



FOCUS

# ESG - Green Finance

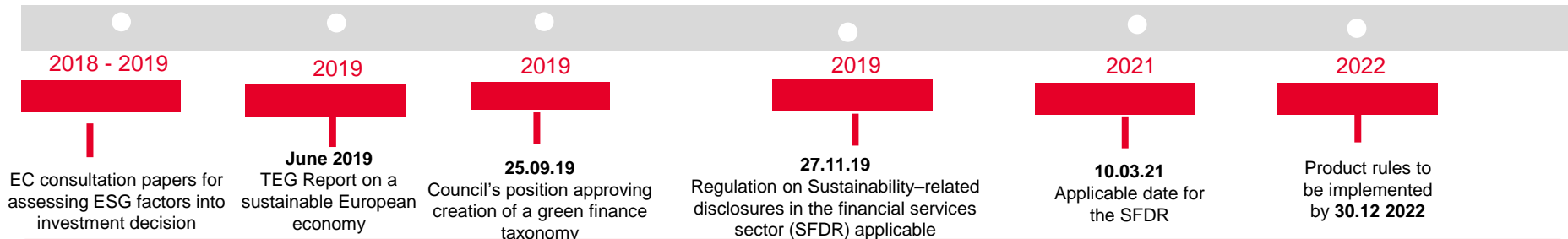
Version 12 – Updated in November 2021

BUILDING TEAM SPIRIT TOGETHER



**SOCIETE GENERALE**  
Corporate & Investment Banking

| REGULATORY INITIATIVE   | FOCAL POINTS  |
|---|---|
| <p>End of 2018 and beginning of 2019, the EC launched a number of consultations to assess how asset managers could include ESG factors in their investments/strategies in connection with MiFID II, UCITS and AIFMD (funds and financial trading operations) looking for a technical advice. One of the 3 consultations aims at guidelines to be followed by rating agencies.</p> <p><b>Sustainable investment in short:</b><br/>An investment approach by considering and incorporating <b>ESG</b> factors into investment decision with the following criteria examples:</p> <ul style="list-style-type: none"> <li>✓ <u>specific environmental</u> : green cars and finance</li> <li>✓ <u>general social</u> : health and safety, working conditions and non-discriminations, local communities and human rights.</li> <li>✓ <u>specific social</u> : access to medicines, product safety and responsible marketing (pharmacy, chemistry, banking and financial services)</li> </ul> | <p>Sustainable investment is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns.</p> <p><b>The six objectives</b> included in the taxonomy by the Council are:</p> <ol style="list-style-type: none"> <li>1. climate change mitigation</li> <li>2. climate change adaptation</li> <li>3. sustainable use and protection of water and marine resources</li> <li>4. transition to a circular economy, including waste prevention and recycling</li> <li>5. pollution prevention and control</li> <li>6. and prevention and restoration of biodiversity and ecosystems</li> </ol> <p><b>It is important to note that ESG and SRI (Socially Responsible Investment) are the two faces of the same coin, but the two should not be confused. ESG consists in bringing investment policies and products in compliance. SRI consists in bringing companies in compliance with SRI criteria.</b></p> |
| <p><b>Delegated acts</b> with the objectives 1 and 2 were to be adopted by the end of 2020. But it has been postponed.</p> <p><b>Delegated acts</b> with the objectives 3 to 6 will be adopted by the end of 2021.</p>  | <p><b>Current issue:</b></p> <ul style="list-style-type: none"> <li>✓ ESG definition is wide and complex.</li> <li>✓ Once agreed on a clear and precise definition with methodologies, the biggest challenge is to find appropriate data/information in particular in emerging countries where sustainability valuable index remains critical.</li> <li>✓ Sometimes E and S are not compatible.</li> </ul>  |



Updated on 12 November 2021

STATEMENT

- ❑ EU Regulation 2019/2088 and 2019/2089 modifying EU regulation 2016/1011 as of 27 Nov. 2019 were published in the Official Journal of the EU on 9.12.19. It refers to sustainability-related disclosures in the financial services sector (SFDR) and shall apply as from **10 March 2021**. Amendments of EU text 2016/1011 refer to EU Climate Transition Benchmarks, EU Paris-aligned Benchmarks and sustainability-related disclosures for benchmarks.
- ❑ 7 Feb. 2020, EU Council published a legislative proposal on the establishment of a framework to facilitate sustainable investment ('Taxonomy or Framework Regulation'). 22 June 2020 - Publication of [Regulation \(EU\) 2020/852](#) (the taxonomy) in the OJ of the EU. It enters into force on 12 July 2020.
- ❑ 20 October 2020 - EC confirmed to ESA that **SFDR level 1** applies even though level 2 (RTS measures) will be communicated at a later stage. **Jan 2022 ?**
- ❑ 16 Dec 2020 - CSSF published its fast track procedure to update funds prospectus before 28 Feb 2021 in order to comply with first measures of SFDR level 1 (mainly regarding pre-contractual disclosures). 20 Jan 2021- AMF confirmed that AMF DOC-2020-03 remains applicable.
- ❑ 4 Feb 2021, ESAs published final draft of RTS. But on 17 March 2021, ESAs launched a new CP on **SFDR RTS** – deadline to answer 15 May 2021.
- ❑ 21 April 2021, EC published delegated acts of MiFID, UCITS and AIFM in order to insert sustainability risk for financial products and funds.
- ❑ 2 August 2021, the EC published final level 2 measures regarding the integration of sustainability into AIFMD, UCITS and MiFID.
- ❑ **SFDR RTS** apply now in July 2022 instead of Jan 2022. On 22 Oct ESAs published new RTS. The EC has 3 months to endorse them. **Dec 2021?**

FOR YOUR  
CONSIDERATION

- ❑ As of today there is no common classification system in the EU in order to define precisely environmentally sustainable and/or green finance.
- ❑ Feb 2020, 2 interesting documents, one [published](#) by AFME “State of Play: Status of European Regulatory developments on Sustainable Finance”, summarizing developments in ESG and one [published](#) by EFRAG on “ How to improve climate-related reporting”.
- ❑ 9 March 2020, the Technical Expert Group (TEG) on financing a sustainable European economy published its final report.
- ❑ 13 March 2020, the AMF published a first policy on investor information.
- ❑ April 2020, EC published a CP on THE RENEWED SUSTAINABLE FINANCE STRATEGY. Replies were expected until 15 July 2020.
- ❑ **Financial market participants/advisers have to use their best judgements when implementing various disclosure requirements contained in SFDR level 1.**

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Fiche ESG Climate action taxonomy -  
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