

## Terms of Reference of the Coordination Network on Sustainability – CNS

### Background

1. ESMA achieves its mission to enhance investor protection and promoting stable and orderly financial markets through four activities: (i) assessing risks to investors, markets and financial stability, (ii) completing a single rulebook for EU financial markets, (iii) promoting supervisory convergence and (iv) supervising specific financial entities.
2. In 2018, the European Commission published the Action Plan on “Financing sustainable growth”<sup>1</sup> (hereinafter the ‘EC Action Plan’)<sup>2</sup>, including initiatives aiming at: (i) improving the contribution of finance to sustainable and inclusive growth as well as the mitigation of climate change; and (ii) strengthening financial stability by incorporating environmental, social and governance (ESG) factors into investment decision-making<sup>3</sup>.
3. The EC Action Plan put in place a number of actions with impact on regulatory and supervisory activities of ESMA and European securities regulators and require increasing coordination across different pieces of legislation. As a result of the Action Plan, legislative developments which relate to sustainable finance have been finalised or are being finalised.
4. In addition, the revised three ESA Regulations<sup>4</sup> reflect the EU’s ambition to shift towards a more sustainable financial system in the medium and long run and the involvement of ESMA and European securities regulators in activities relating to sustainable finance should become an integral part of their ordinary supervisory and enforcement activities. Sustainable finance is also gaining momentum in international fora, most notably at IOSCO level.
5. Due to their cross-cutting nature, sustainable finance-related matters require coordination across different units and departments in charge of different policy and enforcement areas both at the level of the individual National Competent Authorities and at ESMA level. In order to fulfil its mission, the Board of Supervisors has established the Coordination Network on Sustainability. The Terms of Reference cover the responsibilities and tasks of

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<sup>1</sup> Available here: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52018DC0097>

<sup>2</sup> The EC is expected to update its Action Plan under a Renewed Sustainable Finance Strategy.

<sup>3</sup> Notion considered in the Final Report of the EU High-Level Expert Group on Sustainable Finance - [https://ec.europa.eu/info/sites/info/files/180131-sustainable-finance-final-report\\_en.pdf](https://ec.europa.eu/info/sites/info/files/180131-sustainable-finance-final-report_en.pdf)

<sup>4</sup> ESMAR Article 8 requires that, when carrying out its tasks, ESMA shall take account of the integration of environmental, social and governance related factors.

this group and the Procedures for ESMA groups (ESMA/2011/BS/236rev3) set out the rules concerning its structure, governance and working methods.

## Responsibilities

6. In line with the ESMA 2020-2022 Strategic Orientation (ESMA22-106-194), the CNS contributes to ESMA's mission by promoting the coordination of regulatory, supervisory and enforcement initiatives across securities regulators in the EU in the field of sustainable finance as follows:
  - a. CNS contributes to the set-up of an overall strategy by providing strategic input to ESMA's Board of Supervisors on sustainable-finance related matters.
    - *Completing a Single Rulebook for EU financial markets:*
  - b. CNS provides advice to ESMA's Standing Committees on matters related to sustainable finance that need to be taken into account across different areas of EU legislation within ESMA's remit;
    - *Promoting Supervisory Convergence:*
  - c. CNS identifies any inconsistencies as to how matters related to sustainable finance have been taken into account across different areas of EU legislation within ESMA's remit and making recommendations to the relevant Standing Committees as to how these inconsistencies can be addressed;
  - d. CNS provides a forum for NCAs to share any cross-cutting issues relating to sustainable finance and exchange supervisory and regulatory best practices related to sustainability;
    - *Assessing risks to investors, markets and financial stability*
  - e. CNS provides advice to ESMA on areas of research relating to sustainable finance which the Network deems relevant for ESMA to investigate;
  - f. CNS shares updates on relevant initiatives taking place at international, EU and local jurisdiction level on sustainable finance matters.
7. The CNS contributes to all ESMA's work on sustainable finance matters, and in particular in relation to incorporation of ESG factors in the investment advice and disclosure requirements. Other requirements might be brought within the mandate of the CNS depending on the speed of legislative developments.
8. In line with ESMA's product monitoring obligation under Articles 39 MiFIR and its product intervention powers under Article 40 and 43 MiFIR, the CNS shall refer any potential threats that are relevant to ESMA's objectives of ensuring investor protection, orderly functioning

and integrity of financial/commodity markets and to stability, to the relevant Standing Committee.

9. The work of the CNS is not expected to duplicate or overlap with the functions of the existing ESMA's Standing Committees or the Joint Committee which remain responsible for addressing sustainable finance-related matters in the respective areas of EU legislation that fall within their respective remits.

### **Structure and governance**

10. The responsibilities of the Chair, rapporteur and members of the CNS are as set out in the Procedures for ESMA groups.
11. Permanent or temporary groups reporting to the CNS may be set-up when required in line with the Procedures for ESMA groups.
12. The CNS may establish a Consultative Working Group. The CNS can – where appropriate – and in liaison with the rapporteur of the relevant Standing Committee consult other Consultative Working Groups.
13. The CNS is expected to meet at least three times per year. It may, however, based on the workload, decide to meet more or less frequently. The Network may also be asked by ESMA to provide input in written procedure for matters of particular urgency.

### **Review**

14. The Terms of Reference will be reviewed every two years by the Board of Supervisors, or earlier depending on the speed of development as far as sustainable finance agenda matters at Union level are concerned.