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THE EUROPEAN PARLIAMENT

THE COUNCIL

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**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
ON SUSTAINABILITY-RELATED DISCLOSURES IN THE FINANCIAL SERVICES SECTOR**

REGULATION (EU) 2019/...
OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

of 27 November 2019

on sustainability-related disclosures in the financial services sector

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 114 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee¹,

Acting in accordance with the ordinary legislative procedure²,

¹ OJ C 62, 15.2.2019, p. 97.

² Position of the European Parliament of 18 April 2019 (not yet published in the Official Journal) and decision of the Council of 8 November 2019.

Whereas:

- (1) On 25 September 2015, the UN General Assembly adopted a new global sustainable development framework: the 2030 Agenda for Sustainable Development (the ‘2030 Agenda’), which has at its core the Sustainable Development Goals (SDGs). The Commission Communication of 22 November 2016 on the next steps for a sustainable European future links the SDGs to the Union policy framework to ensure that all Union actions and policy initiatives, both within the Union and globally, take the SDGs on board at the outset. In its conclusions of 20 June 2017, the Council confirmed the commitment of the Union and its Member States to the implementation of the 2030 Agenda in a full, coherent, comprehensive, integrated and effective manner, and in close cooperation with partners and other stakeholders.

- (2) The transition to a low-carbon, more sustainable, resource-efficient and circular economy in line with the SDGs is key to ensuring long-term competitiveness of the economy of the Union. The Paris Agreement adopted under the United Nations Framework Convention on Climate Change (the ‘Paris Agreement’), which was approved by the Union on 5 October 2016¹ and which entered into force on 4 November 2016, seeks to strengthen the response to climate change by, inter alia, making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.
- (3) In order to reach the objectives of the Paris Agreement and significantly reduce the risks and impacts of climate change, the global target is to hold the increase in the global average temperature to well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1,5 °C above pre-industrial levels.

¹ Council Decision (EU) 2016/1841 of 5 October 2016 on the conclusion, on behalf of the European Union, of the Paris Agreement adopted under the United Nations Framework Convention on Climate Change (OJ L 282, 19.10.2016, p. 1).

- (4) Directives 2009/65/EC¹, 2009/138/EC², 2011/61/EU³, 2013/36/EU⁴, 2014/65/EU⁵, (EU) 2016/97⁶, (EU) 2016/2341⁷ of the European Parliament and of the Council, and Regulations (EU) No 345/2013⁸, (EU) No 346/2013⁹, (EU) 2015/760¹⁰ and (EU) 2019/1238¹¹ of the European Parliament and of the Council share the common objective of facilitating the uptake and pursuit of the activities of undertakings for collective investment in transferable securities (UCITS), credit institutions, alternative investment fund managers (AIFMs) which manage or market alternative investment funds, including European long-term investment funds (ELTIFs), insurance undertakings, investment firms, insurance intermediaries, institutions for occupational retirement provision (IORPs), managers of qualifying venture capital funds (EuVECA managers), managers of qualifying social entrepreneurship funds (EuSEF managers) and providers of pan-European personal pension products (PEPPs). Those Directives and Regulations ensure the more uniform protection of end investors and make it easier for them to benefit from a wide range of financial products, while at the same time providing rules that enable end investors to make informed investment decisions.

¹ Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (OJ L 302, 17.11.2009, p. 32).

² Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (OJ L 335, 17.12.2009, p. 1).

³ Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers (OJ L 174, 1.7.2011, p. 1).

⁴ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

⁵ Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ L 173, 12.6.2014, p. 349).

⁶ Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (OJ L 26, 2.2.2016, p. 19).

⁷ Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORPs) (OJ L 354, 23.12.2016, p. 37).

⁸ Regulation (EU) No 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds (OJ L 115, 25.4.2013, p. 1).

⁹ Regulation (EU) No 346/2013 of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship funds (OJ L 115, 25.4.2013, p. 18).

¹⁰ Regulation (EU) 2015/760 of the European Parliament and of the Council of 29 April 2015 on European long-term investment funds (OJ L 123, 19.5.2015, p.98).

¹¹ Regulation (EU) 2019/1238 of the European Parliament and of the Council of 20 June 2019 on a Pan-European Personal Pension Product (PEPP) (OJ L 198, 25.7.2019, p. 1).

- (5) Disclosures to end investors on the integration of sustainability risks, on the consideration of adverse sustainability impacts, on sustainable investment objectives, or on the promotion of environmental or social characteristics, in investment decision-making and in advisory processes, are insufficiently developed because such disclosures are not yet subject to harmonised requirements.
- (6) The exemption from this Regulation for financial advisers which employ fewer than three persons should be without prejudice to the application of the provisions of national law transposing Directives 2014/65/EU and (EU) 2016/97, in particular the rules on investment and insurance advice. Therefore, although such advisers are not required to provide information in accordance with this Regulation, they are required to consider and factor in sustainability risks in their advisory processes.

- (7) Entities covered by this Regulation, depending on the nature of their activities, should comply with the rules on financial market participants where they manufacture financial products and should comply with the rules on financial advisers where they provide investment advice or insurance advice. Therefore, where such entities carry out activities of both financial market participants and financial advisers concurrently, such entities should be deemed to be financial market participants where they act in the capacity of manufacturers of financial products, including portfolio management, and should be deemed to be financial advisers where they provide investment or insurance advice.
- (8) As the Union is increasingly faced with the catastrophic and unpredictable consequences of climate change, resource depletion and other sustainability-related issues, urgent action is needed to mobilise capital not only through public policies but also by the financial services sector. Therefore, financial market participants and financial advisers should be required to disclose specific information regarding their approaches to the integration of sustainability risks and the consideration of adverse sustainability impacts.

- (9) In the absence of harmonised Union rules on sustainability-related disclosures to end investors, it is likely that diverging measures will continue to be adopted at national level and different approaches in different financial services sectors might persist. Such divergent measures and approaches would continue to cause significant distortions of competition because of significant differences in disclosure standards. In addition, the parallel development of market-based practices that are based on commercially-driven priorities that produce divergent results currently causes further market fragmentation and might even further exacerbate inefficiencies in the functioning of the internal market in the future. Divergent disclosure standards and market-based practices make it very difficult to compare different financial products, create an uneven playing field for such products and for distribution channels, and erect additional barriers within the internal market. Such divergences could also be confusing for end investors and could distort their investment decisions. In ensuring compliance with the Paris Agreement, there is a risk that Member States adopt divergent national measures which could create obstacles to the smooth functioning of the internal market and be detrimental to financial market participants and financial advisers. Furthermore, the lack of harmonised rules relating to transparency makes it difficult for end investors to effectively compare different financial products in different Member States with respect to their environmental, social and governance risks and sustainable investment objectives. It is therefore necessary to address existing obstacles to the functioning of the internal market and to enhance the comparability of financial products in order to avoid likely future obstacles.

- (10) This Regulation aims to reduce information asymmetries in principal-agent relationships with regard to the integration of sustainability risks, the consideration of adverse sustainability impacts, the promotion of environmental or social characteristics, and sustainable investment, by requiring financial market participants and financial advisers to make pre-contractual and ongoing disclosures to end investors when they act as agents of those end investors (principals).
- (11) This Regulation supplements the disclosure requirements laid down in Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2014/65/EU, (EU) 2016/97, (EU) 2016/2341, and Regulations (EU) No 345/2013, (EU) No 346/2013, (EU) 2015/760 and (EU) 2019/1238 as well as in national law governing personal and individual pension products. To ensure the orderly and effective monitoring of compliance with this Regulation, Member States should rely on the competent authorities already designated under those rules.

- (12) This Regulation maintains the requirements for financial market participants and financial advisers to act in the best interest of end investors, including but not limited to, the requirement of conducting adequate due diligence prior to making investments, provided for in Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, 2014/65/EU, (EU) 2016/97, (EU) 2016/2341, and Regulations (EU) No 345/2013 and (EU) No 346/2013, as well as in national law governing personal and individual pension products. In order to comply with their duties under those rules, financial market participants and financial advisers should integrate in their processes, including in their due diligence processes, and should assess on a continuous basis not only all relevant financial risks but also including all relevant sustainability risks that might have a relevant material negative impact on the financial return of an investment or advice. Therefore, financial market participants and financial advisers should specify in their policies how they integrate those risks and publish those policies.

- (13) This Regulation requires financial market participants and financial advisers which provide investment advice or insurance advice with regard to insurance-based investment products (IBIPs), regardless of the design of the financial product and the target market, to publish written policies on the integration of sustainability risks and ensure the transparency of such integration.
- (14) A sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment, as specified in sectoral legislation, in particular in Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, 2014/65/EU, (EU) 2016/97, (EU) 2016/2341, or delegated acts and regulatory technical standards adopted pursuant to them.

- (15) This Regulation should be without prejudice to the rules on the risk integration under Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, 2014/65/EU, (EU) 2016/97, (EU) 2016/2341, and Regulations (EU) No 345/2013 and (EU) No 346/2013 and as well as under national law governing personal and individual pension products, including but not limited to the relevant applicable proportionality criteria such as size, internal organisation and the nature, scope and complexity of the activities in question. This Regulation seeks to achieve more transparency regarding how financial market participants and financial advisers integrate sustainability risks into their investment decisions and investment or insurance advice. Where the sustainability risk assessment leads to the conclusion that there are no sustainability risks deemed to be relevant to the financial product, the reasons therefor should be explained. Where the assessment leads to the conclusion that those risks are relevant, the extent to which those sustainability risks might impact the performance of the financial product should be disclosed either in qualitative or quantitative terms. The sustainability risk assessments and related pre-contractual disclosures by financial market participants should feed into pre-contractual disclosures by financial advisers. Financial advisers should disclose how they take sustainability risks into account in the selection process of the financial product that is presented to the end investors before providing the advice, regardless of the sustainability preferences of the end investors. This should be without prejudice to the application of provisions of national law transposing Directives 2014/65/EU and (EU) 2016/97, in particular the obligations on financial market participants and financial advisers as regards product governance, assessments of suitability and appropriateness, and the demands-and-needs test.

- (16) Investment decisions and advice might cause, contribute to or be directly linked to effects on sustainability factors that are negative, material or likely to be material.
- (17) To ensure the coherent and consistent application of this Regulation, it is necessary to lay down a harmonised definition of ‘sustainable investment’ which provides that the investee companies follow good governance practices and the precautionary principle of ‘do no significant harm’ is ensured, so that neither the environmental nor the social objective is significantly harmed.

- (18) Where financial market participants, taking due account of their size, the nature and scale of their activities and the types of financial products they make available, consider principal adverse impacts, whether material or likely to be material, of investment decisions on sustainability factors, they should integrate in their processes, including in their due diligence processes, the procedures for considering the principal adverse impacts alongside the relevant financial risks and relevant sustainability risks. The information on such procedures might describe how financial market participants discharge their sustainability-related stewardship responsibilities or other shareholder engagements. Financial market participants should include on their websites information on those procedures and descriptions of the principal adverse impacts. In that respect, the Joint Committee of the European Banking Authority established by Regulation (EU) No 1093/2010 of the European Parliament and of the Council¹ (EBA), the European Insurance and Occupational Pensions Authority established by Regulation (EU) No 1094/2010 of the European Parliament and of the Council² (EIOPA) and the European Securities and Markets Authority established by Regulation (EU) No 1095/2010 of the European Parliament and of the Council³ (ESMA) (the ‘Joint Committee’), and financial market participants and financial advisers should consider the due diligence guidance for responsible business conduct developed by the Organisation for Economic Co-operation and Development (OECD) and the United Nations-supported Principles for Responsible Investment.

¹ Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).

² Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (OJ L 331, 15.12.2010, p. 48).

³ Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).

- (19) The consideration of sustainability factors in the investment decision-making and advisory processes can realise benefits beyond financial markets. It can increase the resilience of the real economy and the stability of the financial system. In so doing, it can ultimately impact on the risk-return of financial products. It is therefore essential that financial market participants and financial advisers provide the information necessary to enable end investors to make informed investment decisions.
- (20) Financial market participants which consider the principal adverse impacts of investment decisions on sustainability factors should disclose in the pre-contractual information for each financial product, concisely in qualitative or quantitative terms, how such impacts are considered as well as a statement that information on the principal adverse impacts on sustainability factors is available in the ongoing reporting. Principal adverse impacts should be understood as those impacts of investment decisions and advice that result in negative effects on sustainability factors.

- (21) Sustainable products with various degrees of ambition have been developed to date. Therefore, for the purposes of pre-contractual disclosures and disclosures in periodical reports, it is necessary to distinguish between the requirements for financial products which promote environmental or social characteristics and those for financial products which have as an objective a positive impact on the environment and society. As a consequence, as regards the financial products with environmental or social characteristics, financial market participants should disclose whether and how the designated index, sustainability index or mainstream index, is aligned with those characteristics and where no benchmark is used, information on how the sustainability characteristics of the financial products are met. As regards financial products which have as an objective a positive impact on the environment and society, financial market participants should disclose which sustainable benchmark they use to measure the sustainable performance and where no benchmark is used, explain how the sustainable objective is met. Those disclosures by means of periodic reports should be carried out annually.

- (22) This Regulation is without prejudice to the rules on remuneration or the assessment of the performance of staff of financial market participants and financial advisers under Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, 2014/65/EU, (EU) 2016/97, (EU) 2016/2341, and Regulations (EU) No 345/2013 and (EU) No 346/2013, or to implementing acts and national law governing personal and individual pension products, including but not limited to the relevant applicable proportionality criteria such as size, internal organisation and the nature, scope and complexity of the activities in question. It is, however, appropriate to achieve more transparency, in qualitative or quantitative terms, on the remuneration policies of financial market participants and financial advisers, with respect to their investment or insurance advice, that promote sound and effective risk management with respect to sustainability risks whereas the structure of remuneration does not encourage excessive risk-taking with respect to sustainability risks and is linked to risk-adjusted performance.
- (23) To enhance transparency and inform end investors, access to information on how financial market participants and financial advisers integrate relevant sustainability risks, whether material or likely to be material, in their investment decision making processes, including the organisational, risk management and governance aspects of such processes, and in their advisory processes, respectively, should be regulated by requiring those entities to maintain concise information about those policies on their websites.

(24) The current disclosure requirements set out in Union law do not require the disclosure of all the information necessary to properly inform end investors about the sustainability-related impact of their investments in financial products with environmental or social characteristics or financial products which pursue sustainability objectives. Therefore, it is appropriate to set out more specific and standardised disclosure requirements with regard to such investments. For instance, the overall sustainability-related impact of financial products should be reported regularly by means of indicators relevant for measuring the chosen sustainable investment objective. Where an appropriate index has been designated as a reference benchmark, that information should also be provided for the designated index as well as for a broad market index to allow for comparison. Where EuSEF managers make available information on the positive social impact that is the objective of a given fund, on the overall social outcome achieved and on the related methods used in accordance with Regulation (EU) No 346/2013, they might, where appropriate, use such information for the purposes of the disclosures under this Regulation.

- (25) Directive 2013/34/EU of the European Parliament and of the Council¹ imposes transparency obligations as regards environmental, social and corporate governance matters in non-financial reporting. However, the form and presentation required by that Directive is not, always suitable for direct use by financial market participants and financial advisers when dealing with end investors. Financial market participants and financial advisers should have the option to use information in management reports and non-financial statements for the purposes of this Regulation in accordance with that Directive, where appropriate.
- (26) To ensure the reliability of information published on the websites of financial market participants and financial advisers, such information should be kept up to date, and any revisions or changes to such information should be clearly explained.

¹ Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).

- (27) Even though this Regulation does not cover national social security schemes covered by Regulations (EC) No 883/2004 and (EC) No 987/2009, in view of the fact that Member States increasingly open up parts of the management of compulsory pension schemes within their social security systems to financial market participants or other entities under private law, and as such schemes are exposed to sustainability risks and might consider adverse sustainability impacts, promote environmental or social characteristics or pursue sustainable investment, Member States should have the option to apply this Regulation with regard to such schemes in order to mitigate information asymmetries.
- (28) This Regulation should not prevent a Member State from adopting or maintaining in force more stringent provisions on the publication of climate change adaptation policies and on additional disclosures to end investors regarding sustainability risks provided that the affected financial market participants and financial advisers, have their head offices in its territory. However, such provisions should not impede the effective application of this Regulation or the achievement of its objectives.

- (29) Under Directive (EU) 2016/2341, IORPs are already required to apply governance and risk-management rules to their investment decisions and risk assessments in order to ensure continuity and regularity. Investment decisions and the assessment of relevant risks, including environmental, social and governance risks, should be made in such a manner as to ensure compliance with the interests of members and beneficiaries of IORPs. EIOPA should issue guidelines specifying how investment decisions and risk assessments by IORPs are to take into account environmental, social and governance risks under that Directive.
- (30) EBA, EIOPA and ESMA (collectively, the ‘ESAs’) should be mandated, through the Joint Committee, to develop draft regulatory technical standards to further specify the content, methodologies and presentation of information in relation to sustainability indicators with regard to climate and other environment-related adverse impacts, to social and employee matters, to respect for human rights, and to anti-corruption and anti-bribery matters, as well as to specify the presentation and content of the information with regard to the promotion of environmental or social characteristics and sustainable investment objectives to be disclosed in pre-contractual documents, annual reports and on websites of financial market participants in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010. The Commission should be empowered to adopt those regulatory technical standards by means of delegated acts pursuant to Article 290 of the Treaty on the Functioning of the European Union (TFEU) and in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010.

- (31) The ESAs should be mandated, through the Joint Committee, to develop draft implementing technical standards to determine the standard presentation of information on the promotion of environmental or social characteristics and sustainable investments in marketing communications. The Commission should be empowered to adopt those implementing technical standards by means of an implementing act pursuant to Article 291 TFEU and in accordance with Article 15 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010.
- (32) Since annual reports in principle summarise business results for complete calendar years, the provisions of this Regulation regarding the transparency requirements for such reports should not apply until ... [1 January of the year following the date referred to in the second subparagraph of Article 20].
- (33) The disclosure rules contained in this Regulation should supplement the provisions of Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2014/65/EU, (EU) 2016/97 and (EU) 2016/2341, and Regulations (EU) No 345/2013, (EU) No 346/2013, (EU) 2015/760 and (EU) 2019/1238.

- (34) This Regulation respects fundamental rights and observes the principles recognised in particular by the Charter of the Fundamental Rights of the European Union.
- (35) Since the objectives of this Regulation, namely to strengthen protection for end investors and improve disclosures to them, including in cases of cross-border purchases by end investors, cannot be sufficiently achieved by the Member States but can rather, by reason of the need to lay down uniform disclosure requirements, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives,

HAVE ADOPTED THIS REGULATION:

Article 1
Subject matter

This Regulation lays down harmonised rules for financial market participants and financial advisers on transparency with regard to the integration of sustainability risks and the consideration of adverse sustainability impacts in their processes and the provision of sustainability-related information with respect to financial products.

Article 2
Definitions

For the purposes of this Regulation, the following definitions apply:

- (1) ‘financial market participant’ means:
 - (a) an insurance undertaking which makes available an insurance-based investment product (IBIP);
 - (b) an investment firm which provides portfolio management;
 - (c) an institution for occupational retirement provision (IORP);
 - (d) a manufacturer of a pension product;
 - (e) an alternative investment fund manager (AIFM);

- (f) a pan-European personal pension product (PEPP) provider;
 - (g) a manager of a qualifying venture capital fund registered in accordance with Article 14 of Regulation (EU) No 345/2013;
 - (h) a manager of a qualifying social entrepreneurship fund registered in accordance with Article 15 of Regulation (EU) No 346/2013;
 - (i) a management company of an undertaking for collective investment in transferable securities (UCITS management company); or
 - (j) a credit institution which provides portfolio management;
- (2) ‘insurance undertaking’ means an insurance undertaking authorised in accordance with Article 18 of Directive 2009/138/EC;
- (3) ‘insurance-based investment product’ or ‘IBIP’ means:
- (a) an insurance-based investment product as defined in point (2) of Article 4 of Regulation (EU) No 1286/2014 of the European Parliament and of the Council¹; or
 - (b) an insurance product which is made available to a professional investor and which offers a maturity or surrender value that is wholly or partially exposed, directly or indirectly, to market fluctuations;

¹ Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) (OJ L 352, 9.12.2014, p. 1).

- (4) ‘alternative investment fund manager’ or ‘AIFM’ means an AIFM as defined in point (b) of Article 4(1) of Directive 2011/61/EU;
- (5) ‘investment firm’ means an investment firm as defined in point (1) of Article 4(1) of Directive 2014/65/EU;
- (6) ‘portfolio management’ means portfolio management as defined in in point (8) of Article 4(1) of Directive 2014/65/EU;
- (7) ‘institution for occupational retirement provision’ or ‘IORP’ means an institution for occupational retirement provision authorised or registered in accordance with Article 9 of Directive (EU) 2016/2341 except an institution in respect of which a Member State has chosen to apply Article 5 of that Directive or an institution that operates pension schemes which together have less than 15 members in total;
- (8) ‘pension product’ means:
 - (a) a pension product as referred to in point (e) of Article 2(2) of Regulation (EU) No 1286/2014; or
 - (b) an individual pension product as referred to in point (g) of Article 2(2) of Regulation (EU) No 1286/2014;
- (9) ‘pan-European Personal Pension Product’ or ‘PEPP’ means a product as referred to in point (2) of Article 2 of Regulation (EU) 2019/1238;

- (10) ‘UCITS management company’ means:
- (a) a management company as defined in point (b) of Article 2(1) of Directive 2009/65/EC; or
 - (b) an investment company authorised in accordance with Directive 2009/65/EC which has not designated a management company authorised under that Directive for its management;
- (11) ‘financial adviser’ means:
- (a) an insurance intermediary which provides insurance advice with regard to IBIPs;
 - (b) an insurance undertaking which provides insurance advice with regard to IBIPs;
 - (c) a credit institution which provides investment advice;
 - (d) an investment firm which provides investment advice;
 - (e) an AIFM which provides investment advice in accordance with point (b)(i) of Article 6(4) of Directive 2011/61/EU; or
 - (f) a UCITS management company which provides investment advice in accordance with point (b)(i) of Article 6(3) of Directive 2009/65/EC;

- (12) ‘financial product’ means:
- (a) a portfolio managed in accordance with point (6) of this Article;
 - (b) an alternative investment fund (AIF);
 - (c) an IBIP;
 - (d) a pension product;
 - (e) a pension scheme;
 - (f) a UCITS; or
 - (g) a PEPP;
- (13) ‘alternative investment funds’ or ‘AIFs’ means AIFs as defined in point (a) of Article 4(1) of Directive 2011/61/EU;
- (14) ‘pension scheme’ means a pension scheme as defined in point (2) of Article 6 of Directive (EU) 2016/2341;
- (15) ‘undertaking for collective investment in transferable securities’ or ‘UCITS’ means an undertaking authorised in accordance with Article 5 of Directive 2009/65/EC;
- (16) ‘investment advice’ means investment advice as defined in point (4) of Article 4(1) of Directive 2014/65/EU;

- (17) ‘sustainable investment’ means an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance;
- (18) ‘professional investor’ means a client who meets the criteria laid down in Annex II to Directive 2014/65/EU;
- (19) ‘retail investor’ means an investor who is not a professional investor;
- (20) ‘insurance intermediary’ means an insurance intermediary as defined in point (3) of Article 2(1) of Directive (EU) 2016/97;
- (21) ‘insurance advice’ means advice as defined in point (15) of Article 2(1) of Directive (EU) 2016/97;

- (22) ‘sustainability risk’ means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment;
- (23) ‘European long-term investment fund’ or ‘ELTIF’ means a fund authorised in accordance with Article 6 of Regulation (EU) 2015/760;
- (24) ‘sustainability factors’ mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Article 3

Transparency of sustainability risk policies

1. Financial market participants shall publish on their websites information about their policies on the integration of sustainability risks in their investment decision-making process.
2. Financial advisers shall publish on their websites information about their policies on the integration of sustainability risks in their investment advice or insurance advice.

Article 4

Transparency of adverse sustainability impacts at entity level

1. Financial market participants shall publish and maintain on their websites:
 - (a) where they consider principal adverse impacts of investment decisions on sustainability factors, a statement on due diligence policies with respect to those impacts, taking due account of their size, the nature and scale of their activities and the types of financial products they make available; or
 - (b) where they do not consider adverse impacts of investment decisions on sustainability factors, clear reasons for why they do not do so, including, where relevant, information as to whether and when they intend to consider such adverse impacts.

2. Financial market participants shall include in the information provided in accordance with point (a) of paragraph 1 at least the following:
 - (a) information about their policies on the identification and prioritisation of principal adverse sustainability impacts and indicators;
 - (b) a description of the principal adverse sustainability impacts and of any actions in relation thereto taken or, where relevant, planned;
 - (c) brief summaries of engagement policies in accordance with Article 3g of Directive 2007/36/EC, where applicable;

- (d) a reference to their adherence to responsible business conduct codes and internationally recognised standards for due diligence and reporting and, where relevant, the degree of their alignment with the objectives of the Paris Agreement.
3. By way of derogation from paragraph 1, from ... [18 months after the date of entry into force of this Regulation], financial market participants exceeding on their balance sheet dates the criterion of the average number of 500 employees during the financial year shall publish and maintain on their websites a statement on their due diligence policies with respect to the principal adverse impacts of investment decisions on sustainability factors. That statement shall at least include the information referred to in paragraph 2.
4. By way of derogation from paragraph 1 of this Article, from ... [18 months after the date of entry into force of this Regulation], financial market participants which are parent undertakings of a large group as referred to in Article 3(7) of Directive 2013/34/EU exceeding on the balance sheet date of the group, on a consolidated basis, the criterion of the average number of 500 employees during the financial year shall publish and maintain on their websites a statement on their due diligence policies with respect to the principal adverse impacts of investment decisions on sustainability factors. That statement shall at least include the information referred to in of paragraph 2.

5. Financial advisers shall publish and maintain on their websites:
- (a) information as to whether, taking due account of their size, the nature and scale of their activities and the types of financial products they advise on, they consider in their investment advice or insurance advice the principal adverse impacts on sustainability factors; or
 - (b) information as to why they do not to consider adverse impacts of investment decisions on sustainability factors in their investment advice or insurance advice, and, where relevant, including information as to whether and when they intend to consider such adverse impacts.
6. By ... [12 months after the date of entry into force of this Regulation], the ESAs shall develop, through the Joint Committee, draft regulatory technical standards in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010 on the content, methodologies and presentation of information referred to in paragraphs 1 to 5 of this Article in respect of the sustainability indicators in relation to adverse impacts on the climate and other environment-related adverse impacts.

The ESAs shall, where relevant, seek input from the European Environment Agency and the Joint Research Centre of the European Commission.

Power is delegated to the Commission to supplement this Regulation by adopting the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010.

7. By ... [24 months after the date of entry into force of this Regulation], the ESAs shall develop, through the Joint Committee, draft regulatory technical standards in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010 on the content, methodologies and presentation of information referred to in paragraphs 1 to 5 of this Article in respect of sustainability indicators in relation to adverse impacts in the field of social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Power is delegated to the Commission to supplement this Regulation by adopting the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010.

Article 5

*Transparency of remuneration policies in relation
to the integration of sustainability risks*

1. Financial market participants and financial advisers shall include in their remuneration policies information on how those policies are consistent with the integration of sustainability risks, and shall publish that information on their websites.
2. The information referred to in paragraph 1 shall be included in remuneration policies that financial market participants and financial advisers are required to establish and maintain in accordance with sectoral legislation, in particular Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, 2014/65/EU, (EU) 2016/97 and (EU) 2016/2341.

Article 6

Transparency of the integration of sustainability risks

1. Financial market participants shall include descriptions of the following in pre-contractual disclosures:
 - (a) the manner in which sustainability risks are integrated into their investment decisions; and
 - (b) the results of the assessment of the likely impacts of sustainability risks on the returns of the financial products they make available.

Where financial market participants deem sustainability risks not to be relevant, the descriptions referred to in the first subparagraph shall include a clear and concise explanation of the reasons therefor.

2. Financial advisers shall include descriptions of the following in pre-contractual disclosures:
 - (a) the manner in which sustainability risks are integrated into their investment or insurance advice; and
 - (b) the result of the assessment of the likely impacts of sustainability risks on the returns of the financial products they advise on.

Where financial advisers deem sustainability risks not to be relevant, the descriptions referred to in the first subparagraph shall include a clear and concise explanation of the reasons therefor.

3. The information referred to in paragraphs 1 and 2 of this Article shall be disclosed in the following manner:
 - (a) for AIFMs, in the disclosures to investors referred to in Article 23(1) of Directive 2011/61/EU;

- (b) for insurance undertakings, in the provision of information referred to in Article 185(2) of Directive 2009/138/EC or, where relevant, in accordance with Article 29(1) of Directive (EU) 2016/97;
- (c) for IORPs, in the provision of information referred to in Article 41 of Directive (EU) 2016/2341;
- (d) for managers of qualifying venture capital funds, in the provision of information referred to in Article 13(1) of Regulation (EU) No 345/2013;
- (e) for managers of qualifying social entrepreneurship funds, in the provision of information referred to in Article 14(1) of Regulation (EU) No 346/2013;
- (f) for manufacturers of pension products, in writing in good time before a retail investor is bound by a contract relating to a pension product;
- (g) for UCITS management companies, in the prospectus referred to in Article 69 of Directive 2009/65/EC;
- (h) for investment firms which provide portfolio management or provide investment advice, in accordance with Article 24(4) of Directive 2014/65/EU;
- (i) for credit institutions which provide portfolio management or provide investment advice, in accordance with Article 24(4) of Directive 2014/65/EU;

- (j) for insurance intermediaries and insurance undertakings which provide insurance advice with regard to IBIPs and for insurance intermediaries which provide insurance advice with regard to pension products exposed to market fluctuations, in accordance with Article 29(1) of Directive (EU) 2016/97;
- (k) for AIFMs of ELTIFs, in the prospectus referred to in Article 23 of Regulation (EU) 2015/760;
- (l) for PEPP providers, in the PEPP key information document referred to in Article 26 of Regulation (EU) 2019/1238.

Article 7

Transparency of adverse sustainability impacts at financial product level

1. By ... [36 months after the date of entry into force of this Regulation], for each financial product where a financial market participant applies point (a) of Article 4(1) or Article 4(3) or (4), the disclosures referred to in Article 6(3) shall include the following:
 - (a) a clear and reasoned explanation of whether, and, if so, how a financial product considers principal adverse impacts on sustainability factors;
 - (b) a statement that information on principal adverse impacts on sustainability factors is available in the information to be disclosed pursuant to Article 11(2).

Where information in Article 11(2) includes quantifications of principal adverse impacts on sustainability factors, that information may rely on the provisions of the regulatory technical standards adopted pursuant to Article 4(6) and (7).

2. Where a financial market participant applies point (b) of Article 4(1), the disclosures referred to in Article 6(3) shall include for each financial product a statement that the financial market participant does not consider the adverse impacts of investment decisions on sustainability factors and the reasons therefor.

Article 8

Transparency of the promotion of environmental or social characteristics in pre-contractual disclosures

1. Where a financial product promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices, the information to be disclosed pursuant to Article 6(1) and (3) shall include the following:
 - (a) information on how those characteristics are met;
 - (b) if an index has been designated as a reference benchmark, information on whether and how this index is consistent with those characteristics.

2. Financial market participants shall include in the information to be disclosed pursuant to Article 6(1) and (3) an indication of where the methodology used for the calculation of the index referred to in paragraph 1 of this Article is to be found.
3. The ESAs shall, through the Joint Committee, develop draft regulatory technical standards to specify the details of the presentation and content of the information to be disclosed pursuant to this Article.

When developing the draft regulatory technical standards referred to in the first subparagraph, the ESAs shall take into account the various types of financial products, their characteristics and the differences between them, as well as the objective that disclosures are to be accurate, fair, clear, not misleading, simple and concise.

The ESAs shall submit the draft regulatory technical standards referred to in the first subparagraph to the Commission by ... [12 months after the date of entry into force of this Regulation].

Power is delegated to the Commission to supplement this Regulation by adopting the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010.

Article 9

Transparency of sustainable investments in pre-contractual disclosures

1. Where a financial product has sustainable investment as its objective and an index has been designated as a reference benchmark, the information to be disclosed pursuant to Article 6(1) and (3) shall be accompanied by the following:
 - (a) information on how the designated index is aligned with that objective;
 - (b) an explanation as to why and how the designated index aligned with that objective differs from a broad market index.
2. Where a financial product has sustainable investment as its objective and no index has been designated as a reference benchmark, the information to be disclosed pursuant to Article 6(1) and (3) shall include an explanation on how that objective is to be attained.
3. Where a financial product has a reduction in carbon emissions as its objective, the information to be disclosed pursuant to Article 6(1) and (3) shall include the objective of low carbon emission exposure in view of achieving the long-term global warming objectives of the Paris Agreement.

By way of derogation from paragraph 2 of this Article, where no EU Climate Transition Benchmark or EU Paris-aligned Benchmark in accordance with Regulation (EU) 2016/1011 of the European Parliament and of the Council¹ is available, the information referred to in Article 6 shall include a detailed explanation of how the continued effort of attaining the objective of reducing carbon emissions is ensured in view of achieving the long-term global warming objectives of the Paris Agreement.

4. Financial market participants shall include in the information to be disclosed pursuant to Article 6(1) and (3) an indication of where the methodology used for the calculation of the indices referred to in paragraph 1 of this Article and the benchmarks referred to in the second subparagraph of paragraph 3 of this Article are to be found.
5. The ESAs shall, through the Joint Committee, develop draft regulatory technical standards to specify the details of the presentation and content of the information to be disclosed pursuant to this Article.

When developing the draft regulatory technical standards referred to in the first subparagraph of this paragraph, the ESAs shall take into account the various types of financial products, their objectives as referred to in paragraphs 1, 2 and 3 and the differences between them as well as the objective that disclosures are to be accurate, fair, clear, not misleading, simple and concise.

¹ 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 (OJ L 171, 29.6.2016, p. 1).

The ESAs shall submit the draft regulatory technical standards referred to in the first subparagraph to the Commission by ... [12 months after the date of entry into force of this Regulation].

Power is delegated to the Commission to supplement this Regulation by adopting the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010.

Article 10

Transparency of the promotion of environmental or social characteristics and of sustainable investments on websites

1. Financial market participants shall publish and maintain on their websites the following information for each financial product referred to in Article 8(1) and Article 9(1), (2) and (3):
 - (a) a description of the environmental or social characteristics or the sustainable investment objective;

- (b) information on the methodologies used to assess, measure and monitor the environmental or social characteristics or the impact of the sustainable investments selected for the financial product, including its data sources, screening criteria for the underlying assets and the relevant sustainability indicators used to measure the environmental or social characteristics or the overall sustainable impact of the financial product;
- (c) the information referred to in Articles 8 and 9;
- (d) the information referred to in Article 11.

The information to be disclosed pursuant to the first subparagraph shall be clear, succinct and understandable to investors. It shall be published in a way that is accurate, fair, clear, not misleading, simple and concise and in a prominent easily accessible area of the website.

2. The ESAs shall, through the Joint Committee, develop draft regulatory technical standards to specify the details of the content of the information referred to in points (a) and (b) of the first subparagraph of paragraph 1, and the presentation requirements referred to in the second subparagraph of that paragraph.

When developing the draft regulatory technical standards referred to in the first subparagraph of this paragraph, the ESAs shall take into account the various types of financial products, their characteristics and objectives as referred to in paragraph 1 and the differences between them. The ESAs shall update the regulatory technical standards in the light of regulatory and technological developments.

The ESAs shall submit the draft regulatory technical standards referred to in the first subparagraph to the Commission by ... [12 months after the date of entry into force of this Regulation].

Power is delegated to the Commission to supplement this Regulation by adopting the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010.

Article 11

*Transparency of the promotion of environmental or social characteristics
and of sustainable investments in periodic reports*

1. Where financial market participants make available a financial product as referred to in Article 8(1) or in Article 9(1), (2) or (3), they shall include a description of the following in periodic reports:
 - (a) for a financial product as referred to in Article 8(1), the extent to which environmental or social characteristics are met;
 - (b) for a financial product as referred to in Article 9(1), (2) or (3):
 - (i) the overall sustainability-related impact of the financial product by means of relevant sustainability indicators; or
 - (ii) where an index has been designated as a reference benchmark, a comparison between the overall sustainability-related impact of the financial product with the impacts of the designated index and of a broad market index through sustainability indicators.
2. The information referred to in paragraph 1 of this Article shall be disclosed in the following manner:
 - (a) for AIFMs, in the annual report referred to in Article 22 of Directive 2011/61/EU;

- (b) for insurance undertakings, annually in writing in accordance with Article 185(6) of Directive 2009/138/EC;
- (c) for IORPs, in the annual report referred to in Article 29 of Directive (EU) 2016/2341;
- (d) for managers of qualifying venture capital funds, in the annual report referred to in Article 12 of Regulation (EU) No 345/2013;
- (e) for managers of qualifying social entrepreneurship funds, in the annual report referred to in Article 13 of Regulation (EU) No 346/2013;
- (f) for manufacturers of pension products, in writing in the annual report or in a report in accordance with national law;
- (g) for UCITS management companies, in the annual report referred to in Article 69 of Directive 2009/65/EC;
- (h) for investment firms which provide portfolio management, in a periodic report as referred to in Article 25(6) of Directive 2014/65/EU;
- (i) for credit institutions which provide portfolio management, in a periodic report as referred to in Article 25(6) of Directive 2014/65/EU;
- (j) for PEPP providers, in the PEPP Benefit Statement referred to in Article 36 of Regulation (EU) 2019/1238.

3. For the purposes of paragraph 1 of this Article, financial market participants may use the information in management reports in accordance with Article 19 of Directive 2013/34/EU or the information in non-financial statements in accordance with Article 19a of that Directive where appropriate.
4. The ESAs shall, through the Joint Committee, develop draft regulatory technical standards to specify the details of the content and presentation of information referred to in paragraph 1.

When developing the draft regulatory technical standards referred to in the first subparagraph, the ESAs shall take into account the various types of financial products, their characteristics and objectives and the differences between them. The ESAs shall update the regulatory technical standards in the light of regulatory and technological developments.

The ESAs shall submit the draft regulatory technical standards referred to in the first subparagraph to the Commission by ...[12 months after the date of entry into force of this Regulation].

Power is delegated to the Commission to supplement this Regulation by adopting the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010.

Article 12
Review of disclosures

1. Financial market participants shall ensure that any information published in accordance with Article 3, 5 or 10 is kept up to date. Where a financial market participant amends such information, a clear explanation of such amendment shall be published on the same website.
2. Paragraph 1 shall apply *mutatis mutandis* to financial advisers with regard to any information published in accordance with Articles 3 and 5.

Article 13
Marketing communications

1. Without prejudice to stricter sectoral legislation, in particular Directives 2009/65/EC, 2014/65/EU and (EU) 2016/97 and Regulation (EU) No 1286/2014, financial market participants and financial advisers shall ensure that their marketing communications do not contradict the information disclosed pursuant to this Regulation.
2. The ESAs may develop, through the Joint Committee, draft implementing technical standards to determine the standard presentation of information on the promotion of environmental or social characteristics and sustainable investments.

Power is delegated to the Commission to adopt the implementing technical standards referred to in the first subparagraph in accordance with Article 15 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010.

Article 14

Competent authorities

1. Member States shall ensure that the competent authorities designated in accordance with sectoral legislation, in particular the sectoral legislation referred to in Article 6(3) of this Regulation, and in accordance with Directive 2013/36/EU, monitor the compliance of financial market participants and financial advisers with the requirements of this Regulation. The competent authorities shall have all the supervisory and investigatory powers that are necessary for the exercise of their functions under this Regulation.
2. For the purposes of this Regulation, the competent authorities shall cooperate with each other and shall provide each other, without undue delay, with such information as is relevant for the purposes of carrying out their duties under this Regulation.

Article 15

Transparency by IORPs and insurance intermediaries

1. IORPs shall publish and maintain the information referred to in Articles 3 to 7 and the first subparagraph of Article 10(1), of this Regulation in accordance with point (f) of Article 36(2) of Directive (EU) 2016/2341.
2. Insurance intermediaries shall communicate the information referred to in Article 3, Article 4(5), Article 5, Article 6 and the first subparagraph of Article 10(1), of this Regulation in accordance with Article 23 of Directive (EU) 2016/97.

Article 16

Pension products covered by Regulations (EC) No 883/2004 and (EC) No 987/2009

1. Member States may decide to apply this Regulation to manufacturers of pension products operating national social security schemes which are covered by Regulations (EC) No 883/2004 and (EC) No 987/2009. In such cases, manufacturers of pension products as referred to in point (1)(d) of Article 2 of this Regulation shall include manufacturers of pension products operating national social security schemes and of pension products referred to in point (8) of Article 2 of this Regulation. In such case, the definition of pension product in point (8) of Article 2 of this Regulation shall be deemed to include the pension products referred to in the first sentence.
2. Member States shall notify the Commission and the ESAs of any decision taken pursuant to paragraph 1.

Article 17

Exemptions

1. This Regulation shall neither apply to insurance intermediaries which provide insurance advice with regard to IBIPs nor to investment firms which provide investment advice that are enterprises irrespective of their legal form, including natural persons and self-employed persons, provided that they employ fewer than three persons.

2. Member States may decide to apply this Regulation to insurance intermediaries which provide insurance advice with regard to IBIPs or investment firms which provide investment advice as referred to in paragraph 1.
3. Member States shall notify the Commission and the ESAs of any decision taken pursuant to paragraph 2.

Article 18

Report

The ESAs shall take stock of the extent of voluntary disclosures in accordance with point (a) of Article 4(1) and point (a) of Article 7(1). By ... [18 months from the date of application of Articles 4 and 7] and every year thereafter, the ESAs shall submit a report to the Commission on best practices and make recommendations towards voluntary reporting standards. That annual report shall consider the implications of due diligence practices on disclosures under this Regulation and shall provide guidance on this matter. That report shall be made public and be transmitted to the European Parliament and to the Council.

Article 19
Evaluation

1. By ... [36 months after the date of entry into force of this Regulation], the Commission shall evaluate the application of this Regulation and shall in particular consider:
 - (a) whether the reference to the average number of employees in Article 4(3) and (4) should be maintained, replaced or accompanied by other criteria, and shall consider the benefits and proportionality of the related administrative burden;
 - (b) whether the functioning of this Regulation is inhibited by the lack of data or their suboptimal quality, including indicators on adverse impacts on sustainability factors by investee companies.
2. The evaluation referred to in paragraph 1 shall be accompanied, if appropriate, by a legislative proposal.

Article 20
Entry into force and application

1. This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

2. This Regulation shall apply from ... [15 months following the date of publication of this Regulation in the *Official Journal of the European Union*].
3. By way of derogation from paragraph 2 of this Article, Article 4(6) and (7), Article 8(3), Article 9(5), Article 10(2), Article 11(4), and Article 13(2) shall apply from ... [date of entry into force of this Regulation] and Article 11(1) to (3) shall apply from ... [1 January of the year following the date referred to in paragraph 2 of this Article].

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Strasbourg,

For the European Parliament
The President

For the Council
The President