

Action Plan UE and Green Economy in the European Union:
new frontiers and new scenarios

1. EU Action Plan: Regulation 2088/2019

As of 10 March 2021, the provisions of Regulation (EU) 2019/2088 of 27 November 2019 on *sustainability disclosures in the financial services industry* (hereinafter "**EU Regulation No. 2088/2019**" or "**EU Regulation**"), which hinges on the European Union's ambitious Action Plan for Sustainable Finance (hereinafter "**EU Action Plan**"), are directly applicable.

The Commission's objectives aim to:

- directing capital flows towards sustainable investments;
- manage more effectively the financial risks arising from climate change, resource consumption, environmental degradation and social inequalities;
- improve transparency and encourage a long-term approach to economic and financial activities.

In line with such purposes, EU Regulation 2088/2019 "*establishes harmonised transparency rules for financial market participants and financial advisors with regard to the integration of sustainability risks and the consideration of adverse sustainability effects in their processes and in the disclosure of sustainability-related information relating to financial products*" (Article 1). First of all, it gives a precise definition of sustainable investment, putting a stop to the arbitrariness of banks or managers to come up with their own definitions, tailored to their own needs. On another hand, it tries to strengthen the protection of the end investor by improving the disclosure to the end investor, introducing new sustainability-related disclosure duties for financial services providers aimed at strengthening the protection of the end investor.

More specifically, the EU Regulation the Regulation provides for a series of disclosure obligations, including pre-contractual ones - from so-called "financial market participants" and "financial advisors" to the final investor - such as:

- make public on their information channels the policies they have adopted regarding the assessment of sustainability risks in their investment decision-making and insurance advice (Article 3);
- include in their remuneration policies information on the compatibility of those policies with sustainability risks (Article 5);

- include in the pre-contractual information an assessment of the sustainability risk taken into account in investment decisions and the likely impact of sustainability risks on the performance of the financial products made (Article 6);
- communicate, for each financial product, the assessment of negative effects on so-called 'sustainability factors', i.e. environmental, social, labour, human rights and anti-corruption factors (Article 7);
- publish on its website, as well as in its periodic communications, a description of the social or environmental characteristics or sustainable investment objective promoted by each financial product, as well as information on the methods used to assess, monitor and measure these characteristics (Article 10).

2. New measures by the European Commission to support the green economy

In addition to what has just been said about the intervention of EU Regulation 2088/2018.

The aim of the measures launched is to make Europe climate neutral by 2050.

In a nutshell, these measures include:

- a delegated act for the climate taxonomy: this act will be adopted by the end of May 2021 across the EU and provides for the encouragement of sustainable investments by specifying the economic activities with the greatest impact on achieving European environmental objectives;
- a proposal for a Corporate Sustainability Reporting Directive (CSRD) aimed at improving sustainability information flows in the corporate world and necessary to make sustainability reporting by companies more consistent. Through this directive, financial companies, investors and the public will be able to use comparable and reliable information on corporate sustainability;
- six amending delegated acts on (i) fiduciary duties, (ii) investments and (iii) insurance advice that will have to ensure the inclusion of sustainability in the procedures of investment advice offered to clients by financial firms (advisors, insurers, asset managers).

Once formally adopted, the EU delegated act on climate taxonomy will be examined by the European Parliament and the Council (four months, extendable once for another two months).

Regarding the CSRD proposal, the Commission will engage in discussions with the European Parliament and the Council.

The six amendments to the delegated acts on investment advice and insurance, fiduciary duties and product supervision and governance will be examined by the European Parliament and the Council (three-month periods, extendable once by an additional three months) and should apply from October 2022.

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