

Chapter 2

Commission Delegated Regulation (EU) 2020/1817

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 13(2a) 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". The 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 how for each benchmark provided and published the key elements of the benchmark methodology reflect environmental, social and governance ("ESG") factors.

(4) Different ways of explaining for each benchmark or family of benchmarks how the key elements of the benchmark methodology reflect ESG factors, 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 set out the minimum content of such explanations as well as a template to be used.

(5) In order to better adapt the information for investors, the requirement to explain how the key elements of the methodology reflect ESG factors for 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. In accordance with Article 19 of Regulation (EU) 2016/1011, this Regulation should not apply to commodity benchmarks.

(6) The explanation on how key elements of the benchmark methodology reflect ESG factors should be made at an aggregated weighted average value, and 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) In order to provide benchmark users with accurate and up-to-date information, benchmark administrators should update the information provided in the template to reflect any changes made to the methodology, and should indicate the reason and the dates at which the information was updated.

(8) In order to provide investors with maximum transparency, benchmark administrators should clearly state whether they do or do not pursue ESG objectives,

HAS ADOPTED THIS REGULATION: