Ania
Associazione Nazionale
fra le Imprese Assicuratrici

2021 Edition

ANIA Exploring SUSTAINABILITY

Focus on SFDR, Taxonomy Regulation and Climate Benchmarks Regulation

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Sustainability is rapidly becoming a key issue for insurance companies, which – both as investors and as providers of protection - play a central role towards a sustainable transformation of the economy and the achievement of the ambitious sustainable goals set at international, European and national level.

Sustainability factors - covering all three ESG dimensions (Environmental, Social and Governance) – need to be integrated in every single process: from corporate governance to reporting and disclosure, and from underwriting policies to investment strategies.

*The regulatory framework is moving fast in this direction, with particular regard to the European legislation, and ANIA has decided to launch a new series of newsletter: "**ANIA Exploring SUSTAINABILITY**".*

"ANIA Exploring SUSTAINABILITY" aspires to provide useful information about the rapidly evolving regulatory context of sustainability, starting from disclosure, with a focus on the Sustainable Finance Disclosure Regulation (SFDR).

The series will subsequently deal with other important pieces of European legislation, such as the Taxonomy Regulation.

The newsletters will be issued on a regular basis, in a one-page format, and each issue will focus on specific features of the legislation in question.

The newsletters will be collected in a single volume to form a practical - and easy to use - reference guide.

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SFDR: Scope and entry into force

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The **Sustainable Finance Disclosure Regulation** (SFDR) is one of the first regulatory action to implement in a comprehensive and integrated manner European Union agenda for sustainable development. It was published in the Official Journal of the European Union on 9 December 2019, amended in June 2020 with the adoption of Regulation (EU) 852/2020 (the so-called "**Taxonomy Regulation**") and it aims to require the **financial market participants** - and **financial advisers** - to disclose specific information regarding:

- their approach for the **integration of sustainability risks in their decision-making processes** on investments and the **adverse impacts on sustainability factors** arising from such processes;
- the **sustainability characteristics or objectives** of the financial products and their sustainability performance.

The content, the methodologies and the presentation of the disclosure requirements set out by the SFRD, both at entity and at product-level, are to be specified in the **Regulatory Technical Standards** (RTS), which will provide detailed templates for the delivery of most of the disclosure requirements.

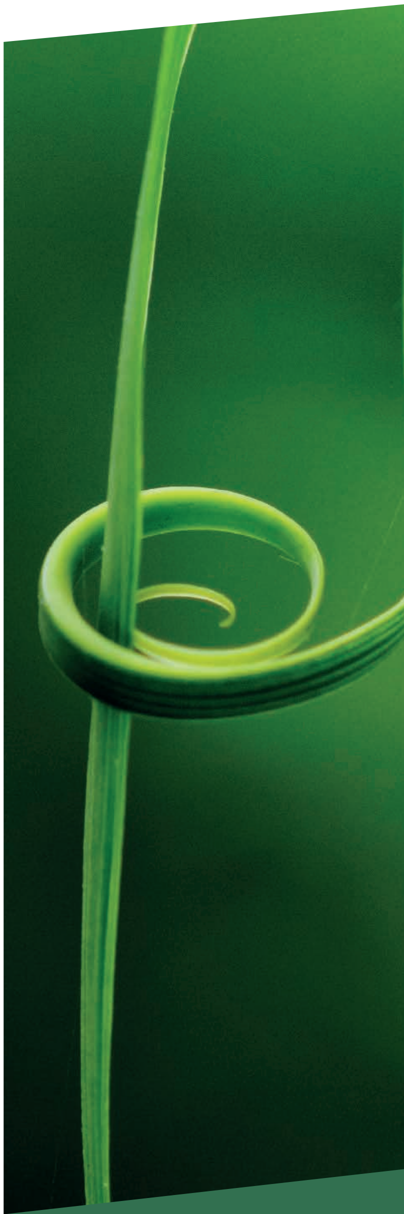
Scope

The SFDR applies to financial market participants and financial advisers: therefore, the **entities** falling under the scope of the regulation should comply with its requirements to the extent that they **manufacture financial products** (financial market participants) or they provide **investment or insurance advice** (financial advisers) in the European Union. Art. 1

The SFDR defines different levels of disclosure requirements for financial products, based on their sustainability *ambitions* (particularly for *light-green* and *dark-green* products), to be published in the company **websites**, in the **pre-contractual** information and in the **periodic** reports. Art. 6, 8, 9

Entry into force

The core provisions of the SFDR applies from **10th March 2021**, while the requirements linked with the Taxonomy Regulation will be applied in 2022 and 2023. Art. 20



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SFRD: Definitions

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For proper application of the SFDR requirements, both at subjective level (i.e. the entity) and at objective level (i.e. the sustainability objective), a set of **definitions** are introduced. Art. 2

First, the regulation introduces the definitions of **sustainability risks** and **sustainability factors**. These represent the **two sides of sustainability**:

- the sustainability **risks** represent **the way the company is or could be impacted:** environmental, social or governance events or conditions that, if they occur, could have a negative impact on the investment value;
- the sustainability **factors** represent **the way the company can affect the surrounding environment and society**, with reference to environmental, social, employee, respect for human rights, anti-corruption and anti-bribery matters.

The **subjective** scope of application includes **financial market participants and financial advisors**.

The **financial market participant** is a financial undertaking that **provides financial products to retail customers**. The SFDR details the possible declinations of these financial activities.

For the **insurance sector**, the regulation applies to an insurance company, authorized under the Solvency II regime, **when providing to retail customers insurance-based investment products (IBIPs) or pension products**. The SFDR includes a list of other types of financial market participants, spanning from credit institutions providing portfolio management services to management companies of UCITS.

The **financial adviser** is an **intermediary** or an **undertaking** that provides investment or insurance advice regarding financial products. In the **insurance context**, the financial adviser could be an **insurance intermediary** or an **insurance undertaking which provides advice on IBIPs**.

Finally, another key element on which the SFDR builds the largest part of the product-level disclosure is the concept of **sustainable investment**, namely an **investment in an economic activity that contributes to**:

- an **environmental objective** (for example, efficiency on the use of renewable energy, water and land, etc.); or
- a **social objective** (for example, tackling inequality, fostering social cohesion, labor relations, etc.).

To be considered sustainable, **such investment must**, in addition, **not significantly harm any of the objectives detailed by the SFDR and the investee company should follow good governance practices** (sound management structures, employee relations, etc.). The application of the "**do no significant harm**" **principle** (**DNSH**) in the sustainability disclosure will be **further detailed in the RTS**.

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SFDR: Entity-level disclosure on sustainability risks

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PRODUCT-LEVEL DISCLOSURE

The SFDR requires financial market participants and financial advisers to disclose information to the end investors on **how they integrate the sustainability risks in their activities**.

From the insurance sector perspective, this means that **insurance undertakings** which make available IBIPs, as well as **insurance intermediaries** and **insurance undertakings** which provide insurance advice with regard to IBIPs, must disclose on their **websites** the entity-level information necessary to describe how the sustainability risks are integrated within their business practices.

The information to be disclosed at entity-level by an **insurance undertaking which makes available an IBIP** cover two areas:

- the **decision-making process on investments**: the SFDR asks entities to **include, among the other financial risks**, the assessment of the **sustainability risks** that might have a relevant impact on their investments; Art. 3
- the **remuneration policy**: entities should represent how their remuneration policies promote **sound risk management practices** with respect to the sustainability risks. The information should explain how the remuneration structure considers sustainability risks (for instance, describing how the remuneration is linked with risk-adjusted performance and how it does not encourage excessive risk-taking). Art.5

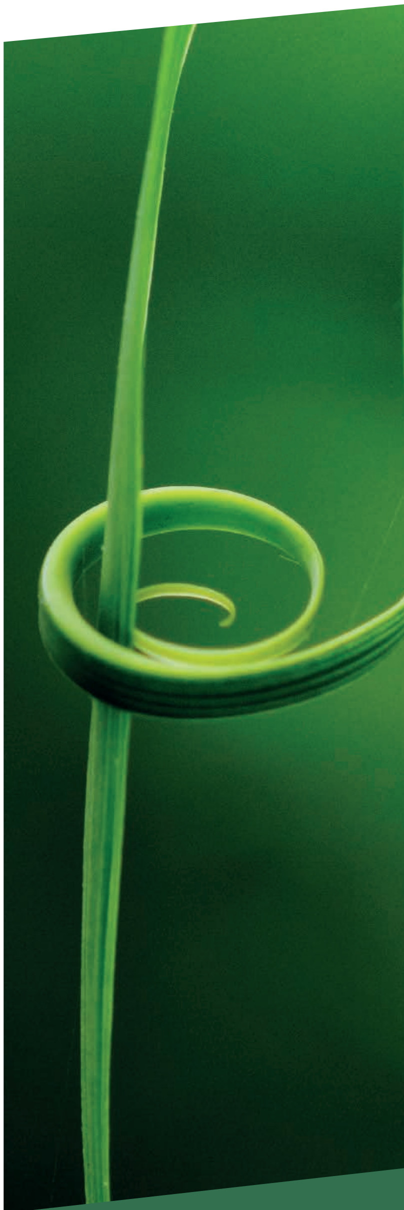
The same information must be disclosed by an **insurance intermediary** or an **insurance undertaking which provides insurance advice regarding IBIPs**.

In this case, the integration of sustainability risks in the decision-making process relates to the **advice**. The SFDR asks advisers to explain how they integrate sustainability risks in their advisory process, whether material or likely to be material.

As for the remuneration policies, the disclosure requirements for advisers are the same as for market participants.

The entity-level disclosure obligations introduced by the SFRD are fulfilled by publishing the required information on the website of the entity, both for financial market participants and for financial advisers.

These disclosure requirements entered into force on 10th March 2021.



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SFDR: Entity-level disclosure on sustainability factors

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The SFDR requires financial market participants and financial advisers to inform end investors about how their investment activities and advice are affecting the surrounding environment in terms of sustainability (i.e. **principal adverse sustainability impacts**).

This means that:

- **insurance undertakings which make available IBIPs** and **consider principal adverse impacts of investment decisions on sustainability factors** and
- **insurance intermediaries and insurance undertakings which provide insurance advice with regard to IBIPs** and **consider within their advice the principal adverse impacts on sustainability factors**,

shall **publish and maintain on their websites the entity-level information** necessary to describe the adverse impacts. Art. 4

On the contrary, if they **do not consider any adverse impact**, they shall however disclose why they do not do so and, where relevant, describe as to whether and when they intend to consider it. Art. 4

An **insurance undertaking placing IBIPs** and **considering principal adverse impacts** of investment decisions on sustainability factors, shall **disclose on its website** at least:

- information about its **policy on the identification and the prioritization of the sustainability impacts**;
- an **assessment of the main impacts of entities' investments on the sustainability factors and the related actions planned and taken**;
- a brief summary of the **engagement policy adopted**;
- a reference to its **adherence to responsible business conduct codes or international standards for due diligence and reporting**.

Here though, it should be noted that disclosure of such information is **mandatory** for insurance undertakings that have exceeded, on average, **more than 500 employees** in the last financial year.

Similarly, an **insurance intermediary** or an **insurance undertaking which provides insurance advice on IBIPs** and **considers in its advice the principal adverse impacts on sustainability factors**, should disclose information on **how** they reflect these impacts, taking due account of their size, the nature and scale of their activities and the types of financial products they advise on.

The SFDR disclosure requirements entered into force on 10 March 2021, but while the Regulation itself defines the high-level information to be disclosed, the **RTS will further detail their content, methodologies and presentation of information**, in respect of the sustainability indicators in relation to adverse impacts:

- on the climate and other environment-related adverse impacts;
- in the field of social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

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SFDR: Transparency at product level

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When an undertaking makes available or provides advice regarding financial products falling under the SFDR (for the insurance undertakings and intermediaries they refer to **IBIPs** and **Pension products**), the Regulation provides mandatory pre-contractual disclosure requirements for all the following types of products:

- **light-green** products, which promote, among other characteristics, environmental or social ones, or a combination of those two, provided that the companies in which the investments are made follow good governance practices; Art. 8
- **dark-green** products, which have sustainable investment as their objectives and an index has been designated as a reference benchmark for the objectives; Art. 9
- **mainstream** products, which do not present any sustainability features.

For all three categories the SFDR requires undertakings to include in the pre-contractual disclosures the information below.

From **March 10th, 2021**:

- the **way sustainability risks are integrated into the investment decisions** (or **into** the **insurance advice** if they offer advice on such products), otherwise, if they are deemed not to be relevant, a clear and concise explanation of the reasons why they are supposed to be so; Art. 6
- the **results of the assessment on how sustainability risks could likely impact the product return**. Art. 6

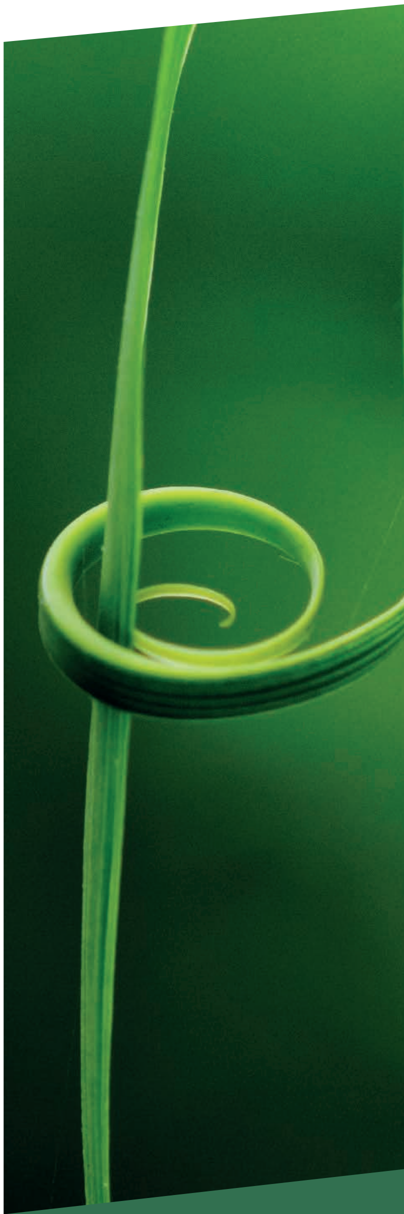
From **December 30th, 2022**:

- an explanation on **how the principal adverse impacts on sustainability factors are considered by the product**, if the undertakings disclose such impacts at entity-levels; Art. 7
- a statement indicating that the **information on the principal adverse impacts** on sustainability factors are also **available** in the product-related **periodic reports**. Art. 7

The **Taxonomy Regulation** has amended the SFDR by requiring that, from **January 1st, 2022**, for all **mainstream products** shall be included in the related pre-contractual disclosures the following statement: "*The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities*".

For **IBIPs**, all the above-mentioned requirements shall be fulfilled by including the information in the set of pre-contractual disclosures that are already required by the Solvency II and the IDD frameworks, regarding details on the product characteristics (distribution, costs, investment strategy, etc.) and on the insurance company. Art. 6

For **Pension products**, the information should be disclosed in written form, in plenty of time before a retail investor is contractually bound. Art. 6



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SFDR: Specific pre-contractual disclosures

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The **SFDR** introduces **specific pre-contractual disclosure** requirements for **light-green** and **dark-green** products.

More specifically, for **light-green** products, the pre-contractual disclosure shall include: Art. 8

- information on how **environmental or social characteristics** are promoted among others;
- if an **index** has been designated as a reference benchmark, the consistency of the index with the above-mentioned characteristics and where the methodology used for its calculation can be found.

Similarly, **detailed provisions** are provided for the content of the dark-green product disclosure: Art. 9

- how the **sustainable investment objective** (e.g. reduction in carbon emissions) should be achieved;
- the consistency of the index (if designated has a referenced benchmark) with the product's sustainable objective, its **differences from other broad market indices**, and information on where the methodology used for the index calculation can be found.

The **Taxonomy Regulation (TR)** has integrated the SFDR by requiring that, for **light-green** (those promoting **environmental** characteristics) and **dark-green** products, the related pre-contractual disclosures shall also include:

- the information on one or more of the **six objectives**, introduced by the **TR** (*see below*), to which the investments underlying the **product contribute**;
- a description of how and to what extent the **investments** underlying the product are **in economic activities** that qualify as **environmentally sustainable**.

Moreover, if a **light-green** product promotes **environmental characteristics**, the TR requires to disclose the following statement: *"The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities"*.

While the SFDR provisions entered into force on **10th March 2021**, the **TR**-related ones shall apply, instead:

- from **1st January 2022**, with respect to the **first two environmental objectives** (*climate change mitigation and climate change adaptation*);
- from **1st January 2023**, with respect to the **other four environmental objectives** (*sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems*).

The **RTS** will further specify the content of the pre-contractual information for both **light-green** and **dark-green** products.

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SFDR: Websites and periodic reports disclosures

7 JULY, 22 2021

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In addition to the pre-contractual information, the **SFDR** provides specific requirements for **light-green** and **dark-green** products regarding the periodic disclosure and the information to be reported on the websites.

For both types of products, an undertaking shall publish and maintain, in a prominent easily accessible area of its **website**, the following information (that shall be accurate, fair, clear, not misleading, simple and concise for investors): Art. 10

- a description of the environmental or social characteristics (for **light-green**) or the sustainable investment objective (for **dark-green**);
- information on the methodologies (including data sources, screening criteria for the underlying assets and relevant sustainability indicators) used to assess, measure and monitor the environmental or social characteristics (for **light-green**) or the overall impact of the sustainable investments selected for the financial product (for **dark-green**);
- the same information reported in pre-contractual (previously described) and periodic disclosures (as further detailed below).

With reference to **periodic reporting, detailed and different provisions** are provided for the two types of products: Art. 11

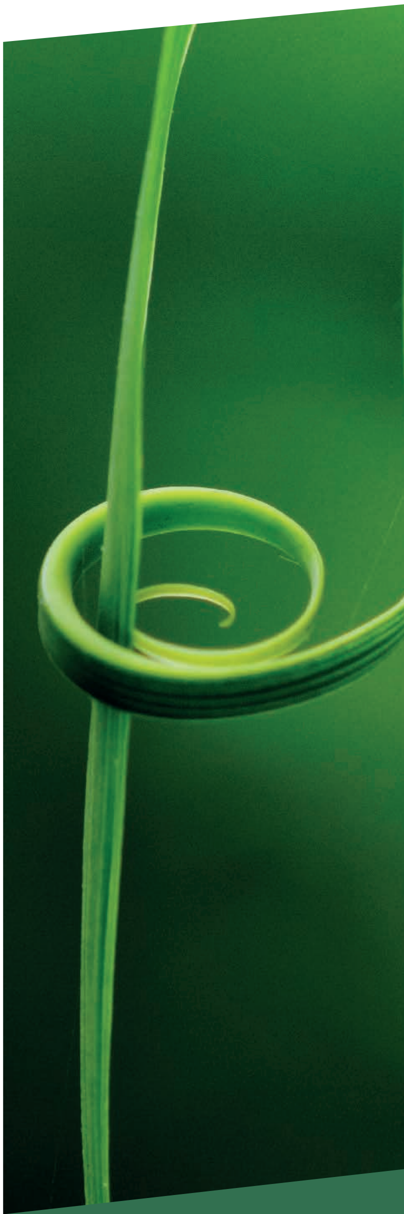
- for **light-green**, a description to the extent to which environmental or social characteristics are met, shall be included;
- for **dark-green**, the following content shall be provided:
  - the overall sustainability-related impact of the financial product by means of relevant sustainability indicators; or
  - if an **index** has been designated as a reference benchmark, a comparison between the overall sustainability-related impact of the financial product with the impacts of the designated index and of a broad market index through sustainability indicators.

For **IBIPs**, the periodic information shall be disclosed annually in writing, in accordance with Solvency II and IDD frameworks (i.e. in the same documents describing the services provided to and transactions undertaken on behalf of the investor during the reporting period), whereas periodic disclosures of **pension products** shall be published in writing, in the annual report or in a report in accordance with national law.

The **Taxonomy Regulation (TR)** has integrated the SFDR: the same pre-contractual information it requires for **light-green** products **promoting environmental characteristics** and **dark-green** products are also mandatory to be disclosed in product-related periodic reporting.

The **dates of entering** into force of the **SFDR** and **TR** provisions are the same as for pre-contractual disclosure requirements.

The **RTS** will further specify the content of the website and periodic information for both **light-green** and **dark-green** products.



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SFDR: Other provisions

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The **SFDR** requests financial market participants (**FMP**) - and financial advisers (**FA**) - to ensure the **continuous updating** of the entity-level information they shall disclose concerning sustainability. Art. 12

This also means that for each integration regarding their **decision-making process on investments** (i.e. the assessment of the sustainability risks that might have a relevant impact on their investments) and **remuneration policies** (i.e. how their remuneration policies promote sound risk management practices), they shall publish on their website a clear explanation of the amendments.

Furthermore, **FMP** distributing **light-green** and/or **dark-green** products shall also ensure that all the information provided in pre-contractual and periodic disclosures and on their websites should be always brought **up to date**, for instance on: Art. 12

- the description of the environmental or social characteristics and how they are achieved (for **light-green** products), or the sustainable investment objectives and how they are aligned - if applicable - with a designated index (for **dark-green** ones);
- the details on the methodologies used to assess, measure and monitor the environmental or social characteristics (for **light-green** products) or the impact of the sustainable investments selected for the investment product (for **dark-green** ones).

Without prejudice to stricter sectoral legislation, as for instance the IDD Directive for insurance undertakings, **FMP** and **FA** shall ensure that their **marketing communications** do not contradict the information disclosed pursuant to the **SFDR**. To that end, the **RTS** will further specify the standard presentation of information on the promotion of environmental or social characteristics (for **light-green** products) and sustainable investments (for **dark-green** ones). Art. 13

From **30th December 2022**, the European Commission shall **evaluate the application** of the **SFDR** and in particular consider:

- whether the reference to the average number of 500 employees, required to disclose due diligence policies with respect to the principal adverse impacts of investment decisions on sustainability factors, should be maintained, replaced or accompanied by other criteria, and shall consider the benefits and proportionality of the related administrative burden;
- whether the functioning of the SFDR is inhibited by the lack of data or their suboptimal quality, including indicators on adverse impacts on sustainability factors by investee companies. Art. 19

Member States shall ensure that the competent authorities will monitor the compliance of **FMP** and **FA** with the SFDR requirements. Consequently, the authorities shall have all the necessary supervisory and investigatory powers that are necessary to achieve the SFDR targets and cooperate with each other for the purposes of carrying out their duties. Art. 14

Eventually, the **SFDR** shall not apply to insurance intermediaries that provide insurance advice regarding IBIPs and are enterprises employing fewer than three persons, unless required by Member States. Art. 17

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TR: Scope and objectives

9 SEPTEMBER, 10 2021

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The **Regulation (EU) 852/2020**, known as **Taxonomy Regulation (TR)**, was published in the Official Journal of the European Union on 22nd June 2020 and entered into force on 12th July 2020.

The **TR** aims at founding the basis for the EU taxonomy by setting out the following **four criteria** that an economic activity has to meet in order to **qualify** as **environmentally sustainable**, for the purposes of establishing the degree to which an investment is environmentally sustainable: Art. 3

- contribute substantially to one or more of **six environmental objectives**; Art. 9
- **do not significantly harm** any of the environmental objectives; Art. 17
- carry out in compliance with **minimum safeguards**; Art. 18
- comply with **technical screening criteria**. Art. 19

The **six** above-mentioned **environmental objectives** include:

- 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.

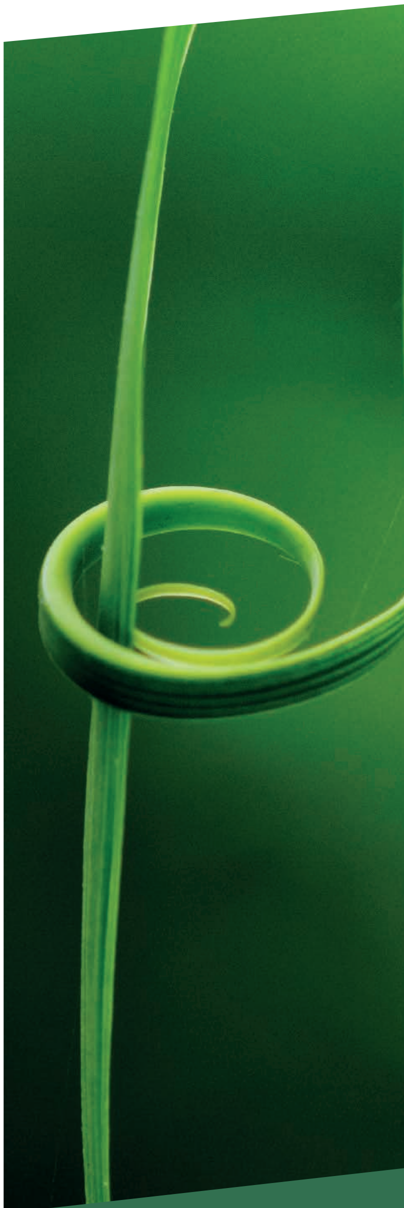
The Regulation applies to: Art. 1

- **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**;
- **financial market participants** that make available financial products (i.e. insurance undertakings which make available IBIPs);
- **undertakings** which are s**ubject to the Non-Financial Reporting Directive**.

For the purpose of **enhancing the transparency** on the proportion of investments that fund environmentally sustainable economic activities, the **TR** also integrates the rules on transparency in pre-contractual disclosures and in periodic reports laid down in the **Sustainable Finance Disclosure Regulation (SFDR)**.

Under the TR, the European Commission had to come up with the **actual list of environmentally sustainable activities by defining technical screening criteria** for each environmental objective through delegated acts. A **first delegated act on sustainable activities for climate change adaptation and mitigation objectives** was **formally adopted on 4th June 2021 for scrutiny by the co-legislators and shall apply from 1st January 2022**. A second one for the remaining four objectives will be published in 2022 and applied from 1st January 2023.

By 31st December 2021 the Commission shall publish a report describing how to **extend the scope of the Regulation beyond the taxonomy for the classification of environmentally sustainable economic activities**, including other sustainability objectives, such as **social ones**.



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TR: Environmental objectives

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The first provision that the **Taxonomy Regulation** requires to qualify an **economic activity** (**EA**) as **environmentally sustainable** is that such **activity** shall **substantially contribute** to one or more of the **six environmental objectives**, as described below.

1. An **EA** that pursues the **objective of climate change** mitigation should contribute substantially to the stabilization of greenhouse gas emissions by avoiding or reducing them or by enhancing greenhouse gas removals and be consistent with the long-term temperature goal of the Paris Agreement. Art. 10
2. An **EA** that pursues the **objective of climate change adaptation** should contribute substantially to reducing or preventing the adverse impact of the current or expected future climate, or the risks of such adverse impact, whether on that activity itself or on people, nature or assets. Art. 11
3. An **EA** substantial contribute to the **objective of the sustainable use and protection of water and marine resources** should be achieved, for instance, by protecting the environment from the adverse effects of urban and industrial waste waters discharges (i.e. ensuring the adequate collection, treatment and discharge of industrial waste waters) or by protecting human health from the adverse impact of any contamination of water (i.e. ensuring that it is free from any micro-organisms, parasites and dangerous substances). Art. 12
4. An **EA** can contribute substantially to the **objective of transitioning to a circular economy** in several ways, for instance, increasing the durability and reusability of products or reducing waste in the production, processing, manufacturing or distribution of food. Art. 13
5. An **EA** shall qualify as contributing substantially **to pollution prevention and control** by reducing pollutant emissions into air, water or land, other than greenhouse gasses or minimising any adverse impact on human health and the environment of the production, use or disposal of chemicals. Art. 14
6. An **EA** can contribute substantially to the **protection and restoration of biodiversity and ecosystems**, in different ways, like protecting, conserving or restoring biodiversity and ecosystems and thereby enhancing ecosystem services (i.e. provisioning of food and water, control of climate and disease, oxygen production). Art. 15

It should be noted that an **EA** shall qualify as **contributing substantially to** one or more of the above-mentioned **objectives** by directly **enabling other activities to make a substantial contribution to one or more of those objectives**, provided that such economic activity: Art. 16

- does **not lead to a lock-in of assets that undermine long-term environmental goals**, considering the economic lifetime of those assets;
- has a substantial **positive environmental impact**, based on life-cycle considerations.

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TR: Significant harm to environmental objectives

11 SEPTEMBER, 24 2021

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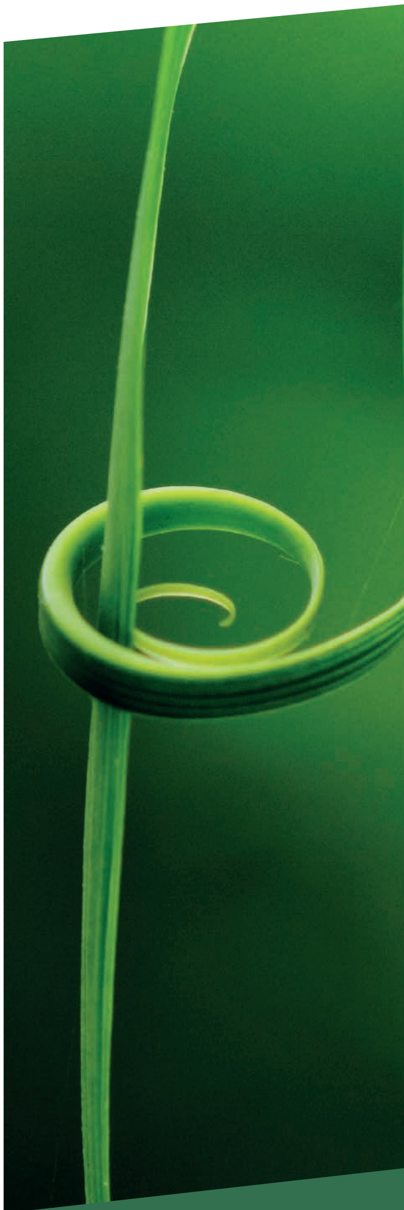
The second provision that the **Taxonomy Regulation** requires to qualify an **economic activity** (**EA**) as **environmentally sustainable**, is that such **activity**, besides its substantial contribution to one or more of the six environmental objectives, **does not significantly harm any of the others**, as further described below. When assessing an EA against the "*do not significant harm principle*", it shall be considered both the environmental impact of the activity itself and the production, use and end of life of the products and services it provides. Art. 17

This is in order to avoid that investments qualify as environmentally sustainable in cases where the **EA** benefitting from those investments causes harm to the environment to an extent that outweighs its contribution to an environmental objective.

An **EA** does not significantly harm to:

1. the **objective of climate change mitigation**, if it does not lead to significant greenhouse gas emissions;
2. the **objective of climate change adaptation**, where it does not lead to an increased adverse impact of the current climate and the expected future climate, on the activity itself or on people, nature or assets;
3. the **objective of the sustainable use and protection of water and marine resources**, where it is not detrimental to the good status or the good ecological potential of water bodies, including surface water and groundwater or to the good environmental status of marine waters;
4. the **objective of transitioning to a circular economy**, including waste prevention and recycling, where it does not lead to inefficiencies in the use of materials or in the direct or indirect use of natural resources (i.e. non-renewable energy sources, raw materials, water, land). Moreover, the activity does not have to lead to a significant increase in the generation, incineration or disposal of waste (excluding incineration of non-recyclable hazardous waste) or cause significant and long-term harm to the environment by long-term disposal of waste;
5. the **objective of pollution prevention and control**, if it does not significantly increase the emissions of pollutants into air, water or land, as compared with the situation before the activity started;
6. the **objective of protection and restoration of biodiversity and ecosystems**, where it is not detrimental to the good condition and resilience of ecosystems or detrimental to the conservation status of habitats and species.

In order to define what constitutes significant harm to the six environmental objectives, **technical screening criteria** (**TSC**) related to the objectives of climate change mitigation and adaptation have been developed and included within the Climate Delegated Act adopted by the European Commission on **4th June 2021** and currently under Parliament and Council scrutiny. Meanwhile, the **TSC** for the remaining four objectives shall be included in a second delegated act that should be adopted in **2022**.



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TR: Minimum safeguards

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The third provision that the **Taxonomy Regulation** (**TR**) requires to qualify an **economic activity** (**EA**) as **environmentally sustainable**, is that such activity **has to be carried out in compliance with minimum safeguards** (**MSG**).

This provision comes in addition to the requirements of the substantial contribution to one (or more) of the six environmental objectives and of the "*do not significantly harm principle*".

The **MSG** are procedures that an undertaking shall implement to be aligned with minimum international human rights standards when providing products and services. Art. 18

The **MSG** requirement recalls the joint commitment of the European Parliament, the Council and the Commission to:

- pursue the principles enshrined in the European Pillar of Social Rights in support of sustainable and inclusive growth;
- recognise the relevance of international minimum human and labour rights and standards enshrined in the Charter of Fundamental Rights of the European Union, in particular the prohibition of slavery and forced labour and the principle of non-discrimination.

It follows that an **EA** to qualify as environmentally sustainable shall be **aligned with various international social standards and principles**, as those laid down in the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including:

- International Bill of Human Rights;
- Declaration on Fundamental Principles and Rights at Work of the International Labour Organisation (ILO);
- Eight fundamental conventions of the ILO which define human and labour rights.

In other terms, the **EA** can be considered as environmentally sustainable, only if it is compliant with human rights standards and simultaneously consistent with the other three requirements pursuant to Article 3 of the **TR**.

In addition, considering the **TR** requires undertakings implementing **MSG** procedures to also adhere to the principle of '*do no significant harm*' (**DNSH**) as referred to in Article 2 of Regulation (EU) 2019/2088 (**SFDR**), further clarifications will be necessary to specify the alignment between these two provisions deriving from different regulations.

Consequently, the regulatory technical standards (**RTS**) pursuant to **SFDR**, that according to the latest European Commission information will be published in the next months and applied by 1 July 2022, should further detail the content and presentation of the information related to the **DNSH principle** also considering the above-mentioned conventions and principles.

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TR: Technical screening criteria requirements

13 OCTOBER, 8 2021

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In addition to the provisions for substantial contribution, do not significant harm principle and minimum safeguards, an **economic activity (EA), to be considered environmentally sustainable, should also comply with the technical screening criteria (TSC)** provided through Delegated Acts for each of the six environmental objectives (**EO**).

The **TSC** aim to define specific technical details to assess the short and the long-term environmental impact of an **EA** by establishing and regularly updating, as accurately as possible, the conditions through which it can meet the first two requirements of the **TR**: the substantial contribution to one or more of the six **EO** and the do not significant harm principle.

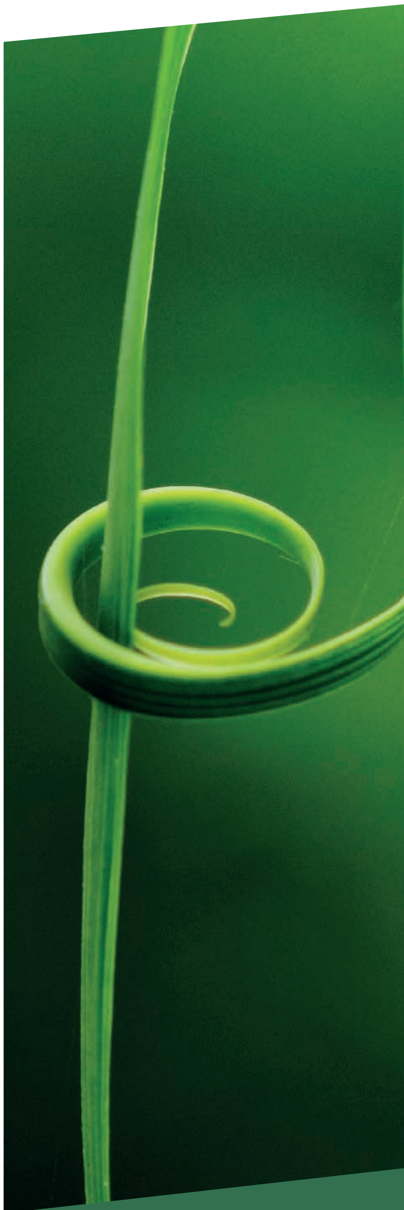
The first set of **TSC** included within the Climate Delegated Act, currently under Parliament and Council scrutiny, contains granular and science-based standards for determining the conditions under which an **EA** substantially contributes to one or both of the first two objectives of climate change mitigation and adaptation, without significantly harm any of the others.

Basically, the **TR** provides common requirements that all the **TSC** shall comply with, when are first developed and then updated over time: Art. 19

- be quantitative and contain thresholds to the extent possible, otherwise be qualitative;
- build upon European labelling, certification schemes, environmental footprint assessment methodologies, statistical classification systems and relevant existing legislation;
- where feasible, use sustainability indicators in relation to adverse impacts on the climate and other environment-related adverse impacts as referred to in Article 4 of Regulation (EU) 2019/2088 (**SFDR**);
- be based on conclusive scientific evidence;
- consider both the environmental impact of the **EA** itself and the one of the productions, use and end of life of the products and services it provides;
- indicate if the **EA** is an enabling activity (i.e. contributes substantially to one or more of the **EO** by directly enabling other activities to make a substantial contribution to one or more of them) or a transitional activity (i.e. not replaceable with low-carbon alternative but still substantially contributes to the objective of climate change mitigation);
- consider the risk of certain assets becoming stranded as a result of the transition to a more sustainable economy;
- cover all relevant economic activities within a specific sector and ensure that are treated equally if they contribute equally towards the environmental objectives;
- be practicable and easy to apply and verify.

In addition, the **TR**, requires that the **TSC** shall also include criteria for activities related to the clean energy transition (i.e. in the field of renewable energy) and for those related to the switch to clean or climate-neutral mobility (i.e. within the transport sector).

Eventually, the **TR** states the **TSC** shall ensure that power generation activities that use solid fossil fuels do not qualify as environmentally sustainable economic activities.



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14 OCTOBER, 15 2021

TR: Use of the criteria in standards and labels

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The Taxonomy Regulation (**TR**) requires Member States and the EU to **apply the four criteria** laid down in Article 3 **in any standard, label or public measure** setting out requirements **for financial market participants and issuers that make available financial products** (i.e. IBIPs) or **corporate bonds** qualified as **environmentally sustainable**. Art. 4

This provision results from the fact that if financial market participants use different concepts in their explanations of what an environmentally sustainable investment is, investors will find it disproportionately burdensome to check and compare different financial products and corporate bonds. The result of this lack of clarity and consistency could lead to discourage the investors and therefore harm the shift of investments towards environmentally sustainable economic activities.

For this reason, the Commission aims to set the Taxonomy as the basis of any EU or national labels for financial products or green corporate bonds that fall under the scope of the **SFDR**.

The objective is to stimulate the development of further sustainable finance tools linking standards and labels to Taxonomy-aligned economic activities, as it happens in other EU policy initiatives:

- the **EU Climate Benchmarks Regulation**, entered into application on 30 April 2020, that lays down minimum standards for the creation of two types of climate benchmarks (**EU climate transition** and **EU Paris-aligned benchmarks**) which are to be made consistent with the EU Taxonomy by the end of 2022 (i.e., in the future benchmark administrators should select companies that have a certain share of their activities classified as green as per the Taxonomy or that are excluded because they do not meet certain thresholds);
- the **EU Green Bond Standard** (**GBS**) - currently under negotiation at European Parliament and Council level - that will define requirements for entities issuing green bonds, including the obligation of ensuring that the proceeds raised through a green bond issuance are used to finance Taxonomy-aligned activities;
- the current **draft EU Ecolabel criteria** for financial products that provides a requirement for a certain share of underlying activities invested in to be Taxonomy aligned (i.e., the EU Ecolabel will be awarded to financial products only if the companies they invest in carry out Taxonomy-aligned activities).

Other EU or national policies may refer to the TR without considering all the four criteria and the associated delegated acts. An example is the **Recovery and Resilience Facility** (**RRF**) **Regulation**, entered into force on 19 February 2021, that makes available over euro 700 billion in loans and grants to support reforms and investments undertaken by Member States with the aim of mitigating the impacts of the pandemic and make UE economies more sustainable and resilient. In the **RRF** the '*do no significant harm principle*' is applied according to the definition of Article 17 of the **TR**, although it does not refer to the use of the delegated acts and related technical screening criteria.

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TR: Impact of the Taxonomy Regulation on the SFDR

15 OCTOBER, 26 2021

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As previously described, the Taxonomy Regulation (**TR**) provides disclosure obligations that supplement the rules on sustainability-related disclosures laid down in Regulation (EU) 2019/2088 (SFDR) for two kinds of financial products:

- those that claim to be promoting social or environmental characteristics, often referred to as **light-green** products;
- those that claim to have "sustainable investment" as their objective, often referred to as **dark-green** products, in the case of environmental objectives.

More in detail, the TR requires financial market participants (i.e. insurance undertakings) that make available **light-green** or **dark-green** financial products (i.e. IBIPs) that underly investments in taxonomy-aligned economic activities (**EA**), to specify in the pre-contractual and periodic reports the following information:

- the environmental objective(s) to which the investments contribute;
- the proportion of investments funding environmentally sustainable activities, including details on the proportions of enabling and transitional activities.

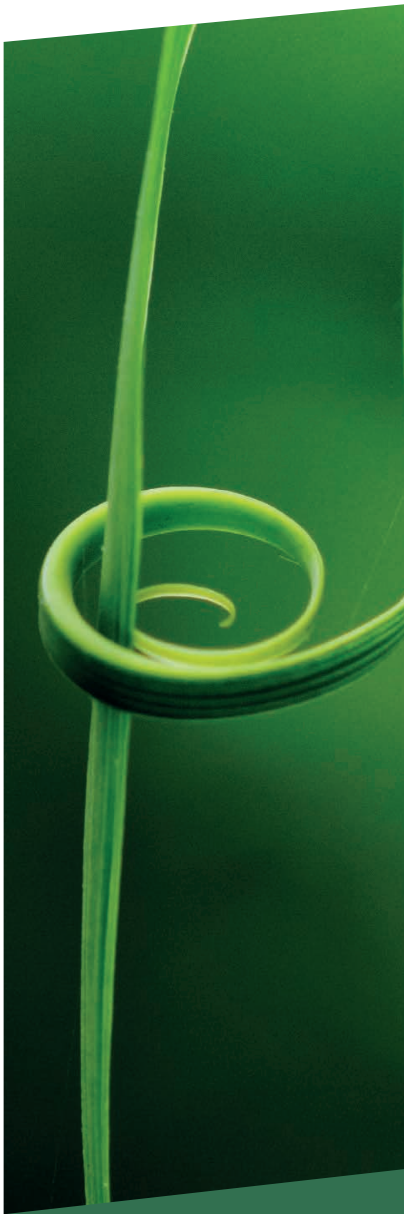
Art. 5 Art. 6

It follows that the **SFDR** requirements are linked to those under the **TR** by including "environmentally sustainable economic activities" as defined by the TR in the definition of "sustainable investments" (i.e. investments in **EAs** that contribute to an **environmental objective** or a **social objective** without significantly harming any of these objectives).

To avoid misinterpretation, further clarifications will be necessary as neither the SFDR nor the TR provide detailed criteria and define eligible investments or strategies for **light-green** products. Therefore, the ESG ambition of these type of products may vary as, for example, certain **light-green** products in promoting environmental characteristics, may also partially - and not completely like **dark-green** ones - pursue sustainable investments, resulting in the creation of a different type of green product.

For this reason, the regulatory technical standards (**RTS**), that according to the latest European Commission information will be published in the next months and applied during 2022, should further specify disclosure requirements for **dark-green** and **light-green** products in terms of underlying green investments proportion as well as presentation of information by means of standardised templates.

Eventually, the TR requires financial market participants that do not consider the criteria for environmentally sustainable investments to provide a statement to that end. In addition, to avoid the circumvention of the disclosure obligation, the same statement shall also apply where financial products are only marketed as promoting environmental characteristics, including financial products that have as their objective environmental protection in a broader sense. Art. 7



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16 NOVEMBER, 3 2021

TR: Transparency in non-financial statements

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The Taxonomy Regulation (**TR**) provides that any undertaking subject to the obligation of publishing non-financial information pursuant to the Directive 2014/95/EU (**Non-Financial Reporting Directive - NFRD**) shall include in its non-financial statement or consolidated non-financial statement information on how and to what extent the undertaking's activities are associated with economic activities that qualify as environmentally sustainable under the **TR**.

This provision Art. 8 gives substance to the communication of 20 June 2019 on "*Guidelines on non-financial reporting: Supplement on reporting climate-related information*", where the European Commission (**EC**) recommended that large public companies that are required to publish non-financial information under the **NFRD** shall report on certain climate-related key performance indicators (**KPIs**) that are based on the framework established by the **TR**.

Therefore, the **TR** requires the above-mentioned undertakings to disclose:

- the proportion of their turnover derived from products or services associated with economic activities that qualify as environmentally sustainable;
- the proportion of their capital expenditure (**CapEx**) and the proportion of their operating expenditure (**OpEx**) related to assets or processes associated with economic activities that qualify as environmentally sustainable.

To further specify contents, methodology, and presentation of the **KPIs**, the **EC** addressed a call for advice to the European Supervisory Authorities (**ESAs**) in September 2020. Then, advice and input arising from the public consultations conducted by the **ESAs** in the following months were the basis for the Delegated Act (**DA**) adopted by the **EC** on 6 July 2021.

The **DA** is currently under the 4-month scrutiny period by the European Parliament and Council, which can be extended by a further 2 months (i.e. by January 2022).

If no objections are raised, it will be published in the Official Journal and enter into force 20 days after the publication.

In particular, the **DA** sets out the rules that shall allow companies to translate the technical screening criteria (**TSC**) of the Climate Delegated Act (and the future Environmental Delegated Act pursuant to the **TR**) into **KPIs**, which will be publicly disclosed in their non-financial statement (i.e. the **KPIs** for insurance undertakings should capture their non-life underwriting activities and investment policy that are part of their business model to show the extent to which those activities are aligned with the **TR**).

The reporting requirements set out in the **TR** and applied through the **DA** shall apply:

- from 1 January 2022, as regards the first two environmental objectives (climate change adaptation and mitigation);
- from 1 January 2023, as regards the other four environmental objectives (water use, circular economy, pollution control, and biodiversity protection).

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TR: Platform on Sustainable Finance

17 NOVEMBER, 10 2021

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Given the importance of the Technical Screening Criteria (**TSC**) to classify environmentally sustainable economic activities (**EAs**), the Taxonomy Regulation (**TR**) establishes that their development, update and review should be built on the advice of different persons who have proven knowledge and experience in several relevant areas, such as:

- experts representing relevant private stakeholders and industries, and professionals with accounting and reporting expertise;
- experts in environmental, social, labour and governance issues representing civil society;
- experts representing academia (i.e. universities).

Furthermore, the group of experts shall also include representatives of the European Environment Agency, the ESAs, the European Investment Bank, the European Investment Fund and the European Union Agency for Fundamental Rights. Art. 20

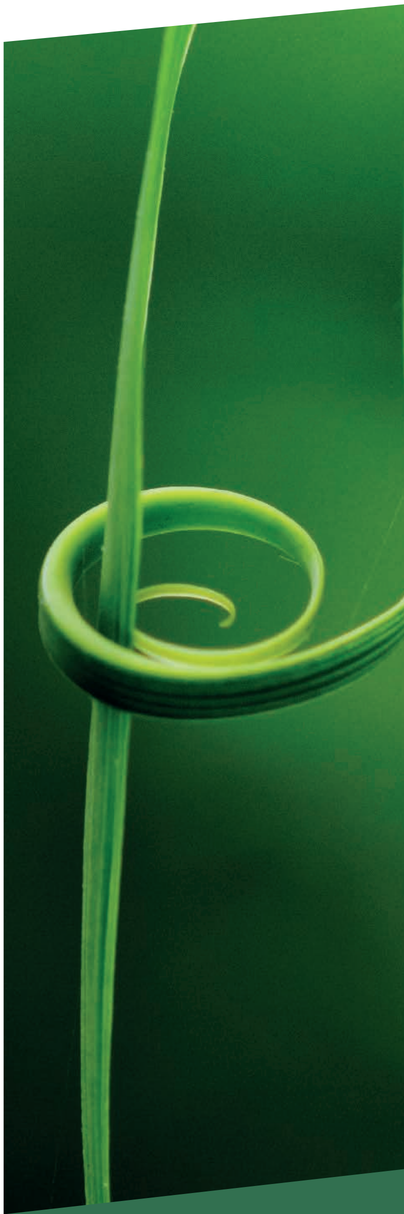
In line with the provision of the **TR**, the European Commission has set up a permanent expert group made up of the above-mentioned experts, named "**Platform on Sustainable Finance**" (**PSF**). The **PSF** operates since October 2020 through a plenary composed by 57 members and 11 observers, supported by **six subgroups** where the technical work on **PSF** opinions, reports or recommendations takes place. The plenary serves as a forum to ensure that appropriate linkages are created between the relevant subgroups and to formally endorse advice and reports.

The **PSF** has been tasked with different supporting activities, including:

- advising the Commission on the **TSC** on environmental objectives;
- analysing the **TSC** impacts in terms of potential costs and benefits of their application;
- assisting the Commission in analysing requests from stakeholders to develop or revise **TSC** for a given economic activity;
- advising the Commission on extending the scope of the **TR** beyond environmentally sustainable **EAs** (e.g. social objectives).

The **Platform** has published four reports to date:

- **a report** setting out the Platform's key findings and recommendations, by responding to six questions from the Commission on how the European Taxonomy can enable inclusive transition financing for companies and other economic actors working to improve their environmental impact;
- **two draft reports** on social taxonomy and on potential "significantly harmful" and "no significant impact" taxonomy (considering that both are advisory reports, the Commission has not yet taken a decision on whether to proceed);
- **a draft report** for a call for feedback closed on September 2021 whose related Final report is expected for November 2021, focused on preliminary recommendations regarding the **TSC** for the four remaining environmental objectives (water use, circular economy, pollution control, and biodiversity protection) as well as few additional **EAs** and related criteria for the two climate objectives of mitigation and adaptation.



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18 NOVEMBER, 17 2021

TR: Other provisions

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The **TR** provides that Member States shall ensure that their competent authorities have the necessary supervisory and investigatory powers and cooperate with each other to monitor the compliance of financial market participants with the requirements laid down in the Articles 5, 6 and 7 of the **TR** supplementing the rules on sustainability-related disclosures under Regulation (EU) 2019/2088 (SFDR) for **light-green** and **dark-green** financial products. Art. 21

For this purpose, the **TR** provides that Member States shall lay down effective, proportionate and dissuasive measures and penalties applicable to infringements of the above-mentioned articles. Art. 22

Furthermore, the **TR** requires that the Commission should provide with a formal status the **EU Member States Expert Group on Sustainable Finance**. The so-called **Member State Expert Group** has been created in 2018 to increase the engagement of EU Member States in supporting the implementation of sustainable finance actions and promote the transformation in their territories. The objective of such a provision is to facilitate, through regular meetings, the exchange of views between the Member States and the Commission on the EU taxonomy development. The tasks of the Expert Group should primarily consist of advising the Commission as regards the main output of the Platform on Sustainable Finance, such as new technical screening criteria (**TSC**) or material updates thereof and draft reports. Art. 24

Regarding the periodical review of the **TR**, it is provided that by **31 December 2021**, the Commission, based on the draft reports and advices of the Platform on Sustainable Finance, shall assess further development of the classification system for environmentally sustainable economic activities (**EAs**) by extending its scope to cover activities that do not have a significant impact and activities that significantly harm the environment, as well as other sustainability objectives, including social objectives.

Furthermore, by **13 July 2022**, and subsequently every three years thereafter, the Commission shall publish a report on the application of the **TR** to evaluate the following:

- the progress in implementing the **TR** concerning the development of **TSC** for environmentally sustainable **EAs**;
- the possible need to revise and complement the criteria to qualify an **EA** as environmentally sustainable;
- the effectiveness of the application of the **TSC** in channelling private investments into environmentally sustainable **EAs**;
- the access by financial market participants and investors to reliable, timely and verifiable information and data regarding private enterprises and other legal entities;
- the application of the above-mentioned Articles 5, 6 and 7 concerning amendments to SFDR.

From the same date, the Commission shall also assess the effectiveness of the advisory procedures for the development of the **TSC** involving the Platform on Sustainable Finance. Art. 26

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CBR: Scope and objectives

19 NOVEMBER, 24
2021

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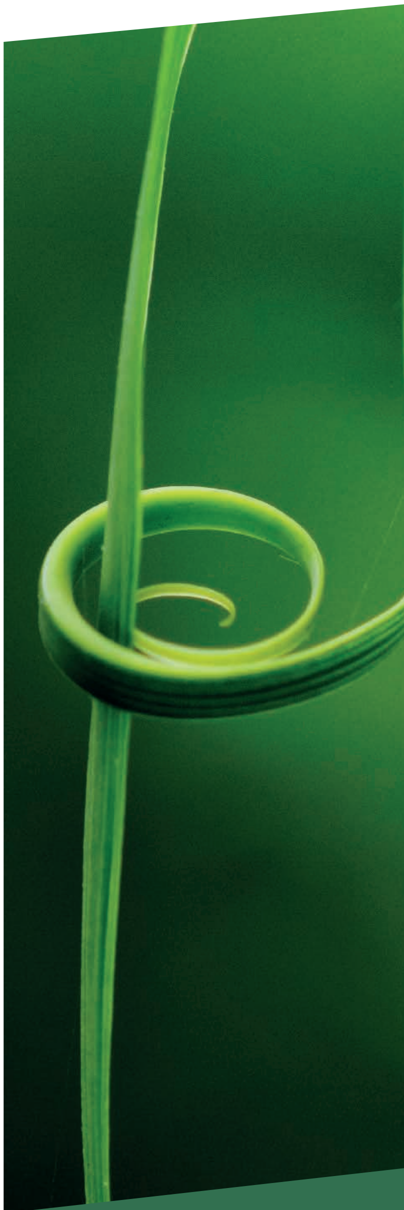
The **Regulation (EU) 2019/2089**, also known as **EU Climate Benchmarks Regulation** (from now on the "**CBR**"), entered into application on 30 April 2020 and amended the already existing **Regulation (EU) 2016/1011** on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.
The latter, entered into force on 30 June 2016 and applied from 1January 2018, has established uniform rules for benchmark index providers to ensure the accuracy and integrity of benchmarks construction across the EU. Its main objectives are:

- improving governance and controls over the benchmark process;
- improving the quality of input data and methodologies used by index providers;
- protecting consumers, investors and the market sanity through greater transparency.

The **CBR** integrates **Regulation (EU) 2016/1011** with the aim of increasing transparency and uniformity in the use of low-carbon indices and therefore making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. To achieve such objectives, the **CBR** introduces **two new types** of benchmark: Art. 3, 2016/1011

- **EU Climate Transition Benchmark**;
- **EU Paris-Aligned Benchmark**.

Furthermore, it also requires **specific sustainability-related disclosures for benchmark administrators providing the new indices**.
The amending provisions are also intended to reach one of the objectives published in the Action Plan on financing sustainable growth published by the European Commission on 8 March 2018: **reorienting capital flows towards sustainable investment to achieve sustainable and inclusive growth**.
Thus, the **CBR** establishes a new harmonised framework to prevent the fragmentation of different climate-related benchmarks in the market, considering that varying degrees of indices' "green ambitions" have led to a perceived lack of transparency and uniformity in the categorisation of climate-related benchmarks and concerns regarding the potential for "greenwashing".
By **30 April 2020**, benchmark administrators have been required to produce a benchmark statement which includes an explanation as to whether or not they reflect ESG factors in their benchmarks and ensure a degree of alignment with the target of reducing carbon emissions or, the attainment of the objectives of the Paris Agreement (e.g. the attainment of the 2°C temperature reduction target). Art. 27, 2016/1011
By **1 January 2022**, EU benchmark administrators that provide significant benchmarks determined based on the value of one or more underlying assets or prices shall endeavour to **provide one or more EU Climate Transition Benchmarks**. Art. 19d, 2016/1011



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CBR: Definitions

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The **Regulation 2016/1011** defines "**index**" as any figure that is published or made available to the public regularly determined, entirely or partially, by the application of a formula or any other method of calculation, or by an assessment. An index shall be calculated on the basis of the value of one or more underlying assets or prices, including estimated prices, actual or estimated interest rates, quotes and committed quotes, or other values or surveys. Art. 3, 2016/1011
Thus, it is defined as "**benchmark**" any index by reference to which the amount payable under a financial instrument or a financial contract, or the value of a financial instrument, is determined, or an index that is used to measure the performance of an investment fund with the purpose of tracking the return of such index or of defining the asset allocation of a portfolio or of computing the performance fees.
The natural or legal person that has control over the provision of an index (e.g. collecting, analysing or processing input data for the purpose of determining a benchmark) is called "**index provider**".
The **Climate Benchmarks Regulation** amends the definitions provided by **Regulation (EU) 2016/1011** by introducing two new definitions referred to the **EU Climate Transition Benchmark** and the **EU Paris-aligned Benchmark**.
A benchmark labelled as **EU Climate Transition Benchmark** shall underlie assets selected, weighted or excluded in such a manner that the resulting benchmark portfolio is on a **decarbonisation trajectory**, that is a measurable, science-based and time-bounded trajectory towards alignment with the objectives of the Paris Agreement by reducing the following carbon emissions categories:

- **Scope 1**: emissions generated from sources that are controlled by the company that issues the underlying assets;
- **Scope 2**: emissions generated from the consumption of purchased electricity, steam, or other sources of energy generated upstream from the company that issues the underlying assets;
- **Scope 3**: emissions not covered by Scope 1 and 2 categories that occur in the value chain of the reporting company.

A benchmark labelled as **EU Paris-aligned Benchmark** shall underlie assets selected, weighted or excluded in such a manner that the resulting benchmark portfolio's carbon emissions are aligned with the objectives of the "Paris Agreement" approved by the European Council on 5 October 2016. Furthermore, the activities relating to the underlying assets do not significantly harm other environmental, social, and governance (ESG) objectives.
Both the above-mentioned types of benchmark shall also be constructed in accordance with the minimum standards laid down in the **Commission Delegated Regulations (EU) 2020/1818** of **17 July 2020** entered into force on 23 December 2020 supplementing the **CBR** and specifying some technical definitions for the construction of the benchmarks (e.g. the definition of "greenhouse gas (GHG) emissions").

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CBR: EU Climate Transition Benchmarks

21 DECEMBER, 7 2021

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The **Climate Benchmarks Regulation (CBR)** introduces the definition and the requirements qualifying the **EU Climate Transition Benchmarks** as those whose underlying assets are selected, weighted or excluded in such a manner that the resulting benchmark portfolio is on a decarbonisation trajectory and whose construction respects the minimum standards provided by the **Commission Delegated Regulation (EU) 2020/1818 of 17 July 2020**.

Art. 3, 2016/1011

The **Annex III** to the **CBR**, amending Annexes to the **Regulation 2016/1011**, requires the administrator of an **EU Climate Transition Benchmark** to formalise, document and make public, while ensuring trade secrets, any methodology used for the calculation of the benchmark by giving the following information:

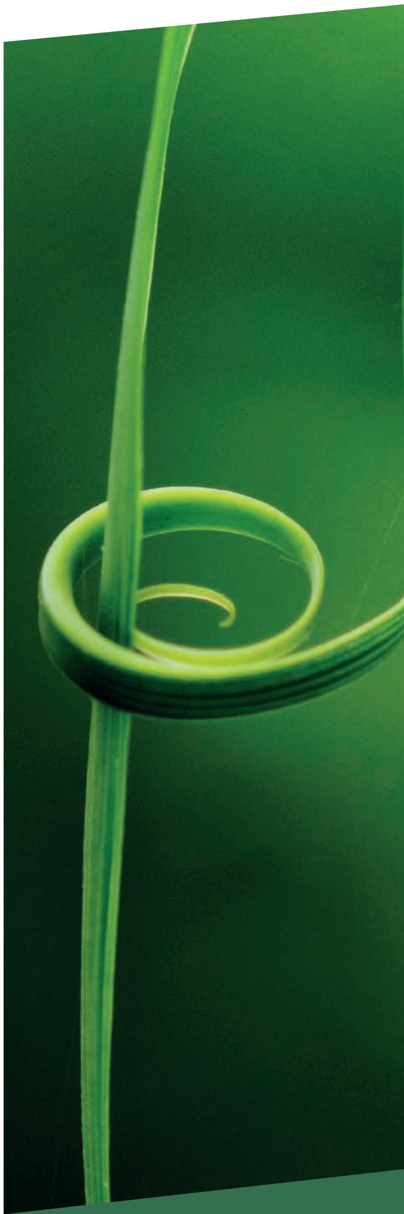
- the list of the main constituents of the benchmark;
- all criteria and methods, including selection and weighting factors, metrics and proxies used in the benchmark methodology;
- the criteria applied to exclude assets or companies that are associated with a level of carbon footprint or a level of fossil fuel reserves that are incompatible with inclusion in the benchmark;
- the criteria for the determination of the decarbonisation trajectory;
- the type and source of data used to determine the decarbonisation trajectory for Scope 1, 2 and 3 carbon emissions;
- the total carbon emissions of the index portfolio.

Furthermore, the administrator shall select, weight, or exclude underlying assets issued by companies that follow a decarbonisation trajectory by 31 December 2022, in accordance with the following requirements: Art. 19b, 2016/1011

- the companies disclose measurable carbon emission reduction targets to be achieved within specific timeframes;
- the companies disclose a reduction in carbon emissions which is disaggregated down to the level of relevant operating subsidiaries;
- the companies disclose annual information on progress made towards those targets;
- the activities relating to the underlying assets do not significantly harm other ESG objectives.

Eventually, the **Delegated Regulations (EU) 2020/1816, 2020/1817** and **2020/1818** supplementing the **CBR** and entered all into force on 23 December 2020, set out:

- **minimum sustainability criteria** to qualify a benchmark as an EU Climate Transition Benchmark (e.g. the greenhouse gas intensity - or absolute emissions - at least 30% lower than the greenhouse gas intensity - or absolute emissions - of the investable universe);
- **specific** environmental, social, and governance **(ESG) disclosure requirements** (e.g. administrators shall explain in a proper template how ESG factors like greenhouse gas intensity or number of benchmark constituents subject to social violations are reflected in the benchmark).



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22 DECEMBER, 15 2021

CBR: EU Paris-aligned Benchmarks

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The **Climate Benchmarks Regulation** (**CBR**) provides the requirements qualifying the **EU Paris-aligned Benchmarks** as those whose underlying assets are selected, weighted or excluded in such a manner that the resulting benchmark portfolio's carbon emissions are aligned with the objectives of the "Paris Agreement".

Furthermore, the **CBR** requires that the activities relating to the benchmarks underlying assets shall not significantly harm other **environmental, social and governance** (**ESG**) **objectives** and, as stated for the EU Climate Transition ones, even the **EU-Paris aligned benchmarks** shall be constructed in accordance with the **minimum standards** laid down in **Commission Delegated Regulation** (**EU**) **2020/1818** of **17 July 2020**. Art. 3, 2016/1011

The **Annex III** to the **CBR**, amending Annexes to the **Regulation 2016/1011**, provides that the administrator of an **EU Paris-aligned Benchmark** shall publicly disclose, while ensuring trade secrets, the methodologies used for the calculation of the benchmarks by giving different information such as:

- the list of the main constituents of the benchmark;
- the metrics and the proxies used in the benchmark methodology;
- the criteria applied to exclude assets or companies that are associated with a level of carbon footprint or a level of fossil fuel reserves that are incompatible with inclusion in the benchmarks.

The **Delegated Regulation (EU) 2020/1818**, in setting out the minimum sustainability criteria to qualify a benchmark as an EU Paris-aligned one, specifies the types of company to be excluded from the construction of the benchmark, like those involved in any activities related to controversial weapons or in the cultivation and production of tobacco or companies found in violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. Moreover, the Delegated Regulation itself requires to exclude from the benchmarks any companies that are found or estimated to significantly harm one or more of the six environmental objectives referred to the Taxonomy Regulation.

The **Commission Delegated Regulations (EU) 2020/1816** and **2020/1817** supplementing the **CBR** requires to specify further information about the EU Paris-aligned Benchmarks:

- the first provides the templates to disclose in the benchmark statement how ESG factors are reflected in the index (e.g. the name of the provider of the temperature scenario used for the alignment with the target of reducing greenhouse gas emissions or the attainment of the objectives of the Paris Agreement);
- the second provides a template to explain which of the ESG factors referred to Delegated Regulation (EU) 2020/1816 itself have been considered when designing the benchmark methodology and how (e.g. exposure of the benchmark portfolio to climate-related physical risks, measuring the effects of extreme weather events on companies' operations and production).

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CBR: Other provisions

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The **CBR** provides that to ensure continued adherence to their selected objectives, **administrators of EU Climate Transition Benchmarks** and **EU Paris-aligned Benchmarks** should review their methodologies at least on an annual basis and inform users of the applicable procedures for introducing any material change to those methodologies.
Therefore, the **Annex III** to the **CBR** amending Annexes to the **Regulation 2016/1011** specifies how the above-mentioned amendment procedures should be made public and how they should take the views of all relevant users into account. More specifically, the procedures shall provide:

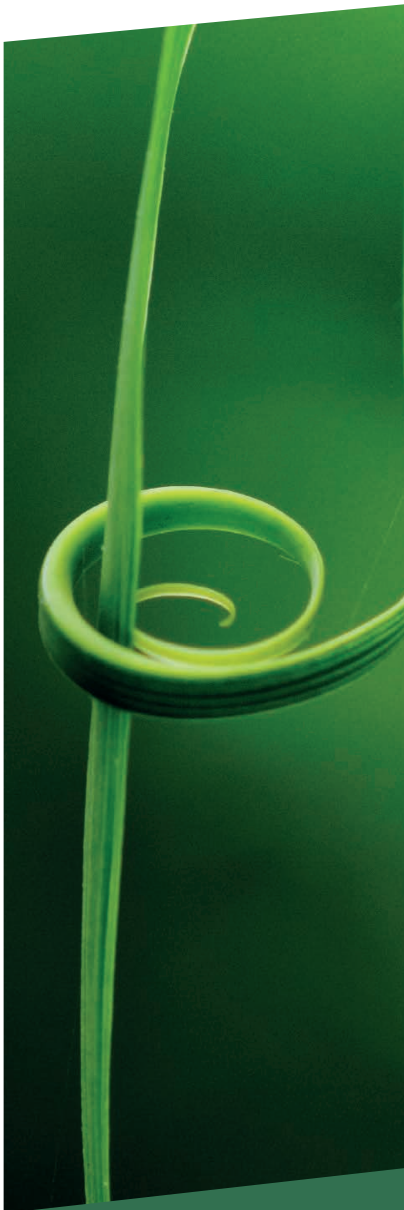
- advance notice, within a clear timeframe, that gives benchmarks users sufficient opportunity to analyse and comment on the impact of the proposed changes, having regard to the administrators' calculation of the overall circumstances;
- for the possibility for users of benchmarks to comment on the changes and for the administrators to respond to those comments and making them accessible after any given consultation period, with the exception where the commenter has requested confidentiality.

With the aim of enhancing transparency and ensuring an adequate level of harmonisation, the **CBR** also confers to the European Commission, for a period of five years from 10 December 2019, the power to adopt delegated acts specifying, among others, the climate-related benchmarks disclosure obligations' contents and the minimum standards to harmonize the calculation methodologies of the indexes at EU level. Art. 49, 2016/1011
To date, as previously mentioned, **three delegated acts** have been published and entered into force on 23 December 2020:

- **Delegated Regulations (EU) 2020/1816** as regards to how to explain in the benchmark statement the reflection of environmental, social and governance (**ESG**) factors;
- **Delegated Regulations (EU) 2020/1817** providing the template through which the administrators shall explain which of the ESG factors they have considered when designing their benchmark methodology and how;
- **Delegated Regulations (EU) 2020/1818** laying down the minimum standards for the design of the EU climate-related benchmarks methodology.

Eventually, the **CBR** provides that the Commission:

- **by 31 December 2022**, shall **review the minimum standards** for the EU climate-related benchmarks to ensure that the selection of the underlying assets is coherent with environmentally sustainable investments as defined in a Union-wide framework;
- **before 31 December 2022**, shall **present a report** to the European Parliament and to the Council **on the impact of the amended Regulation 2016/1011 and the feasibility of an "ESG benchmark"**, considering the evolving nature of sustainability indicators and the methods used to measure them. That report shall be accompanied, where appropriate, by a legislative proposal. Art. 54, 2016/1011



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ANIA, the Italian Insurance Association,
founded in 1944, is a voluntary non-profit association.
Its main purpose is to develop and spread the culture of safety and prevention in our country, so as to protect both people and companies, and society as a whole, more and better.

Moreover, ANIA represents its members and the Italian insurance market vis-à-vis the main political and administrative institutions, including the Government and Parliament, trade unions and other social bodies.

The Association studies and cooperates in the resolution of technical, economic, financial, administrative, fiscal, social, juridical and legislative issues concerning the insurance industry.
It supports and provides technical assistance to members, promotes the education and professional training of those working in the insurance sector.

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