

Chapter 1

Commission Delegated Regulation (EU) 2020/1816

Preamble

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014, and in particular Article 27(2b) thereof,

01/01/2021

Whereas:

(1) The Paris Agreement adopted under the United Nations Framework Convention on Climate Change, approved by the Union on 5 October 2016 (the "Paris Agreement"), aims to strengthen the response to climate change, among other means by making investment flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

(2) On 11 December 2019, the Commission adopted its Communication to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions "The European Green Deal". That European Green Deal represents a new growth strategy that aims to transform the Union into a fair and prosperous society, with a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use. The implementation of the European Green Deal requires that investors are offered clear, long-term signals to avoid stranded assets and to raise sustainable finance.

(3) Regulation (EU) 2016/1011 requires benchmark administrators to explain in the benchmark statement how environmental, social and governance ("ESG") factors are reflected in each benchmark or family of benchmarks provided and published.

(4) Different ways of explaining how ESG factors are reflected would lead to a lack of comparability between benchmarks and a lack of clarity as to the scope and objectives of the ESG factors. It is therefore necessary to specify the content of that explanation and to lay down a template to be used.

(5) In order to better adapt the information for investors, the requirement to explain how ESG factors are reflected in each benchmark or family of benchmarks provided and published should take into account the underlying assets on which benchmarks are based. This Regulation should not apply to benchmarks which do not have underlying assets that have an impact on climate change such as interest rate benchmarks and foreign exchange benchmarks.

(6) The explanation on how ESG factors are reflected should display the corresponding score of the relevant ESG factors *vis-à-vis* the benchmark, at an aggregated weighted average value. Such score should not be disclosed for each constituent of the benchmarks. Where relevant and appropriate, benchmark administrators should be able to provide additional ESG information.

(7) Due to their characteristics and objectives, specific disclosure requirements should be set out for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks, and for significant bond and equity benchmarks.

(8) In order to provide benchmark users with accurate and up-to-date information, benchmark administrators should update the information provided to reflect any changes made to the benchmark statement, and should indicate the reason and the dates at which the information was updated,

HAS ADOPTED THIS REGULATION: