- improve the disclosures to investors regarding financial products.

The SFDR empowers the ESAs to develop Regulatory Technical Standards (RTS) on the content, methodology and presentation of ESG disclosures both at entity level and at product level. In addition, the consultation paper contains proposals under the recently agreed Regulation on the establishment of a framework to facilitate sustainable investment ([Taxonomy Regulation](#)), on the do not significantly harm (DNSH) principle.

Entity-level principal adverse impact disclosures

The principal adverse impacts that investment decisions have on sustainability factors should be disclosed on the website of the entity, and the proposals set out rules for how this public disclosure should be done. The disclosure should take the form of a statement on due diligence policies with respect to the adverse impacts of investment decisions on sustainability factors, showing how investments adversely impact indicators in relation to

- climate and the environment; and
- social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

The ESAs have included draft indicators for adverse impacts, based on consultations with the Joint Research Centre of the European Commission and the European Environment Agency.

Product level ESG disclosures

The sustainability characteristics or objectives of financial products should be disclosed in their pre-contractual and periodic documentation and on their website. The proposals included in the draft RTS indicate the rules for how this disclosure should be carried out, ensuring transparency to investors regarding how products meet their sustainability characteristics or objectives. They also set out the additional disclosures that should be

provided by products that have designated an index as a reference benchmark.

Finally, the product level proposals set out suggested provisions for disclosing how a product based on sustainable investments complies with the DNSH principle.

Next steps

The ESAs welcome feedback to this consultation by 1 September 2020.

Following the close of the consultation the draft RTS will be finalised and submitted to the European Commission.

Legal basis and background

On 22 March 2019, the Council published the text of the political agreement on the proposed regulation on sustainability-related disclosures in the financial services sector (SFDR). The Regulation was published in the Official Journal on 9 December 2019 as Regulation (EU) 2019/2088.

On 18 December 2019 the Council and European Parliament announced that they had reached a political agreement on a Regulation on the establishment of a framework to facilitate sustainable investment. On 15 April the Council adopted the Regulation paving the way for adoption in the European Parliament and subsequent publication in the Official Journal. This regulation sets out additional empowerments in SFDR for the ESAs to develop technical standards on disclosure.

[Go to the consultation](#)