

Framework to facilitate sustainable investment

2018/0178(COD) - 28/03/2019 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 316 votes to 93, with 192 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council on establishing a framework to facilitate sustainable investment.

The European Parliament's position adopted at first reading under the ordinary legislative procedure amended the Commission proposal as follows:

Criteria for determining the degree of sustainability of economic activities

This Regulation establishes the criteria for determining the degree of environmental impact and sustainability of an economic activity for the purposes of establishing the degree of environmental sustainability of an investment made within the EU.

According to these criteria, the economic activity in question shall contribute to the following environmental objectives:

- climate change mitigation;
- climate change adaptation;
- sustainable use and protection of water and marine resources;
- transition to a circular economy, including waste prevention and increasing the uptake of secondary raw materials;
- pollution prevention and control;
- protection of biodiversity and healthy ecosystems and restoration of degraded ecosystems.

These objectives shall be measured by harmonised indicators, life cycle analysis and scientific criteria, and be fulfilled ensuring they are up to scale to the upcoming environmental challenges.

Scope

The proposed Regulation shall apply to the following:

- measures adopted by Member States or by the Union setting out any requirements on financial market participants in respect of financial products or corporate bonds that are marketed within the Union as environmentally sustainable;
- financial market participants offering within the Union financial products as environmentally sustainable investments or as investments having similar characteristics, and
- financial market participants offering other financial products except where: (i) the financial market participant provides explanations that the economic activities funded by its financial products do not have any significant sustainability impact; (ii) the financial market participant declares in its prospectus that the financial product in question does not pursue sustainability objectives and that the product is at an increased risk of supporting economic activities that are not considered sustainable under this regulation.

Criteria for economic activities with a significant negative environmental impact

By 31 December 2021, the Commission shall conduct an impact assessment on the consequences of revising this Regulation to expand the framework for sustainable investments with a framework that is used to define criteria for when and how an economic activity has a significant negative impact on sustainability. This expansion shall be conditional to an outcome of the impact assessment that states that such an expansion is proportionate, feasible and desirable.

Application of and compliance with the criteria for determining the degree of environmental sustainability of economic activities

Member States and the Union shall apply the criteria for determining the degree of environmental sustainability of economic activities for the purposes of any measures setting out sustainability requirements on market actors in respect of financial products or corporate bonds.

Financial market participants offering financial products or corporate bonds shall disclose the relevant information allowing them to establish whether the products they offer qualify as environmentally sustainable investments. Where financial market participants consider that an economic activity for which technical screening criteria have not been established yet, should be considered environmentally sustainable, they shall inform the Commission.

Financial market participants shall not offer financial products as environmentally sustainable investments, or as investments having similar characteristics, if those products do not qualify as environmentally sustainable.

Member States, in close cooperation with the relevant European Supervisory Authority (ESA), shall monitor the information. Financial market participants shall report it to the relevant national competent authority which shall communicate it to the relevant ESA without delay.

Market monitoring

The relevant ESA shall monitor the market for financial products, which are marketed, distributed or sold in the Union. Competent authorities shall monitor the market for financial products which are marketed, distributed or sold in or from their Member State.

The relevant ESA may, where there is a breach of this Regulation, temporarily prohibit or restrict in the Union the marketing, distribution or sale of the financial products.

Platform on sustainable finance

The Commission shall establish a Platform on sustainable finance whose composition shall ensure balance, a wide range of views, and gender equality. It shall be composed, in balanced manner, of representatives from the following groups:

- the European Union Agency for Fundamental Rights;
- the European Financial Reporting Advisory Group (EFRAG);
- experts representing relevant private stakeholders, including the financial and non-financial market actors and business sectors, representing relevant industries;
- experts representing civil society, including with expertise in the field of environmental, social, labour and governance issues.

The European Parliament and the Council shall be duly informed in a timely manner of the selection procedure of experts for the Platform.

Minimum safeguards

By 31 December 2021, the Commission shall conduct an impact assessment on the consequences and appropriateness of revising this Regulation to include compliance with other minimum safeguards that the undertaking that is carrying out an economic activity has to observe in order to establish that economic activity as environmentally sustainable.

Review

By 31 December 2021, and subsequently every three years thereafter, the Commission shall:

- publish a report on the application and impact of this Regulation;
- review the scope of this Regulation if it creates excessive administrative burden or if the necessary data for financial market participants is insufficiently available. The reports shall be sent to the European Parliament and to the Council. The Commission shall make accompanying legislative proposals where appropriate.