European Securities and Markets Authority

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PRESS RELEASE

ESMA consults on measures to promote sustainability in EU capital markets

The European Securities and Markets Authority (ESMA) has today launched three public consultations on sustainable finance initiatives to support the European Commission's (EC) Sustainability Action Plan in the areas of securities trading, investment funds and credit rating agencies (CRAs).

The first two consultations seek stakeholders' input on draft technical advice for the integration of sustainability risks and factors into the Markets in Financial Instruments Directive II (MiFID II) (securities trading) and the Alternative Investment Fund Managers Directive (AIFMD) and the Undertakings in Collective Investment in Transferable Securities (UCITS) Directive (investment funds). While the third consults on CRA guidelines aimed at improving the quality and consistency of disclosures of environmental, social and governance (ESG) factors when considered as part of a credit rating action.

The consultations focus on environmental, social and good governance considerations with regards to investment firms, investment funds and CRAs. The draft advice and proposed guidelines touch upon organisational requirements, operating conditions, risk management, conflicts of interest, product governance and disclosure requirements.

Steven Maijoor, Chair, said:

> "Climate change is a reality. Therefore, moving our economies to a greener, more sustainable path has become a necessity and as financial regulators we have to ensure that the financial sector supports this shift.
>
> "We need to respond to the increasing demand of investors for sustainable investments and to conduct business by taking into account opportunities and risks stemming from climate change, environmental degradation and related social issues.
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> "We are, therefore, seeking views to inform our advice to the Commission on how to include environmental, social and governance factors in firms' investment decision processes and the integration of relevant sustainability risks within firms' business

models and procedures.”

In order to ensure consistency, ESMA’s draft advice was developed in cooperation with the European Insurance and Occupational Pensions Authority (EIOPA), which has received a similar mandate regarding Solvency II and the Insurance Distribution Directive (IDD).

Next steps

The EC requested ESMA to provide technical advice on the integration of sustainability risks and factors in the UCITS Directive, AIFMD and MiFID II by 30 April 2019. ESMA, along with the consultations, will hold an open hearing on 4 February 2019 and will use the consultation feedback to finalise its draft advice to the EC.

The Consultation Paper on credit ratings has a three-month consultation period with a view to publishing the final report before the end of July 2019.

Notes for editors

1. Following the adoption of the 2016 Paris agreement on climate change and the United Nations 2030 Agenda for Sustainable Development, the European Commission has expressed in the Action Plan: Financing Sustainable Growth (Action Plan) its intention to clarify so-called fiduciary duties and increase transparency in the field of sustainability risks and sustainable investment opportunities.

2. On 24 May 2018, the Commission adopted a package of measures on sustainable finance and asked ESMA, on 24 July 2018, to provide technical advice on the integration of sustainability risks and sustainability factors in the UCITS Directive, AIFMD and MiFID II.

3. ESMA's mission is to enhance investor protection and promote stable and orderly financial markets.

   It achieves these objectives 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. directly supervising specific financial entities.

4. ESMA achieves its mission within the European System of Financial Supervision (ESFS) through active cooperation with the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Systemic Risk Board, and with national authorities with competencies in securities markets (NCAs).

Further information:

Reemt Seibel
Senior Communications Officer
Tel: +33 (0)1 58 36 42 72
Email: press@esma.europa.eu